

Chief Executive's Office

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

5th July, 2006

Dear Councillor,

**MEETING OF CABINET
THURSDAY, 13TH JULY, 2006 AT 2.00 P.M.
THE COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD**

AGENDA (06/04)

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

To receive any declarations of interest by Members in respect of items on this agenda.

3. PROGRESS ON IMPROVEMENT FOLLOWING THE JOINT AREA REVIEW IN HEREFORDSHIRE

To inform Cabinet on the latest improvement position and the response to the Department for Education and Skills (DfES) review report. *(Pages 1 - 44)*

4. MEDIUM TERM FINANCIAL PLAN

To invite Cabinet to approve the draft Medium term Financial Management Strategy (MTFMS) as a basis for consultation both within the Council and with strategic partners prior to approval of the final document in October 2006. *(Pages 45 - 112)*



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5. SUPPORT TO THE VOLUNTARY SECTOR STRATEGY

To advise Cabinet of responses received during the consultation process on the Strategy Framework and proposals to take the Framework forward. *(Pages 113 - 124)*

6. HOMELESSNESS UPDATE

To update Cabinet on progress made in relation to homelessness prevention in Herefordshire. *(Pages 125 - 128)*

7. PAY AND WORKFORCE DEVELOPMENT STRATEGY 2005/08

To provide an outturn report on the Council's Pay and Workforce Development Strategy operating plan for 2005/06 (following the report to Cabinet on 26th January 2006). *(Pages 129 - 132)*

8. REPORT OF THE STRATEGIC MONITORING COMMITTEE

To note the draft report of the Strategic Monitoring Committee to Council. *(Pages 133 - 142)*

Yours sincerely,



**N.M. PRINGLE
CHIEF EXECUTIVE**

Copies to: Chairman of the Council
Chairman of Strategic Monitoring Committee
Vice-Chairman of Strategic Monitoring Committee
Chairmen of Scrutiny Committees
Group Leaders
Directors
Head of Legal and Democratic Services



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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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PROGRESS ON IMPROVEMENT FOLLOWING THE JOINT AREA REVIEW IN HEREFORDSHIRE

PORTFOLIO RESPONSIBILITY: CHILDREN AND YOUNG PEOPLE SERVICES

CABINET

13TH JULY, 2006

Wards Affected

County-wide

Purpose

To advise Cabinet on the latest improvement position and the response to the Department for Education and Skills (DfES) review report.

Key Decision

This is not a Key Decision.

Recommendation

THAT Cabinet notes the improvement and the arrangements for the regional oversight of the next stages.

Reasons

To ensure routine monitoring of the processes and actions which will deliver improved outcomes for children and young people.

Financial Implications

The allocation of a Joint Area Review (JAR) improvement budget for 2006-07 is being used to commission short-term support arrangements and will be monitored as part of routine budget/financial management.

Considerations

1. Since the last report to Cabinet on 25th May, the progress has been maintained (latest version attached at Appendix 1).
2. A service management team of permanent staff now is in place in Children's Social Care with the appointment of new Head of Service – Safeguarding and Assessment.
3. Significant progress has been made on the first 4 recommendations and DfES and the Commission for Social Care Inspection (CSCI) are satisfied that this is the case. A survey is planned to assess level of understanding/acceptance of new guidance on thresholds.

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

4. Recommendations 5 and 6 for development of new Common Assessment processes including pilot in South Wye is on track.
5. There are 14 areas of activity in the JAR Improvement Action Plan due by the end of June 2006. Of these 9 have been completed, 4 are on track and 1 is slightly delayed in progress but will still be completed by the end of June 2006.
6. However, steady and continuing progress is still required particularly in relation to:-
 - Permanent social work staffing.
 - Rising numbers of referrals and the trends, and capacity considerations.
 - Case allocation in the duty team.
 - Waiting list for occupational therapy developed again as a result of staff vacancies.
7. The improvement agenda for children's services is progressing well. The recent external consultancy report to DfES has been very positive about progress to date. In those areas where further progress is required – particularly in relation to performance management, information management and commissioning, additional external support is already being accessed to increase the pace and change of development.
8. The DfES response to the review report has been to confirm that the key message of this project is that the response to the JAR has been positive and services have improved as a result.
9. In order to continue the pace and progress outlined in paragraph 7, the following way forward has been agreed by the Minister:

“a small scale external support programme to ensure the project and performance management outcomes”.
10. This programme will be delivered by oversight of a challenge and support board. The board will be chaired by the Deputy Director of Children & Learners, Government Office – West Midlands (GOWM). It will include the Children's Services Advisor for GOWM and the Business Relationship Manager for CSCI. It will be linked to routine business meetings with CSCI.
11. The setting up of this board will follow the meeting with the Minister on 11th July and it is to work on the basis of the already commissioned support by the Council on project and performance management as outlined in paragraph 7.
12. It is a shared ambition between the Council, DfES and GOWM that the Board would have a stock-take at the end of December 2006 in order to decide on progress and any need/requirement for the Board to continue.

Alternative Options

There are no alternative options

Risk Management

The project document for the next stages of the improvement includes a risk log which will be considered routinely. The items in paragraph 6 are contained in the on-going risk assessment.

Consultees

Children & Young People Partnership Board
Key staff involved in the JAR Improvement Plan

Background Papers

None identified.

**Herefordshire
Change for Children Programme**

**Action for a Better Herefordshire for all
Children and Young People**

JAR PERFORMANCE IMPROVEMENT ACTION PLAN

VERSION 2 16.06.06

We are delighted to endorse this Plan. It demonstrates the Council's commitment to raise the standard for children's services. It is an integral part of all we are doing with our partners to improve outcomes for Children and Young People in Herefordshire.

Roger Phillips, Leader of the Council
Neil Pringle, Chief Executive

The Commitment of the Local Authority & Its Partners:

We are committed as partners to the delivery of this Improvement Plan as an integral part of all we are doing to improve outcomes for children, young people and their families in Herefordshire.

Leader of the Council

Roger Phillips

Chief Executive

Neil Pringle

Deputy Chief Executive of the PCT

Simon Hairsnape

Director of Children's Services

Sue Fiennes

Director - Adult & Community Services

Geoff Hughes

**Divisional Commander, West Mercia
Police**

Mark Turner

Chief Executive Connexions

Roger Little

Chief Executive – L & Skills Council

Sharon Gray

Chief Executive – The Alliance

Helen Horton

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INTRODUCTION

PURPOSE of the Plan

In general:

- To enable the Council and its partners to deliver the best possible children's services and,
- To achieve better outcomes for children and young people in Herefordshire

In particular:

- To set out what the Council and its partners is doing and will do to respond to the Recommendations of the JAR Report of December 2005
- To provide a focus for partnership working to deliver the improvements required in service delivery
- To give clarity about accountability and responsibility for the actions required to address the recommendations

Development of the Plan

This Action Plan has been drawn up under the direction of the Director of Children's Services. It is subject to the approval of the Chief Executive, Lead Cabinet Member for Children's Services and the Leader of the Council. The plan will be fully endorsed by Cabinet Key partner organisations, including the PCT, Police and the Voluntary Sector, have been directly involved in producing the Plan. The Children and Young People's Partnership Board - the membership of which is constituted in accordance with the requirements of The Children Act 2004 - will endorse this updated version of the Action Plan.

DfES required further revisions of the draft plan produced at the beginning of February 2006 and this version is the responsive to the comments made. This version will go forward to dfES for approval in May 2006.

The Format of the plan

This document sets out the:-

- Ownership of the plan by the CYPP and how that will work
- Integration of this plan with the wider Children' and Young People's Plan and Local Area Agreement
- The response to ALL the JAR recommendations and how these will be brought together in a coherent programme of action in terms of timescale and service area
- Link between the outcomes of the plan and the 5 Every Child Matters Outcomes

The plan is presented in a way which:-

- Identifies the person responsible for each action by name
- Denotes expected outcomes and measures for those outcomes
- Describes the timescale for achieving each recommended improvement, and the milestones which will measure progress.
- The plan is set out in 3 parts
 - Part 1 - A summary chart to provide a quick overview and timeline
 - Part 2 – An accessible plan for general use and co-ordination describing outcomes, organisation, and milestones
 - Part 3 – Detailed action plans, which are located in service areas and held by the identified responsible officer (the service plans and team plans)

This document contains Parts 1 & 2.

Managing Delivery of the Plan

Clear arrangements are in place to ensure that there is clear responsibility and accountability for the delivery of the Plan.

There has also been an analysis of additional capacity requirements to manage and deliver the Plan.

In appendices at the end of the Plan there is further information on:

Strategic management

1. An illustration of the fit between this document and other plans
2. Linkage of the JAR recommendations to Children's trust arrangements / Change for Children and the proposed Outcome based arrangements
3. Performance Management Arrangements for Children's Services including Delivery of the JAR Action Plan &, in particular: Review arrangements related to the local application of the national improvement cycle

Operational management

4. A note of additional capacity already identified to deliver
5. Key achievements to date
6. Summary of remaining capacity pressures (human resources, financial resources, IT, structure) identified
7. A note of communication and staff development plans to ensure robust and sustainable improvement
8. Risk log for the Plan's delivery

Progress Requirements – Responsible Issue leads

JAR Action Group

Sue Fiennes – Chair, Director of Children & Young People’s Services
Henry Lewis – HOS – Lead for Stay Safe Recommendations
Anne Heath HOS – Lead with SD for Be Healthy Recommendations
Sue Doheny – PCT – Lead with AH for Be Healthy recommendations
George Salmon – HOS Lead for Achieving Economic Well-Being and
Service Management recommendations
Steve Martin – Corporate Policy and Research Manager
Alan Blundell – Plan Monitoring
Amy Weir - Consultant

Others attend to cover specific recommendations.

Herefordshire Council

SF= Sue Fiennes DCS
AH= Anne Heath HOS
HL = Henry Lewis HOS
GS = George Salmon HOS
SMA-Steve Martin – Corporate Policy and Research Manager
LM= Linda Maden Service Manager
JD=Jon Dudley Service Manager
SMe= Steve Merrell Service Manager
RT=Ruby Thomas, Team Manager – Planning, audit and review
JR-John Ralph, Youth Services Manager
LS=Lorna Selfe, Change for Children Manager
JH=Julie Holmes, Corporate ICT
BW= Brian Twitty, Early Years
SC=Steph Canham, Adults’ Services

DJ= David Johnson Corporate HR
ST=Sheila Thompson HR





Hereford PCT

SD=Sue Doheny, Children’s Services Manager, PCT
LR=Lyn Renton Designated Nurse PCT
MP=Marcia Perry, PCT/HCC – Service Manager for Disability

Other Partners

HH=Helen Horton =The Alliance (Voluntary and Community Sector)
RL=Roger Little, Chief Executive, Connexions

TIMELINE FOR PROGRESS ON JAR RECOMMEDNATIONS

REC.	Jan06	Feb 06	Mar 06	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sept 06	Oct 06	Nov 06	Dec 06
1	On track	On track	Completed									
2		On track	On track	On track	Completed							
3												
4					Completed							
5				On track	On track							
6					On track							
7		On track	On track	Completed								
8												
9					On track							
10					On track							
11												
12				On track								
13												
14		On track	On track	On track								
15					On track							
16				On track	On track							
17			On track									
LEGEND												
	Recommendation progress on track / completed											
	On track											
	Not on track											
	No progress											

THE JOINT AREA REVIEW RECOMMENDATIONS

Stay Safe
1. Ensure that appropriate criteria are set for the involvement of the local authority's professionally qualified social care staff in child protection cases
2. Ensure that these criteria are clearly understood by all concerned and consistently applied in practice
3. Ensure that there is an effective workforce strategy to address the recruitment and retention problems within the local authorities care service
4. Ensure that a written record is made of all contacts with the social care duty team
5. Ensure there is a single referral, assessment and service planning framework for children in need which is consistently and effectively applied in practice
6. Ensure that the training guidance and support needs of all staff contributing to the implementation of the Child Concern Model are addressed, both in terms of the time required to undertake the tasks involved and the necessary skills.
Be healthy
7. Ensure effective implementation of the multi-agency healthcare planning procedures for looked after children
8. Improve access to occupation therapy services
9. Ensure appropriate social care support for the families of children with learning difficulties and disabilities
10. Ensure better co-ordinated planning for all children with learning difficulties and disabilities
11. Improve communication with parents and young people with learning difficulties and disabilities in terms of both the assessment of need and planning of provision
14. Improve access to hospital in-patient provision to meet children and young people's mental health needs (tier 4 CAMHS)
Achieving Economic well-being
16. Improve housing provision for both single young people and families
Service Management
12. Improve action planning to deliver strategic aims and objectives and, in particular, ensure that associated resourcing needs are met
13. Improve information systems within the LA's social care services to enable better management oversight and evaluation of service effectiveness
15. Improve co-ordination of consultation with children and young people to support their participation in strategic planning and review
17. Strengthen performance management processes involving elected members and senior officers at all levels including the Partnership Board and the LA's Children's Scrutiny Committee

JAR recommendation	JAR timescale	Outcomes/ Key requirement	Action Milestones	Success Criteria	Lead	Due date	On track?		
ECM OUTCOME STAY SAFE									
1. Ensure that appropriate criteria are set for the involvement of the LA's professionally qualified social care staff in child protection cases	Immediate (Jan – June 06)	Effective targeting of social work assessment and intervention on the most vulnerable children	1) Review & revise threshold criteria for duty social work involvement	New criteria drawn up.	SMe	03/06			
					LM				
			2) Seek advice and challenge from high performing LAs		Advice received, noted and acted upon.			HL SMe LM	03/06
			3) Introduce new protocols and thresholds		Revised criteria; shared and agreed across agencies. Survey all agencies in June			SMe HL	03/06
			4) Identify additional duty team staff		Additional posts filled. All cases allocated.			LM	04/06
			5) Review process management and case handling in duty and consider options for change.		Improvement on PIs for timely assessment: PI DIS 1704: CF/C64			LM & RT	06/06
			6) Publish new criteria protocols and procedures	All staff using new procedures and revised thresholds.	SMe	04/06			

ECM OUTCOME STAY SAFE

2. Ensure that these criteria are clearly understood by all concerned and consistently applied in practice	Immediate Jan – June 06	Clear supervisory, decision making and case flow arrangements are embedded within the duty team and understood by partners	1) Review and update management and supervision system for duty social workers	PI Numbers of referrals of CIN leading to Initial Assessments on target: PI CH143 PI Number of Core Ass on target – PI CH145 Supervision log audited 6/12	LM	04/06	
			2) Practice, file and peer audit system to be developed	Mthly file audit; Quarterly Practice audit; Annual peer audit	LM with RT	06/06	
		Effective independent audit system for overview of duty service and all social care in place	3) Establish new independent practice and performance team	Team Manager in post and system designed. Team in operation and auditing regularly	SF AW RT	6/06	
		LSCB effectively overseeing all safeguarding arrangements including response to new <i>Working Together 2006</i>	4) Confirm LSCB arrangements	LSCB established and reviewing use of new criteria; training post and development post recruitment. Guidance reviewed and reissued	HL	06/06	
		Local professionals know and understand criteria for social work	5) New threshold booklet widely circulated 6) Deliver training workshops for CCM	Managers to check staff awareness in supervision and training sessions. Review appropriateness of	LM LR	4/06	

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		involvement and make appropriate referrals	consultants 6/52	referrals in audits. Workshops running March 06 onwards			
		Information sharing is effective across agencies	7) Information Sharing Protocol to be drafted to CYPP and agreed.	IS Protocol in place and agreed by CYP's Partnership.	LS/SD	06/06	
ECM OUTCOME STAY SAFE							
4. Ensure that a written record is made of all contacts with the social care duty team	Immediate Jan – June 06	All contacts with / referrals to duty social work team recorded and responded to promptly and appropriately to meet National Assessment Framework timescales	1) Redesign and implement a new system for receipt and recording of referrals	PI Numbers of referrals of CIN are on target All duty cases are allocated.	LM	04/06	
			2) Embed the new process and monitor regularly.	Weekly case tracking and monthly file audit	LM	05/06	

JAR Recommendation	JAR timescale	Outcomes/ Key requirement	Action Milestones	Success Criteria	Lead	Due date	On track?
ECM OUTCOME STAY SAFE							
3. Ensure there is an effective workforce strategy to address the recruitment and retention problems within the local authority's social care service.	Immediate Jan – June 06	All vacant social work posts are covered	1) Recruit temporary staff to cover all vacant posts	All post filled in short term.	HL/ST	3/06	
		All vacant social work posts are covered	2) Advertise for social work staff: Develop social work recruitment campaign with Consultants Tribal	All posts filled Good response to adverts.	MG/ST	04/06	
		Reduction in turnover of social work staff	3) Seek views of existing staff and seek views to inform strategy	Increasing rate of retention.	MG/ST	04/06	
		Effective workforce strategy is in place to ensure that recruitment, retention and development of professional social workers is in place	4) Collate data and analyse current and future social care workforce requirements as basis for medium to long term plan	Improved retention rates – to be monitored. Reduced vacancy rates - to be monitored quarterly.	HL MG	05/06	

JAR recommendation	JAR timescale	Outcomes/ Key requirement	Action Milestones	Success Criteria	Lead	Due date	On track?
		Integrate social work workforce strategy to wider HR strategies for children's services	5) Link with & seek consultancy from CWDC to Widen workforce strategy to interagency children's services focus	Social care workforce needs and issues are fully embedded within wider workforce strategy.	DJ NA	05/06	
ECM OUTCOME STAY SAFE							
5. Ensure there is a single referral assessment and service planning framework for children in need which is consistently and effectively applied in practice	June –Dec 2006 -	Updated Child Need Framework in place to cover the whole continuum of needs and services	1) Build on existing Child Concern Model to develop and agree <i>Change for Children</i> Child Need Framework	QV Rec.1 as step to CAF CCM is updated and incorporated within CAF whole system approach.	SMe AW	6/06	

		Effective common process system for managing the identification and provision of services to children with additional needs to meet requirements of national Common Assessment	2) Establish interagency common processes group (CAF) to respond to national CAF guidance, to design local response and to develop an implementation plan for the County	New CAF, building on CCM, is produced and disseminated. No of CAFs completed as measure – (Local PI)	SMe LR	7/06	
		Effective early identification of and intervention with children with additional needs – linked to Rec. 2 re child protection and threshold criteria	3) Plan and develop a pilot project (S Wye and Children with disabilities) to test out new child need framework and to introduce common assessment system and lead professionals: consider role of referral co-ordinators and concern panels.	Learning from pilot is captured to inform new model. PI targets for referral. No of children identified with additional needs in pilot area.	HL SMe	9/06 –	
			4) Improve and develop existing Directory of services for children QV Rec. 15.	Directory published	BT	12/06	
		Prepare for	5) Identify Lead Officer	Index implemented	SF	10/06	

JAR recommendation	JAR timescale	Outcomes/ Key requirement	Action Milestones	Success Criteria	Lead	Due date	On track?
		introduction of Information Sharing Index in 2007/08	for Information Sharing Index and consider requirements		GS		
ECM OUTCOME STAY SAFE							
6. Ensure the training, guidance and support needs of all staff contributing to the implementation of the Child Concern Model are addressed both in terms of the time required to undertake the tasks involved and the necessary skills	June – Dec 2006	Training and development strategy in place for staff and managers across agencies	1) Training for new CAF and CCM to be planned and implemented	Programme and curriculum set up. Facilitators in place.	SMe	9/06 LR	
			2) roll out of training sessions	No of staff trained and using CAF. No of CAFs completed.	SMe LR	10/06	

JAR recommendation	JAR timescale	Outcomes/ Key requirement	Action Milestones	Success Criteria	Lead	Due date	On track?
ECM OUTCOME BE HEALTHY							
7. Ensure effective implementation of the multi-agency health care planning procedures for Looked After children	June – Dec 2006	All Looked After Children receive the best possible health care and all have a plan subject to consent	1) Review and audit all LAC records to check for health care plan	Audit evidence available. PI to check target: PI C19. CC Review chairs to monitor assessments completed	LR	1/06	
		LAC have access to all services and support required to deliver the best possible outcomes for them	2) Clear procedures for health assessments to be agreed	Procedures in place. Review chairs to monitor actions to be completed.	LR JD RT	3/06	
		National Healthy Care Standard is adopted by the CYP's Partnership	3) Develop plan for implementation of all HC Standards	Hold HCS event 27/6/06 & Draft implementation plan	LR & JD	10/06	
JAR recommendation	JAR timescale	Outcomes/ Key requirement	Action Milestones	Success Criteria	Lead	Due date	On track?
ECM OUTCOME BE HEALTHY							
8. Improve access to occupational therapy services	June-Dec 2006	Prompt access to OT services is in place for all relevant cyp	1) Immediate review of OT services to identify gaps and needs	Increase in number of OTs Standard is access to assessment within 12 weeks: (Local PI)	SD	4/06	

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ECM OUTCOME BE HEALTHY							
9. Ensure appropriate social care support for the families of children with learning difficulties and disabilities	June-Dec 2006	Effective family support and casework in place for all children with disabilities &/or learning disability and their families / carers	1) Family support including short term breaks to be specified and commissioned. (Link to recent Fostering Inspection)	New service available. Monitor increase in no of breaks provided. Audit all cases every 6/12 to monitor take up	MP	6/06	
			2) Improved support and care planning to be developed through mapping NSF / ECM pathways through development of CAF	Local care pathways in place and linking to CAF processes. No of CAF and AF assessment completed	MP	11/06	
ECM OUTCOME BE HEALTHY							
10. Ensure better co-ordinated transition planning for all children with learning difficulties and disabilities	June-Dec 2006	Transitions strategy and protocol in place to give clear planning framework	1) Transitions steering group with adults' service to be set up to develop strategy.	Needs analysis / commissioning plan in place and joint transitions strategy with adult services Joint protocol in place between adults and children's services	MP & SC	3/06	
			2) Appoint new transitions workers & Implement new processes	Appointment of staff June 06 Improved planning for CYP.	MP RL	7/06	

				Monitor through PI SC5026 Survey CYP and carers to QA.		12/06	
11. Improve communication with parents and young people with learning difficulties and disabilities in terms of both the assessment of need and planning of provision	June-Dec 06	Clear information in place for children, young people and families / carers through all available systems QV Rec 15, P23.	1) To develop and implement clear standards for effective communication with cyp and families – in person, in writing and also through website	Standards drafted and consulted on. Continuing system for parental contact in place Survey parents to check progress.	MP	9/06	
		Consultation system in place for cyp and families with clear standards and requirements in place	2) Disability workshops to be arranged with support of Council for Disabled Children	Parents & Carers views recorded & checked out regularly - 6/12 audits Dates of meetings – Sept / Oct	MP	10/06	

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JAR recommendation	JAR timescale	Outcomes/ Key requirement	Action Milestones	Success Criteria	Lead	Due date	On track?
ECM OUTCOME BE HEALTHY							
14. Improve access to hospital in-patient provision to meet children and young people's mental health needs (tier 4 CAMHS)	June 2006 -	Enhanced access to Tier 4 services.	1) Regional review of needs for Tier 4 service, recent patterns.	Needs analysis completed for the region. Clear criteria for nature and scale of commissioning	SD	2/06 6/06	
			2) Regional PFI bid	Plan in place. Bid submitted		2/06	
			3) Local review of all tiers of provision	Commissioning criteria in place. Link with Joint Agency meeting process.		9/06	
			4. Consult with cyp and families, plan and provide	Survey views and respond to these.		12/06	
JAR recommendation	JAR timescale	Outcomes/ Key requirement	Action Milestones	Success Criteria	Lead	Due date	On track?
ACHIEVE ECONOMIC WELL-BEING							
16. Improve Housing provision for both single young people and families	June – Dec 06	Care Leavers are provided with access to appropriate	1) Identify £500,000 capital for single-person accommodation for vulnerable young	6-10 units of additional accommodation for care leavers off the open market. An additional 2 self-	RG	6/06	

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		accommodation	people and care leavers	contained flats are being provided in partnership with a local housing association. Monitor PI SC5026.			
			2) Children's social care represented on commissioning and operational groups for Supporting People	Attendance and influence on agenda. PI % of Care Leavers at age 19 years living in suitable accommodation	RG LM		
		A range of appropriate housing is available for the most vulnerable cyp and families	2) Protocol between housing providers and children's social care re handling of CYP and families and homelessness where tenancy / housing is at risk	Protocol in place and working & reviewed quarterly Affordable housing targets	RG LM	6/06	
		Wherever possible homelessness is prevented	3) The Council to bring homelessness and Housing Advice Services back in-house with focus on prevention including family mediation and a Safe Moves Project.	Improved further preventive information and advice service. Reduced numbers of homeless. Corporate reporting of strategic PIs - Use of B&B	RG	4/06	

JAR recommendation	JAR timescale	Outcomes/ Key requirement	Action Milestones	Success Criteria	Lead	Due date	On track?
SERVICE MANAGEMENT							
12. Improve action planning to deliver strategic aims and objectives and, in particular, ensure that associated resourcing needs are met	June 2006-	5 Year Guidance on Joint Planning and Commissioning adopted as local system	1) Produce CYP Plan linked to LAA	CYP Plan published	LS	4/06	
		Effective focus on delivery of best possible outcomes for all children and young people through joint working with CYP's Partnership Board	2) Partnership to have workshop on governance and adopt Joint Planning and Commissioning Framework (DfES et al) (July 06)	Clear governance and accountability arrangements JP & C Policy adopted and in place	SF	7/06	
		CYP's Plan and needs analysis completed drive commissioning and development of services	3) CYP's Plan Forward delivery Action Plan to provide overarching strategic framework for all other plans		LS	6/06	

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		VSC is fully engaged in partnership working	4) To work with VSC through The Alliance on ensuring active engagement	VCS reps on CYPP's Board. VSC involved in all aspects of commissioning	LH	11/06	
		Resources and Capacity for delivery of children's services across all agencies is transparent and clear.	5) Partners to identify all resources for children in the area and to consider options for joint funding single or pooled funding arrangements.	List of all resources available. Progress on joint commissioning & pooling. % Increase in activity.	SF CYPP	9/06	
			6) This information to feed into refresh and update of CYP Plan in Autumn 2006	Revised and updated CYP's Plan.	SF	11/06	
SERVICE MANAGEMENT							
13. Improve information systems within the LA's social care services to enable better management oversight and evaluation of service effectiveness	June –Dec 06		1) Ensure that social care information needs are identified with and managed within <i>Herefordshire Connects</i> including review and specification as an urgent issue – for sign up by July 06	Improved data quality. Whole system approach in place – linking to council-wide system	GS JH	7/06	
			2) To seek external	Workshops held with	GS	6/06	

			advice on system requirements to ensure that new ICT systems will meet children's services requirements.	managers. Requirements explored and specified. Informed decisions.			
			3) Children's Services to contribute to specification, design and implementation of new systems	Clear specification in place identifying children's services needs – incl. ICS and CAF.	GS	7/06	
			4) Interim system Performance Management arrangements to be put in place – file audits including Climbié, supervision recording, and collation of information re referrals, assessments and disposals on a monthly basis.	Data quality audits in place monthly. PIs on assessment rates and timeliness of assessments. QV P30 –32 for more on performance management arrangements and reporting. Internal audit sampling and audited regularly.	LM RT	5/06	
SERVICE MANAGEMENT							
15. Improve co-ordination of consultation with children and young people to support	June –Dec 06		1) Ensure effective co-ordination of all consultations with cyp through Herefordshire Partnership adviser	Liaison system in place to ensure this happens Maintain local timetable for activities.	JR	6/06	

their participation in strategic planning and review							
		Clear system in place for the co-ordination of all participation and involvement.	2) To produce and develop a framework for the involvement of all cyp and families.	Framework in place. Review every 6/12 to ensure implementation effective.	JR	9/06	
		CYP's views are represented to CYP's Partnership.	3) To set up Shadow CYP's Partnership Board	Shadow Board meeting and reps attending /influencing CYPP Board by March 06 Audit minutes 6/12 to assess effectiveness of involvement.	LS	3/06	
			4) To involve parents and carers in CYP's Partnership Board	Parent reps attending CYP's Board	SF	12/06	
		Inclusion of CLA in Youth Council.	5) C& YP's Youth Council to be enhanced with engagement of relevant LAC	LAC engaged. Monitor no of attendances quarterly.	JR	3/06	
		Consistent participation and	6) To adopt and implement Hear by	Monitor use of standard – nos using process to be	JR	10/06	

		advocacy system in place.	Rights Standard	monitored.			
		Accessible information about services available to children, young people and families.	7) To enhance Children's service Directory to ensure it is easily accessible and able to be used by cyp and families.	Directory published. Survey uptake.	BT	12/06	
SERVICE MANAGEMENT							
17. Strengthen performance management processes involving elected members and senior officers at all levels, including the Partnership Board and the LA's Children' Scrutiny Committee	June –Dec 06	Comprehensive outcome based performance system in place for children's services	1) To draw up performance management system for the Children's Services, which can deliver the requirements of DfES Children's Services Improvement Cycle and fit with the Council's Performance Improvement Cycle.	System documented including monitoring system. Regular data set available to track progress monthly.	SF GS	9/06	
			2) Ensure regular performance reports to Lead Member, Scrutiny Committee and Cabinet	System in place and operating: Quarterly outcome performance available. QV P31.	SF GS	6/06	

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			3) To agree governance and accountability arrangements for CYP's Partnership Board including responsibility for performance monitoring of Forward Delivery Plan for CYP's Plan.	TORs and governance of CYPP Board delivered and agreed. Forward D Plan issued and being monitored	SF LS	9/06 6/06	
			4) CYP's Partnership to agree on process for monitoring progress on CFC, delivery of CYP's Plan.	All partners involved in designing and delivering FD Plan Quarterly monitoring on outcomes in place.	SF GS	9/06	

APPENDIX 1 LINKAGE of JAR IMPROVEMENT PLAN TO CHANGE FOR CHILDREN REQUIREMENTS

CYP INVOLVEMENT

REC 11 & 15 Involvement of children, young people, parents and families in planning 7 commissioning

PLANNING & COMM'ING

REC 3, 11, 12, 16 Children & Young People's Plan. To develop workforce strategies and joint planning and commissioning; Housing strategy

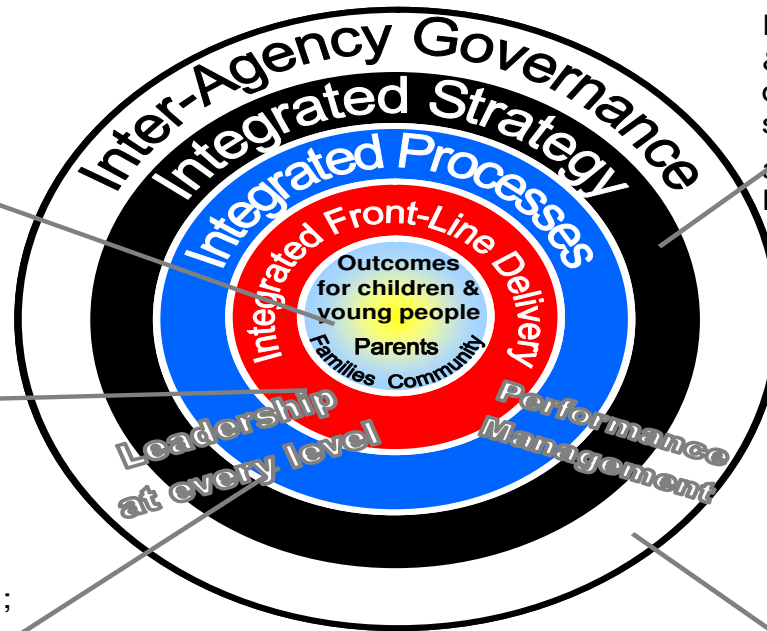
FRONT LINE DELIVERY CW D /LDD/CLA

REC 7,8,9,10, 11, 14

Disability services and CAMHs

FRONT LINE DELIVERY

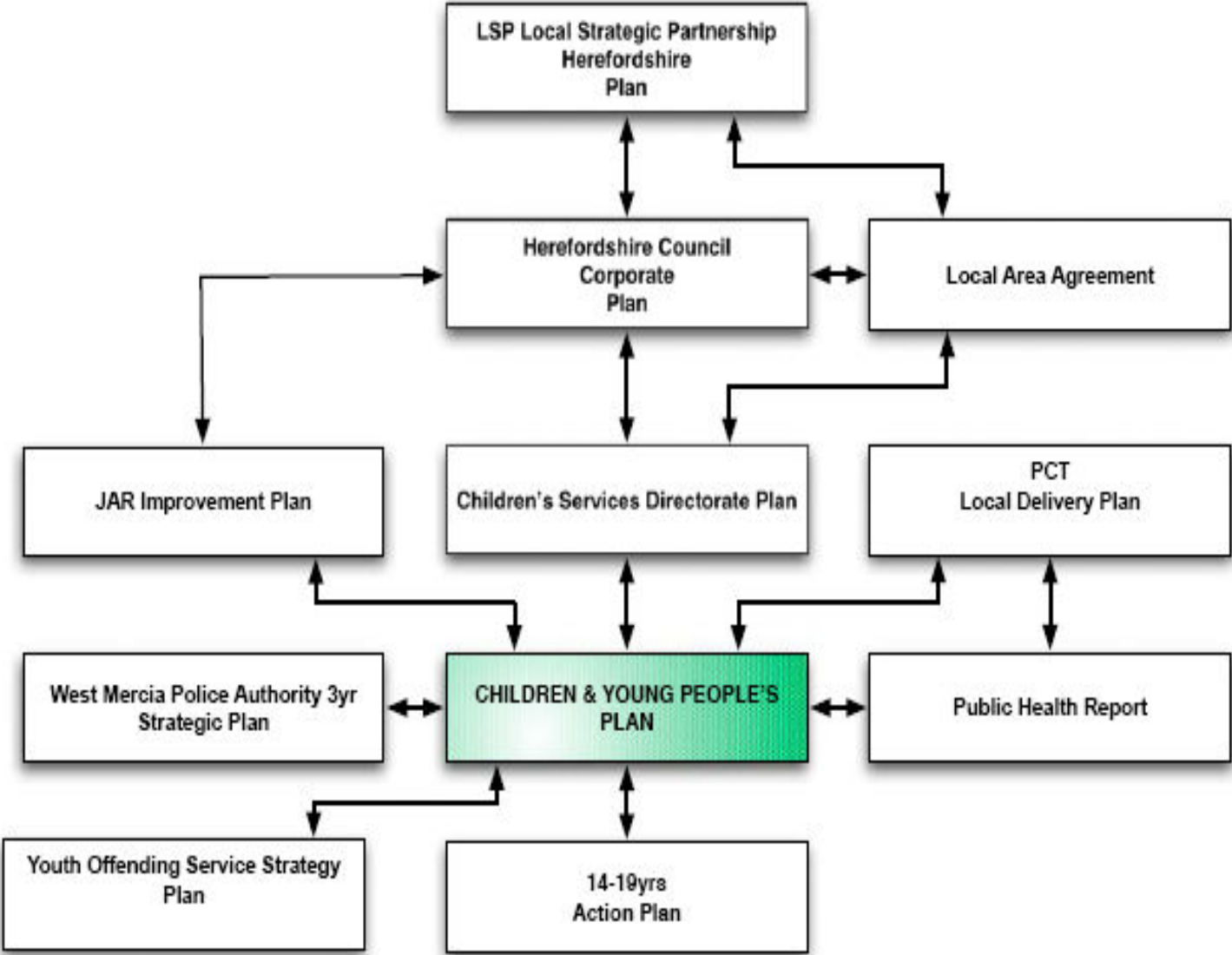
REC 1, 2, 4, 5 & 6 Duty SW changes; Revisions to CCM; work on designing updated CAF / CCM model; Pilot in S Wye: Data & Performance Management Improvement.



GOVERNANCE & ACCOUNTABILITY

REC 13, 17: DCS and LM in place. Governance & Acc. arrangements of CYP's P'ship to be developed

APPENDIX 2
The relationship of the JAR action plan to other plans



Appendix 2 (cont)

Relationship to Other Plans

There are explicit links to the Council's priorities, including its shared priorities with partners within the Children and Young People's Plan and the wider Herefordshire Community Strategy. Individual partners are taking forward specific actions. For example relevant key recommendations are being led by the PCT to meet the requirements of the National Service Framework.

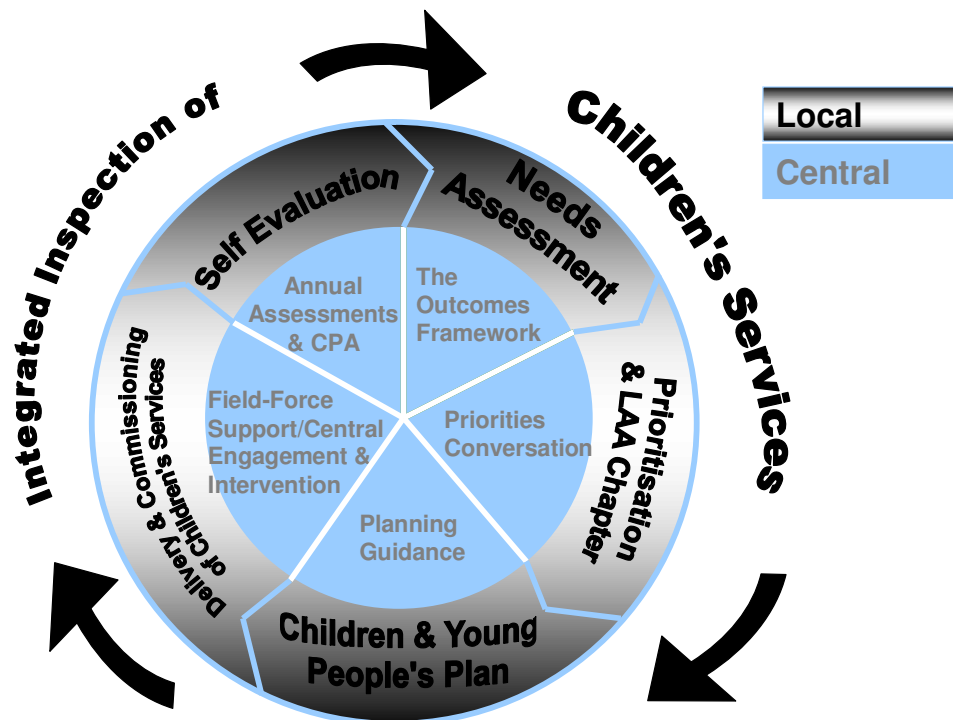
In addition to the handling of the formal recommendations from the Joint Area Review, the Council and its partners are addressing other concerns outlined in the JAR Report through the priorities set for action within the Children and Young People's Plan and its Forward Delivery Plan.

APPENDIX 3

Performance management of the JAR Performance Improvement Action Plan – 1. The Context

Tracking of progress against each outcome is detailed in the plan. In addition, a system of file audit, practice audit, and peer audit has been introduced to measure the quality and robustness of improved practices. This is supported by a range of measures including appraisal(SRD), skills and competency audits (within the Workforce Strategy), peer reviews, benchmarking against other authorities and the appointment of a responsible Head of Service and the introduction of an overall Performance Lead within Children’s Services.

These arrangements are set within the overarching performance management and monitoring arrangements for the Council and for the Children & Young People’s Partnership. In addition, the Council’s Children’s Services Performance management, planning and commissioning arrangements will link directly to DfES national requirements as set out in the Improvement Cycle.



The Council, working with key partners, is responsible and accountable for this revised draft Action Plan. Its development and performance management involves not only the Council but also its partners on the

Children and Young People's Partnership Board (CYPPB) and, in respect of staying safe, the Local Safeguarding Children Board (LSCB).

The arrangements are as follows:

Within the Council

This JAR Action Plan has been drawn up under the direction of the Director of Children's Services (DCS). It is subject to the approval of the Chief Executive (CX), the lead Cabinet member for Children's Services and the Leader of the Council. The full Cabinet will endorse it.

The Director is supported in her performance management of the Plan by a small JAR Action Plan Group. The Group members are the Interim Senior Children's Service Manager, the three Heads of Children's Services, a senior manager from the Primary Care Trust, a member of the Children's Services Change Team and, to provide challenge and links with the Council's Overall Performance Improvement Action Plan, the Council's Corporate Policy and Research Manager.

The Action Plan Group meets fortnightly to review progress against the Plan, on the basis of a written report.

- The DCS receives detailed progress reports against the plan weekly
- The JAR Improvement Action Plan Group (IAPG) supports the DCS at a fortnightly meeting. The group includes Heads of Children's Services, the PCT, the Council's Corporate Policy lead on the PIAP, and a member of the Departmental Change for Children Team
- A minute from the IAPG is sent to the CE, Lead Cabinet member and the Leader
- The CE and Lead member to join the IAPG meeting monthly (from June 06)
- Formal reports are made monthly to Cabinet and Scrutiny
- Critical Milestones in the JAR Plan are included in the PIAP which is monitored regularly by Cabinet and the Corporate Management Board and Strategic Committee
- Reports on implementation progress are brought to the IAPG by those responsible for each milestone area – this includes Service Managers and may include Team Managers (from June 06)

Formal reports on progress against the Plan are made to the Cabinet and the Corporate Management Board; the latter is chaired by the CX. Progress reports are also made to each meeting of the Children's Services Scrutiny Committee.

Critical milestones in the revised Plan are included in the Council's Overall Performance Improvement Plan (as will the targets for improved outcomes for children within the JAR Action Plan), performance against which will also be subject to regular monitoring by the Cabinet, the Corporate Management Board and the Strategic Monitoring Committee.

The Council and its partners

The JAR Action Plan has been drawn up with the Council's key partner organisations: the PCT, the Police and the voluntary sector. The CYPPB endorses the revised Plan.

The CYPPB has an overall responsibility for oversight of the Plan's delivery. In conjunction with the CYPP, the Local Safeguarding Children Board oversees delivery of those elements of the Plan that are aimed to ensure fully adequate arrangements for safeguarding.

Performance Managing and Monitoring the JAR action plan - 2 Management & Monitoring of the delivery of the JAR Plan

At operational level within social care a process of managerial file review/audit has been implemented focussing not just on process but also on quality of decision-making. A detailed audit of files has been commissioned in order to ensure that data is both accurate and complete to ensure that a sound base is used for setting targets and monitoring performance. The new Directorate structure contains a dedicated Performance Management function, which will ensure that progress is regularly reviewed and maintained.

Evidencing Improvement and audit trail

A comprehensive record is being maintained by the Council to document that effective action has been taken to implement the action plan

Relevant Performance Indicators

In relation to Recommendations 1, 2, 4, 5, 6, the following performance Indicators will be used as proxies of success.

No of PI	PERFORMANCE MEASUREMENT	Current Position March 06	Target Position March 07
CH 141	Referrals of children in need per 10,000 population aged under 18	175	220
CH 143	% referrals of children in need leading to initial assessments	49	65
DIS 1704	% of Initial assessments completed with 7 days	70.1	75
CH 145	Number of core assessments of children in need per 10,000 population under 18	32.5	45
CF/ C64	No of Core Assessments completed within 35 days	76	80
CH 01	Number of children on child protection register per 10,000 population under 18	16.8	17

In relation to **Recommendation 7** the following performance Indicators will be used as proxies of success.

No of PI	PERFORMANCE MEASUREMENT	Current Position March 06	Target Position March 07
C19	Health Assessments of Children Looked After on time	90.7	93

In relation to **Recommendations 8, 9, 10 and 11** the following performance Indicators will be used as proxies of success.

No of PI	PERFORMANCE MEASUREMENT	Current Position March 06	Target Position March 07
Local PI OT	% Of referred children assessed to OT services within 12 weeks	100%	100%

SC 5026	% Of children with disabilities aged 14+ who had a transition plan to support their move from Children's to Adults' Services	Up to 50%	Up to 75%
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In relation to **Recommendation 16** the following performance Indicators will be used as proxies of success.

No of PI	PERFORMANCE MEASUREMENT	Current Position March 06	Target Position March 07
SC 5037	% of Care Leavers at age 19 years living in suitable accommodation (No of Young People)	89.5% (19/20)	100%

Appendix 4

Additional capacity already identified to deliver

The restructuring of Children's Services within the Council has enabled the identification of additional capacity. A new Head of Service for commissioning and Performance Improvement was appointed in March 2006 focusing on the service management recommendations. In addition, since April, a senior manager with change management experience has been working with the Council. a project manger for the JAR Plan is to be identified to ensure that the Plan is delivered June 06).

Other additional capacity for the recommendations:

Staying Safe

- Seconded Service Manager and Interim Senior Manager
- Support with social care recruitment and strategy from central recruitment team & Tribal
- Additional resources for training CCM consultants from the PCT
- Additional £149k for safeguarding and operation of LSCB

Being Healthy

- Support from PCT
- Additional funding for extra OT posts (3)
- Workshop and support from National children's Bureau on Healthy Care Standards for CLA
- LDD and CWDs developments – Council for Disabled Children for challenge and support
- Additional funding of £70k for commissioning family support

Achieving Economic Well-being

- Information and advice services for homelessness brought back in house
- Additional funds of £500k used to purchase additional housing for care leavers

Service Management

- Corporate support and challenge from the Head of Policy
- Advice and training on performance management and data management from the Institute of Public Care

Promoting Change and Improvement

- Funding has been earmarked to commission the Office for Public Management to facilitate with local senior managers a series of workshops across the county on Championing Children (ECM) from July to December 2006
- Support and expertise from AW, ISM – from April 06
- Link with other Local Areas e.g. Gloucestershire, Poole on implementation – June 06

Appendix 5

Key achievements to date

- Further development of the existing Child Concern Model to redefine and widen the criteria for social work involvement (Recommendation JAR Report (REC) 1)
- Publication and dissemination of a new leaflet for all those working with children to explain the changed criteria: £3,500 distributed (REC 2)
- New initiatives to ensure all vacant posts are covered and to improve social worker recruitment – immediate work with agencies and contract with Tribal for a national and regional recruitment campaign has enabled new temporary and permanent staff to be recruited (REC 3)
- Appointment of a manager to lead regular independent professional scrutiny and analysis of children’s social work (REC 1,2,4 and 17)
- Successful bid for consultancy support from the Children’s Workforce Development Council and strategy in development – workshop to be held 22nd June 06. (REC 3)
- Additional resources – corporate contingency budget across all social care services £1.3m, funding for the JAR Improvement Plan – £100k, LSCB funding £149k and additional preventative service funding of £70k already identified within the Council and also by partners (REC 12). Three additional OTs appointed to improve access to service. (REC 8)
- Funding bid made to DH for improved access to multi-agency tier 4 provision (REC 14)
- Shadow CYP’s Partnership Board established to improve consultation with and involvement of children and young people (REC 15): Youth Council established.
- Support commissioned from Institute of Public Care on performance management and social care data requirements: workshops and training for managers REC 13,17

Appendix 6

Summary of remaining tasks

- Adopting an enhanced strategic approach to delivering all of the Change for Children Programme in Herefordshire across all agencies to maximise the efficiency of the delivery of this Plan and the overarching Children and Young People's Plan. (REC 12)
 - Development and delivery of a change programme for all of children's services in the local area – *Office of Public Management commissioned to assist.*
 - As part of this change programme, to equip all managers at all levels with a sound understanding of the principles and practice of effective single and joint planning and commissioning of children's services, modelling this on the national children's services improvement cycle – *Institute of Public Care supporting.*
- To implement a developed and coherent performance management system and approach which operates seamlessly across all levels of children's services and is part of the whole Council approach as well as linking with the outcome performance function of the CYP's partnership: so that performance improvement is seen as *everybody's business* (REC: 17) – *Institute of Public care assisting.*
- To ensure that data collation and handling in children's social care and across the whole of children's services is effective and that the data collected is robust, accurate and timely, so as to provide a sound basis for planning, target setting and effective performance management (REC 13, 17)
- Recruiting and retaining permanent social work staff to vacancies – further work required through Workforce Strategy with CWDC support (REC 3)
- Directing resources and capacity to ensure full delivery of the Plan and for the CYP's Plan (REC 12)
- Full implementation of Hear by Rights standards and Voice of the Child through a designated lead linking with the Shadow Children & Young People's Partnership Board (REC 11,15)
- Transformation of the existing Child Concern Model to develop Herefordshire's Common Assessment framework to meet additional national requirements (REC 5,6) whilst changing ways of working and improving working relationships across agencies to provide greater clarity of roles and responsibilities (REC 5,6,12).

APPENDIX 7

Communication, management and staff development for ownership and delivery of the actions

JAR and CFC Updates

Staff and managers are being provided with regular updates on the progress of delivery on the JAR recommendations through bi-monthly briefing sessions and the monthly children's services newsletter.

The progress on the JAR Plan will be further reinforced with staff and managers across all agencies through local road shows to be set up July-December 2006. These road shows are being commissioned from the Office of Public Management to cover the whole children's agenda in Herefordshire. They will include:

- Further rollout of the change for children programme using DfES's Championing Children initiative
- Coverage of themes from the JAR recommendations – notably:
 - addressing the needs of children with additional needs and common processes Recs 1,2 & 5 and 6,
 - engagement with children, young people and families Rec 15
- And, developing joint working and the capacity for integrated working across professional groups and agencies.

Other workshops will be organised during the summer and autumn to develop staff and to take forward other JAR recommendations. These include:

- 22nd June **Workforce** Strategy Event with CWDC Rec 3
- 27th June National **Healthy Care Standards** Workshop with NCB (with 2 follow up days to be arranged) Rec 7
- July-October 06 Change for Children Workshops by OPM across the County
- Autumn 06 Performance Management training sessions for staff and managers run by IPC – possibly to be certificated (dates to be confirmed) Rec 17
- Sept-Dec 06 Disability workshops for staff and consultations vents with parents – assisted by Council for Disabled Children Recs 8,9, 10,11

Corporate Improvement and Herefordshire Connects

Staff briefings and presentations on the Corporate Improvement programme – Herefordshire Connects will also be used to demonstrate the linkages across the whole Council's agenda for improvement. These workshops are starting in May 2006 for all staff and will run across the year on a bimonthly basis.

Appendix 8

Risk log for the Plan's delivery.

Following the disappointment of the JAR outcome, the Council with its partners has made rapid progress in effectively addressing the requirements of the JAR recommendations. Half way through the required improvement period, there are still improvements to be made but the Council is confident that it will continue to make rapid progress over the next few months.

The list, which follows highlights some issues which still require vigilance and which may require contingency planning, and responses if the current positive trajectory is to be maintained. The Council is clear that it needs to be alert to any possible barriers to progress and delivering the best possible outcomes for children and young people in the area.

1. RISK: Recruitment of social work staff continues to be difficult.
RESPONSE/CONTINGENCY – pursue all possible agency and temporary options. Workforce strategy to review and innovate in relation to all possible retention and recruitment options.
The Council is confident that this risk can be managed.

2. RISK: Insufficient capacity and expertise to deliver improved performance management arrangements.
RESPONSE/CONTINGENCY: Recruit to children's services performance post (July 06), train and challenge staff with support from Institute of Public management – offer in-house performance management certificate course - and benchmarking exercises with high performing LAs / IPC network (Sept 06-).

The Council is confident that this risk can be managed.

3. RISK: Additional resource requirements for delivering improvements may not be fully delivered.
RESPONSE/CONTINGENCY: Additional funding has been identified for children's services improvements and these funds are being committed as required e.g. Funding of LSCB posts, commissioning of CFC workshops from OPM.
The Council is confident that this risk can be managed.

4. RISK: Partners are distracted by their own single agency agendas e.g. PCT financial position
RESPONSE/CONTINGENCY: Strengthen governance arrangements of CYP's Partnership including its performance management of delivery on the five outcomes.(Workshop July 06)
The Council and its partners are committed to ensuring that improvements in children's services are delivered.

APPENDIX 9

Members of the Children & Young People's Partnership

This plan is an integral part of what is being achieved in partnership to improve outcomes for children, young people and their families in Herefordshire. Key partner agencies are represented in their commitment to this plan by: -

Barham, Keith	Youth Offending Service
Bentley, Kevin	West Mercia Police
Blundell, Alan	ablundell@herefordshire.gov.uk
Cllr Don Rule	dwrule@herefordshire.gov.uk
Cosgrove, Patrick	patrick.cosgrove@lsc.gov.uk
Dave Llewelin	david.llewelin@westmercia.pnn.police.uk
Fiennes, Sue	sfiennes@herefordshire.gov.uk
Frances Howie	frances.howie@herefordpct.nhs.uk
Gibbons, Sharon	sharon.gibbons@westmercia.pnn.police.uk
Hairsnape, Simon	simon.hairsnape@herefordpct.nhs.uk
Heath, Anne	aheath@herefordshire.gov.uk
Helen Horton	helenhorton@allianceherefordshire.org.uk
Ian Tait	ian.tait@nhs.net
Jill Hiscox	homestart.hereford@virgin.net
Joanna Bruce	jo.bruce@talk21.com
Lewis, Henry	hlewis@herefordshire.gov.uk
McGilp, Euan	emcgilp@st-martins.hereford.sch.uk
Paul Baker	Paul.Baker@west-mercia.probation.gsi.gov.uk
Paul Bates	paul.bates@herefordpct.nhs.uk
Peter Harper	peter.harper@hhtr.nhs.uk
Powell, Ivan	ivan.powell@westmercia.pnn.police.uk
Roger Little	rlittle@connexions-hw.org.uk
Sally Stucke	sally.stucke@herefordpct.nhs.uk
Selfe, Lorna	lselfe@herefordshire.gov.uk
Sharon Gray	sharon.gray@lsc.gov.uk
Sheppard, John	shughes@haywood-high.hereford.sch.uk
Sian Bailey	admin@blackmarston.hereford.sch.uk
Sue Doheny	sue.doheny@herefordpct.nhs.uk
Turner, Mark	mark.turner@westmercia.pnn.police

DRAFT MEDIUM-TERM FINANCIAL MANAGEMENT STRATEGY

PORTFOLIO RESPONSIBILITY: CORPORATE FINANCE

CABINET

13TH JULY, 2006

Wards Affected

County-wide

Purpose

To invite Cabinet to approve the draft Medium-Term Financial Management Strategy (MTFMS) as a basis for consultation both within the Council and with strategic partners prior to approval of the final document in October 2006.

Key Decision

This is not a Key Decision

Recommendation

THAT Cabinet approves the draft Medium-Term Financial Management Strategy as a basis for consultation prior to approval of the final document on 9th October 2006.

Reasons

Herefordshire Council is determined to provide a sound basis for sustainable improvements in services and a better quality of life for the people of Herefordshire. Excellence in financial planning and management is vital to achieving this.

Considerations

1. The Medium-Term Financial Management Strategy (MTFMS) will provide the financial context for making sure our service improvement aspirations for the future are both affordable and sustainable. It will provide a framework for making sure our cash resources follow corporate priorities as reflected in our medium-term financial plans.
2. This is Herefordshire's first comprehensive MTFMS. Councillors, colleagues, customers, residents and strategic partners will be able to find in a single source document setting out the policy context for Herefordshire's approach to allocating resources to priorities at a time of tightening resource constraint for the first time ever.
3. An executive summary on page 3 of the draft MTFMS attached provides an overview of the document. In summary. The draft MTFMS covers the:
 - national policy context for local government;

Further information on the subject of this report is available from
Sonia Rees on 01432 383519

- national financial context for local government;
 - Herefordshire policy context;
 - Herefordshire financial context;
 - draft Medium-Term Financial Management Strategy;
 - decision making, consultation and review arrangements.
4. The analysis contained in the MTFMS leads to the inevitable conclusion that strong financial management will be essential if the Council is to achieve its ambitious plans for the transformation of services to improve quality, choice and access whilst also improving value for money.
 5. The strategy proposed in this draft document is about innovation not cuts – indeed the latter is exactly what the programme is designed to avoid. But success is highly dependent on the business transformation programme releasing resources tied up in business support services that could be more efficient with the right investment in a common business management infrastructure.
 6. The document also ensures that the reserves and balances we have available at the moment are wisely used to meet known spending pressures to smooth the impact on future Council Tax increases. It works towards ensuring there is a balanced budget position going forward – completing the work started as part of the 2006/07 budget setting process. It recognises there is more to do in terms of determining future revenue base budget requirements – particularly for social care – and future capital investment needs.
 7. The draft MTFMS will be available for comment over the summer holidays and an active communication strategy is being planned by Corporate & Customer Services. We will be making the most of this unique opportunity to promote greater shared understanding of the Council's financial position and the new general and financial management culture it is fostering. Feedback will be available to inform the Cabinet's final decision in October.

Alternative Options

Alternative options will be explored as part of the consultation process.

Risk Management

The draft MTFMS includes reference to corporate risks – both business and financial – and the management actions in place to mitigate them. The risk registers concerned are regularly reviewed and updated in line with the Council's risk management strategy and financial management processes.

Consultees

People consulted during preparation of the draft MTFMS include the Corporate Management Board, accountancy and finance staff across the Council, the Leader and the Cabinet Member (Resources).

People and organisations to be consulted on the draft MTFMS are identified in the consultation and communication strategy included within the draft document.

Background Papers

Background papers are available from the Resources Directorate on request.

Medium Term Financial Management Strategy (MTFMS)

Foreword by the Leader & Cabinet Member (Resources)

Herefordshire Council is determined to provide a sound basis for sustainable improvements in services and a better quality of life for the people of Herefordshire. Excellence in financial planning and management is vital to achieving this.

The world of local government finance is complex and changes at an ever-increasing pace. In the last 12 months alone we have seen the following:

- introduction of three-year revenue and capital grant settlements;
- a new grant distribution system;
- introduction of Dedicated Schools Grant;
- postponement of domestic property revaluation;
- changes to the terms of reference and timetable for the Lyons Inquiry;
- postponement of the 2006 Spending Review to be replaced by a second Comprehensive Spending Review in 2007;
- radical proposals for changes in the housing benefit system; and
- the CPA Harder Test including the Use of Resources assessment.

The wider context for local government is also likely to change rapidly too. We know the Government has proposals for reorganising many of our strategic partners, is showing increasing interest in city regions and has renewed interest in structural reform of the two-tier areas of local government.

In setting our longer-term strategic objectives for meeting the needs of our community, we need to be mindful of the impact these changes might have for us locally. Our service improvement aspirations have to be realistic in terms of the challenges ahead.

This version of the Medium Term Financial Management Strategy (MTFMS) is intended as a discussion document. It aims to pull these strands together – many of which we have discussed in recent months as we have considered and approved the Herefordshire Community Strategy, the Council's own Corporate Operating Plans and the budget for 2006/07 – making sense of them for Herefordshire.

Our MTFMS will provide the financial context for making sure our service improvement aspirations are affordable and sustainable into the future. It will also provide a framework for making sure our cash resources follow corporate priorities as reflected in our medium-term financial plans.

We hope this document provides a comprehensive view of the proposed way forward for Herefordshire Council's strategic financial management strategy over the next three years and welcome any suggestions for improving the document, or for changes in the proposed strategy.

Cllr Roger Phillips
Leader of the Council

Cllr Mike Wilson
Cabinet Member (Resources)

Medium Term Financial Management Strategy (MTFMS)

Foreword by the Chief Executive & Director of Resources

The Leader and Cabinet Member (Resources) have described a rapidly changing and increasingly complex context for local government at a time when public spending is under pressure, the Government is seeking a step change in the pace of public service reform and customer expectations are rising.

As a public body, Herefordshire has special accountabilities for the stewardship and use of public money and for ensuring financial stability and sustainability into the future. We can no longer rely on an annual budget process to guarantee Herefordshire's long-term financial health. Year-on-year changes at the margin to match budgeted income and expenditure will not support the transformation in services we aspire to achieve, the Government is seeking and, most importantly, our communities deserve.

The introduction of 3-year financial settlements for local government means we now have the best ever opportunity to make realistic long-term budget plans that link directly to strategic and service priorities. The Medium-Term Financial Management Strategy (MTFMS) will form an important part of our financial governance and leadership arrangements. It will set out our approach to strategic financial management, concentrating on longer-term financial planning in support of longer-term corporate and service priorities.

The MTFMS will also help promote the change in Herefordshire's financial management culture that the Director of Resources has instigated during the last 6 months.

Whilst the Director is responsible and accountable for leading and advising on financial issues, all managers have a collective responsibility for financial management, including efficiency review and Value for Money, and treating cash as a corporate resource. The 'non-negotiables' in the job descriptions of all our Heads of Service underline this responsibility at Director and Senior Management Team level.

Financial management isn't something that just accountants do. Quite simply, it is part of everyone's job, so we urge you get involved in shaping our MTFMS.

The draft MTFMS will be launched by Cabinet on 13th July 2006 as a consultation document. We have set out an extensive consultation strategy to seek views from stakeholders during August and September. The Cabinet will consider those comments and finalise the MTFMS on 9th October 2006 alongside the Corporate Plan for 2007 – 2010.

Neil Pringle
Chief Executive

Sonia Rees
Director of Resources

Medium Term Financial Management Strategy (MTFMS)

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Medium Term Financial Management Strategy (MTFMS)

1. Executive Summary

Herefordshire Council's first comprehensive Medium-Term Financial Management Strategy (MTFMS) sets out how it intends to maintain financial stability, support key investment, allocate resources, deliver improved Value for Money and manage risk as we face up to very challenging times for local government.

The strategy supports the new financial culture for the authority, in which everyone strives for a greater shared understanding of the pressures and opportunities the Council is working to address. Financial objectives and policies are no longer something that is only of interest to accountants but to all colleagues concerned with service delivery and improvement.

Public service reform is high on the government's agenda, with local providers required to work together more closely than ever before to achieve efficiencies, ensure social justice and remove social divisions. Local government will be expected to lead their communities, encouraging citizens to have a greater say in how services are delivered. There may be significant changes to local government financial systems, but there will be no more cash.

Herefordshire is an under-resourced council, stretched to deliver services throughout a large, sparsely populated area. Our government funding is 20% lower per head of population than the average for similar authorities and we have a lower than average Council Tax too. Capital resources are also limited. Despite this, the Audit Commission has judged Herefordshire to be a 3-star authority that provides good services at good value. Our financial performance, administration, management and systems are also judged to be good, and we have a healthy level of reserves and a strong balance sheet.

Sound financial governance will be vital as we enter the most challenging period the Council has faced since it came into being. Our key financial objectives for improving our service and financial performance are to continue to ensure that budget plans are realistic and support corporate priorities, to maintain an affordable Council Tax, to protect the vulnerable, to deliver services within budget and to ensure an integrated approach to service and financial planning in full consultation with key stakeholders.

The MTFMS encompasses revenue spending, capital investment, efficiency improvement and treasury management in order to achieve these objectives, ensuring complete transparency about what is and what is not resourced. The factors that will underpin the Council's ability to maintain its current financial standing into the future and achieve its service improvement aspirations are strong corporate working supported by open book accounting, good financial management systems and practices and the successful and timely delivery of the business transformation programme. The MTFMS shows how important successful delivery of the Herefordshire Connects programme will be to both service and financial stability over the medium-term.

Medium Term Financial Management Strategy (MTFMS)

2. Introduction

2.1 Background

- 2.1.1 This is Herefordshire's first comprehensive Medium-Term Financial Management Strategy (MTFMS) covering the financial years 2006/07 to 2008/09.
- 2.1.2 The MTFMS sets out Herefordshire's key financial aims and objectives and how it intends to manage its financial affairs in order to maintain financial stability over what is expected to be a very challenging period for local government.
- 2.1.3 The development of the MTFMS forms part of Herefordshire's new integrated corporate, service and financial planning cycle. This cycle is designed to ensure that corporate and service plans are developed in the context of available resources and that those resources are allocated in line with corporate priorities.
- 2.1.4 The MTFMS will be reviewed annually at the start of the integrated financial and service planning cycle. Any material changes to the assumptions made will be reported in the routine Integrated Performance Reports produced for Cabinet at the end of months 4, 6, 8 and 10.

2.2 Aim

- 2.2.1 The MTFMS aims to ensure that the Council has a stable and sustainable financial basis for supporting investment in its strategic objectives.

2.3 Purpose

- 2.3.1 The purpose of this strategy is to show how the Council's cash resources will be used to support achievement of the objectives set out in the:
- Herefordshire Community Strategy;
 - Local Area Agreement (LAA),
 - Local Public Service Agreement (LPSA2);
 - Corporate Plan; and
 - Overall Performance Improvement Plan.

2.4 Objectives

- 2.4.1 The objectives of the MTFMS are to:
- define the financial context for future service improvement decisions;
 - set a baseline for reviewing resource availability & financial performance;

Medium Term Financial Management Strategy (MTFMS)

- establish and maintain a balanced budget;
- ensure corporate priorities drive the allocation of cash resources;
- promote strong financial governance at all levels within the Council;
- manage risks by keeping reserve funding and debt at appropriate levels;
- plan for Council Tax increases in line with national guidance; and
- provide a focus on delivering improving efficiency & Value for Money.

2.5 Coverage

2.5.1 The MTFMS contains:

- an overview of the financial outlook for local government & how we expect that to impact on Herefordshire;
- a revenue budget strategy that sets out how we will achieve improving efficiency and Value for Money;
- a medium term financial plan for the revenue account;
- a capital strategy incorporating proposals to establish a corporate landlord role & corporate prioritisation of investment decisions including ICT;
- a medium term capital investment plan;
- a treasury management strategy setting out our view of likely interest rate movements, timing of investment and borrowing decisions, how we will deal with risk in our treasury management activities & our view on affordable debt limits; and
- a detailed financial risk assessment that shows the major areas of financial uncertainty, their likelihood of occurrence, their potential impact & how we propose to mitigate those risks.

2.6 Summary

2.6.1 Herefordshire is establishing a new general and financial management culture. The top-level management board now takes a much more corporate approach. The financial management culture is developing to follow suit.

2.6.2 Our accountants and service managers need to have a high-level understanding of the overall policy and financial context within which Herefordshire works. This sets the scene for the MTFMS and the resulting medium-term financial plans that they will have to work within. Greater shared understanding of the pressures the Council as a whole faces underpins achievement of corporate service improvement and financial objectives.

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3. National Policy Context

3.1 Introduction

- 3.1.1 Change in the public sector has been extensive in recent years and this trend is set to continue for the foreseeable future. It is important to set the MTFMS in the context of the changing policy context at national level so we have the financial capacity and flexibility to deal with the change as it happens.
- 3.1.2 The last few weeks has seen the publication of three key discussion papers on the future direction of local government and public services that could have corporate implications for Herefordshire. These are:
- National Prosperity, Local Choice and Civic Engagement (Lyons Inquiry);
 - Closer to People and Places – a New Vision for Local Government (Local Government Association); and
 - The UK Government’s Approach to Public Service Reform (Prime Minister’s Strategy Unit).
- 3.1.3 A brief summary of these papers is provided below in sections 3.2 to 3.4 respectively.
- 3.1.4 A green or white paper is currently anticipated in the autumn from the Secretary of State for Communities and Local Government on Local Government Review. A short assessment of what is thought might emerge is given below in section 3.5.
- 3.1.5 Finally, this section of the MTFMS identifies the key national policies that are likely to impact on service delivery. These are listed in section 3.6.

3.2 National Prosperity, Local Choice and Civic Engagement

- 3.2.1 Sir Michael Lyons published his latest thinking on the future role and function of local government on 8th May 2006.
- 3.2.2 In his report, Sir Michael argues for a system of local government for the 21st century that can manage increasing pressures on public expenditure, increase satisfaction and build more prosperous communities. Greater local choice and not more central control is needed to achieve this.
- 3.2.3 He also argues that local government should be given greater freedom to place-shape – where local government takes responsibility for the well being of an area and the people who live there, promoting their interests and their future.
- 3.2.4 Sir Michael sets out a challenge for central government to clear the space for effective place shaping by setting fewer and better-focused

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targets and reducing supervision of local government by central government. It should also clarify the roles of central and local government, based on a realistic assessment of who is best placed to do what, and allow greater local influence over public services.

- 3.2.5 In addition he challenges local government to further raise its game, building on recent improvements, to tackle the challenges of promoting effective local choice and energetic place shaping. This requires stronger leadership, closer engagement with local residents, effective partnership working with other services and the business community, and a consistent commitment to efficiency and cost effectiveness.
- 3.2.6 Sir Michael concludes his report by saying that a programme of reform is needed to achieve the benefits of devolution he sets out in his paper and to enable local authorities to undertake their role as place-shapers. The roles and responsibilities of central and local government must be clarified, local accountability must be improved and local government must build its confidence and capability, including developing its skills, leadership and self-confidence.
- 3.2.7 Sir Michael is continuing to work on both the function and funding elements of his Inquiry. He is planning to make his final report to Ministers in December 2006 ahead of the Comprehensive Spending Review planned for 2007. He has stated that this further work will include:
- the extent to which there may need to be a greater flexibility in funding in order for place-shaping to happen effectively, and the different options which might be available to deliver such flexibility;
 - the extent to which local accountability might be enhanced by a clearer link between function and funding – and the constraints on such an approach;
 - the fairness of the funding system and the relationship between equalisation of resources and the incentives facing local authorities; and
 - the role and future of Council Tax.

3.3 Closer to People and Places – a New Vision for Local Government

- 3.3.1 Launched on 22nd May 2006, this Local Government Association (LGA) publication sets out a radical new vision for how power should be removed from Whitehall and put into the hands of local people, voluntary organisations and local councils.
- 3.3.2 The report calls for a series of sweeping changes to local government and wants a ‘clamour for change’ by local people to help make this happen.
- 3.3.3 The LGA sets out 3 objectives to:
- secure more fundamental improvements in public services and make better use of public money;

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- improve the quality of life and economic performance of cities, towns and villages; and
- give people greater power and influence over their lives, their services and the future of the places where they live.

3.3.4 The LGA argues that these objectives are shared with government and that they will only be achieved through a new system of government that offers local people more power and influence in public decisions, greater choice and a stronger voice in service delivery.

3.3.5 The LGA paper describes a new governance system that:

- enhances councils' place-making role;
- joins together the totality of public services in an area;
- designs services around users;
- realises the economic potential of our cities, towns and villages;
- provides more visible, accountable and democratic leadership with strong local performance management and accountability;
- ensures greater Value for Money and efficiency; and
- reforms the balance of funding.

3.3.6 The LGA puts forward the following proposals to support their new vision for local government:

- streamlining the plethora of targets, specific grants and financial bid systems with an agreed list of some thirty national outcomes which local government will take responsibility for delivering with its Local Area Agreement (LAA) partners;
- replacing the 'power' for economic, social and environmental well-being with a 'duty';
- developing the next generation of LAAs, backed by a 'duty' for partners to co-operate, to join together the totality of public services and resources in an area to deliver improved outcomes, better access to services and efficiency savings;
- developing Metropolitan Area Agreements, City Area Agreements and Shire Area Agreements alongside the next generation of LAAs;
- strengthening neighbourhoods through devolution from local authorities, together with an enhanced role for local council members; and
- a clear commitment to and timetable for the re-balancing of local government funding.

3.3.7 In summary, the LGA supports the government's ambition to modernise public services. It is arguing strongly for the freedom and flexibility to do this, recognising that local government needs to respond by being more innovative, enterprising and efficient.

3.4 The UK Government's Approach to Public Service Reform

3.4.1 The Prime Minister's Strategy Unit published a discussion paper on 6th June 2006 describing the government's proposed approach to public

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service reform. The paper is not, it says, intended to be the government's final word but to help improve understanding of the bigger picture on reform and stimulate further discussion.

- 3.4.2 The government recognises that public services in the UK, in common with many other countries, face major challenges from social, economic and technological changes and from major changes in public attitudes and expectations. It notes that other countries in Europe and elsewhere are pressing ahead with reform to deal with these challenges.
- 3.4.3 The discussion paper says that the government has substantially increased investment in public services since 1997, giving examples of improvements in education, health, crime reduction and other areas alongside an ambitious programme of reform.
- 3.4.4 But, the discussion paper goes on to explain, increased spending on its own is not enough to ensure improvements. The government believes that reform is needed to ensure that existing resources are used effectively and to ensure increased investment results in better services and improved outcomes.
- 3.4.5 The paper describes the government's vision as being one in which public services are:
- citizen-centred and responsive;
 - universal and accessible to all and (in the case of core public services such as schools and healthcare) free at the point of use;
 - efficient and effective, offering value for money for the tax-payer;
 - equitable, helping to reduce social exclusion and improve the life changes of the disadvantaged;
 - excellent (high quality); and
 - empowering and involving citizens.
- 3.4.6 The discussion paper then sets out how the government intends to approach the reform of public services. The reform will be driven by a combination of:
- pressure from government (top down performance management);
 - greater pressure from citizens (choice and voice);
 - greater competition and contestability in the provision of public services; and
 - measures to build the capability and capacity of civil and public servants and central and local government.
- 3.4.7 The government's intention is that these 4 elements will combine to create a self-improving system within which incentives for continuous improvement and innovation are embedded to provide better public services for all.

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3.5 Local Government Review

- 3.5.1 The government's original intention prior to the Prime Minister's Cabinet reshuffle on 5th May 2006 was to publish a white paper on Local Government Review in the summer. As a result of that reshuffle, Ruth Kelly took on the newly created post of Community and Local Government Secretary.
- 3.5.2 The Prime Minister identified the following priorities for the new Department for Communities and Local Government (DCLG):
- developing the work started whilst at the Department for Education & Skills on social mobility and economic inclusion;
 - developing the work started by the Office of the Deputy Prime Minister on local government reform by bringing forward a radical, devolutionary White Paper and subsequent Bill with more powers for local neighbourhoods and new models of accountability and leadership;
 - working with Sir Michael Lyons to deliver a practical, workable solution for local government finance in the Comprehensive Spending Review for 2007 (CSR07);
 - delivering the government's policy in response to the Barker review of housing supply;
 - building on the work Kate Barker is currently doing on land use planning to identify further proposals for reform of the planning system; and
 - producing an action plan to respond to the Women & Work Commission's recommendations on further measures for tackling gender inequality.
- 3.5.3 The Prime Minister asked the new Secretary of State to report her preliminary assessment of the key challenges across her Department, including the key milestones and risks in each area, by the end of June. He reminded Ms Kelly that her plans needed to be set in the context of lower growth in funding than in recent years, pointing out that the zero-based and efficiency reviews already underway in preparation for CSR07 would be a key critical input.
- 3.5.4 Ms Kelly's preliminary assessment of the challenges facing her new Department was not available at the time of writing. The priorities she has been set will impact significantly on the role, function, structure and financing of local government. The reform of local government finance is likely to be the most difficult of those challenges.
- 3.5.5 Sir Sandy Bruce-Lockhart, Leader of the LGA, recently made a public statement that he anticipated a White Paper on Local Government Review about October time. His view in mid June 2006 was that the White Paper would have a strong theme on localism. He anticipated that the Secretary of State for Communities and Local Government would show a renewed interest in making the 2-tier system work in shire areas – if only because Her Majesty's Treasury was nervous

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about the cost of changing existing structures when the rate of growth in public spending needs to reduce.

3.6 Other Government Policy Initiatives

3.6.1 This section of the MTFMS sets out in headline detail only the top 4 or 5 government driven initiatives that will impact on service delivery in each of our Directorates.

Adult & Community Services

3.6.2 The following government policy issues will heavily influence service delivery plans for the future in this Directorate:

- **Public Service Trust** - the Council will explore further joint working arrangements between health and social care services in Herefordshire in the context of the recent Primary Care Trust reorganisation and proposals set out in the White Paper - Our Health, Our Care, Our Say;
- **Housing Related Funding** – responding to the government’s changed approach to funding for the Supporting People Programme and allocating capital resources for housing renewal to focus resources on affordable housing; and
- **City Region Proposals** – responding to government proposals for the establishment of a City Region for the West Midlands based on the metropolitan areas - the governance and funding arrangements will have implications for the non-metropolitan areas.

Children & Young People

3.6.3 The following government policy issues will heavily influence service delivery plans for the future in this Directorate:

- **Every Child Matters Change Programme** – will require extra effort to put reforms in place by 2008;
- **Youth Matters Change Programme** – will require strengthened links to Youth Council and new service approaches;
- **Education & Inspections Bill** – will require new relationships with schools;
- **Dedicated Schools Grant** – the precise details of how this new grant will operate and its impact on non-schools services are not yet certain. The grant covers both individual schools budgets and support services provided for schools such as SEN support services giving schools much greater choice on how to procure such services. Over spends on DSG will be carried forward to count against the following year’s grant allocation. Under spends will have to be returned to the Department for Education & Skills. Efficiency

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gains within DSG whether through procurement savings, the Herefordshire Connects etc. can be kept within DSG and will be essential to help offset reductions in DSG from falling pupil numbers.

- **E-learning, E-admissions, Integrated Children's System and Information Sharing Index** – will require transformation of service arrangements and links directly to the Herefordshire Connects programme; and
- **Safeguarding Guidance & Looked After Children Green Paper (Autumn 2006)** – will require new arrangements and targets to be resourced.

Corporate & Customer Services (including Human Resources)

3.6.4 The following government policy issues will heavily influence service delivery plans for the future in this Directorate:

- **Unification project for Registration Services** – potential for significant changes in existing service delivery arrangements;
- **Further development of the LAA framework** – with potentially both corporate and directorate implications;
- **Support services** – ensuring all support services are adequately resourced to provide the level of service needed to achieve corporate priorities;
- **Customer Services Strategy** – ensuring this strategy is adequately resourced;
- **Performance management** – ensuring the Council's Overall Performance Improvement Plan and performance management framework is adequately resourced;
- **Adult & Children's Services Workforce Strategies** – the requirement to develop integrated strategies with health;
- **Welfare to Work Reforms** – ongoing requirement including reducing the numbers of people on benefit by providing work;
- **Local Government Pension Scheme** – advising both employer and employee on proposed changes;
- **Changes in employment legislation** – including new age and disability discrimination regulations; and
- **National Skills Agenda** – new frameworks for social work and priority training for minimum skills standards.

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Environment

3.6.5 The following government policy issues will heavily influence service delivery plans for the future in this Directorate:

- **Landfill Diversion** – targets increasingly more challenging requiring either increased resources and / or radical changes to service delivery;
- **Respect Agenda** – community safety including anti-social behaviour, cleaner neighbourhoods and improvements to the street scene;
- **Transport Innovation** – funding based on innovative proposals to relieve congestion, create better integrated transport provision and in particular better quality bus services and national concessionary travel;
- **Reform of the Planning System** – roll-out of the local development framework and proactive response to further proposals for change from the government; and
- **Improving Road Conditions** – government targets require sustained and increasing investment.

Resources

3.6.6 The following government policy issues will heavily influence service delivery plans for the future in this Directorate:

- **Reform of the local government finance system** – will affect billing services;
- **Comprehensive Spending Review 2007** – extra demands on the Resources Directorate to provide leadership in strategic property asset and financial management;
- **Green Paper on Welfare Reform** - Local Housing Allowances will impact on benefit services;
- **Gershon efficiency gains** – increasing pressure on back office services to make significant and demonstrable efficiency gains;
- **National Procurement Strategy for Local Government** – increasing need to deliver key milestones in the Council's procurement strategy; and
- **Use of Resources Assessment** – increasing pressure on Audit Services to demonstrate the effectiveness of the Council's overall governance arrangements.

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3.6.7 This section has highlighted the host of changes we can expect at service level in addition to those that Herefordshire will have to deal with as a corporate organisation.

3.7 Summary

3.7.1 The evidence is that radical public service reform is likely to begin in the near future. It is clearly high on the government's agenda and that of the Local Government Association.

3.7.2 Some of the common themes in the key discussion papers on the nature of the public service reform are as follows:

- the agenda will accelerate the move to greater localism, not just to local authorities but also to the individual neighbourhoods within them;
- integral to this will be an even stronger expectation, amounting to a requirement, that public services in an area will deliver measurable improvements by working together to a common agenda;
- there may be more powers and duties underpinning local government's community leadership and well-being responsibilities;
- greater freedom for local government will have to be matched by more effective systems of performance management;
- achieving quality, efficiency and Value for Money in service provision will be a high priority;
- services will need to be citizen-centred and service users will have a greater say in the design of services;
- more will be done to ensure social justice and close the widening social divisions;
- significant change in the local government finance system is likely with the balance of funding under review and the future of Council Tax in question; and
- greater pooling of resources as LAAs is developed.

3.7.3 The government is determined to set a very challenging agenda for public service improvement and local government will be expected to play its part. We will need to acquire the skills and capacity needed to deliver improvements in outcome that exceed the lower level of new investment we can expect from 2008/09 onwards.

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4. National Financial Context

4.1 Introduction

4.1.1 This section of the MTFMS sets out the financial context at national level for local government. It describes what we expect to happen in the build up to the Comprehensive Spending Review 2007 and identifies the national spending pressures for local government.

4.2 National economy

4.2.1 The UK economy has shown significant growth stability over the last 10 years. However, there are differing views as to whether this stability can be maintained over the medium-term.

4.2.2 The Chinese economy continues to grow. The US economy remains strong and the European economies, Germany in particular, are showing promising signs of growth. Oil prices have stabilised. The unsettled political situation in the Middle East has been of less concern to global markets of late but the situation remains volatile.

4.2.3 At home, UK economic growth has been steady. The housing market appears to have entered a modest growth phase after a period in which house prices increases had slowed. It remains to be seen whether this trend will continue or it is a blip.

4.2.4 UK inflation has been held within Bank of England parameters for several years now and there are no immediate signs of substantial change. Interest rates continue to remain stable and again there is currently no reason to assume a substantial change here either, although the risk is to the upside.

4.2.5 Having taken global and domestic economic factors into account, this MTFMS assumes that the UK economy will continue to grow albeit at a slower rate than official forecasts.

4.3 Comprehensive Spending Review 2007

4.3.1 In July 2005, the Chief Secretary to the Treasury announced that the government intended to launch a second Comprehensive Spending Review (CSR) report in 2007 to identify what further investments and reforms were needed to equip the UK for the global challenges of the decade ahead.

4.3.2 A decade on from the first CSR, CSR07 will represent a long-term and fundamental review of government expenditure. It will cover departmental allocations for 2008/09, 2009/10 and 2010/11, with allocations for 2007/08 held to the figures included in the 2004 Spending Review.

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4.3.3 The Chancellor of the Exchequer's budget paper for 2006 set out how the government planned to prepare for the CSR07. The programme will include:

- an examination of the key long-term trends and challenges that the UK faces including:
 - demographic and socio-economic change;
 - globalisation;
 - climate and environmental change;
 - global uncertainty; and
 - technological change.
- plans for a national debate about how public services should respond to the long-term challenges facing the UK;
- a series of reviews that will inform the CSR in the areas where cross-departmental collaboration and innovative solutions are required to meet these challenges;
- further details of the next phase of the government's Value for Money programme including:
 - a progress report on asset disposals;
 - a review of opportunities for transforming service delivery across government led by Sir David Varney that will focus on improving customer interfaces and improving customer information management; and
 - looking at how channels through which services are delivered can be made more efficient and responsive to the needs of users.
- early spending settlements for the Department for Work and Pensions, HM Revenue & Customs, Cabinet Office and HM Treasury Group which will see their department Expenditure Limits fall by 5% per year in real terms over the CSR period, releasing over £1.8bn in total for re-investment in front-line public services.

4.3.4 This last part of the government's programme for preparing for CSR07 demonstrates its resolve to extract more public service output and improved outcomes from fewer resources by setting some of its own departments very challenging efficiency targets before the spending review has concluded.

4.3.5 There are clear messages in this for local government as fiscal constraints at national level tighten. Real terms growth in public spending has averaged around 5% a year for the last 10 years and it cannot continue. On top of that, as we shall see below, the government's public spending priorities are in areas of the public sector other than local government, and local government has spending pressures of its own to deal with.

4.4 National Spending Priorities & Pressures

4.4.1 The Chancellor's budget for 2006 gave a clear indication of the government's public service spending priorities in dealing with the challenges ahead it has identified for the UK (paragraph 4.3.3 refers).

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4.4.2 On top of big real terms increases already promised for the National Health Service, the 2006 budget redirected resources to government priorities in the following key areas:

- additional revenue and capital resources were found for schools;
- extra money was found to speed up the programme to recruit more community support officers;
- the Home Office was given assurance that it would have its resource base protected throughout the period covered by CSR07;
- a commitment was made to find new cash from within existing public spending plans to give our athletes the best chance of success in the British Olympics in 2012; and
- a significant sum of money was set aside to help meet the cost of international commitments.

4.4.3 Meanwhile, at national level, local government is experiencing a range of spending pressures. The latest spending pressures survey published by the LGA in November 2005 identified a £2.2bn 'black hole' in local government finances due to:

- new legislative and government policy demands that are either unfunded or only partially funded;
- growth in demand for older people and adult services generally as our population ages;
- rising costs in a range of services including:
 - children's services;
 - waste management and street cleansing;
 - anti-social behaviour;
 - housing;
 - pensions; and
 - transport.

4.4.4 There are a number of other national spending pressures that have emerged since the LGA's last spending pressures survey was published.

4.4.5 The government is expected to assume 2% a year pay inflation for the period of CSR07. It is concerned about the increases in pay costs over the last 3 years revealed by the statutory expenditure returns the public sector is required to make each year. This is being investigated. Much of it can be explained by inaccurate completion of the returns, increases in pension costs, changes in the rules for accounting for pensions, cost of living awards and investment in new staff. However, a significant amount is unexplained and the inference is that the government's additional investment in public services has been spent on enhancing salaries. This is an area of spending the government is likely to keep under close scrutiny.

4.4.6 The government set some of its departments spending plans for 2008/09 to 2010/11 ahead of CSR07 (paragraph 4.3.3 refers). This included the Department for Work & Pensions (DWP). The DWP has

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already announced that their budget for providing Housing Benefit and Council Tax Benefit administration subsidy to local authorities be reduced by 5% in real terms over the period of the CSR07, mirroring the reduction in their Departmental Expenditure Limit imposed by the government.

- 4.4.7 The government has promised further change for Concessionary Fares with a new national scheme from 2008. It has promised to set aside £250m nationally in 2008/09 to pay for the new scheme. At present it is not certain how this funding will be allocated to local authorities or whether it will be sufficient to meet set-up costs. It is not clear how the ongoing costs of the new scheme will be funded either.
- 4.4.8 Local government also needs to consider how it maintains service improvement initiatives that the government currently supports by specific grant. Examples include Implementing E-government Grant (IEG) and Planning Delivery Grant (PDG) but there are many others including services already under pressure such as social care (e.g. transfer of Preserved Rights Grant into mainstream formula grant). This is an increasing problem as the percentage of funding that arrives as a specified rather than a general grant has grown to around 60% of the total following the introduction of Dedicated Schools Grant in April 2006.

4.5 Summary

- 4.5.1 Current expectations are that CSR07 will be challenging for local authorities with budget reports suggesting there is likely to be limited scope for real terms spending increases. Local government will have to make a very strong case through the LGA and other professional bodies if it is to obtain any additional resources. It must be prepared to prioritise and propose innovative solutions to mitigate its spending pressures.

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5. Herefordshire's Policy Context

5.1 Introduction

5.1.1 This section of the MTFMS describes the local policy context for Herefordshire. Our priorities are closely aligned with the government's priorities for public services as described in section 3. We consult widely with our residents and other stakeholders to ensure we deliver national policy objectives in a way that best meets local need.

5.1.2 The vision for Herefordshire and how it will be achieved are set out in the *Herefordshire Community Strategy (HCS) 2006 – 2020*. This has been developed, and will be delivered, by *The Herefordshire Partnership*, which comprises the Council and its major partner organisations across the public, private and voluntary and community sectors.

5.1.3 The Council's 3-year Corporate Plan sets out what the Council will do to fulfil its contribution to delivering the HCS (as well as what the Council will do internally to be as efficient and effective as possible). The Council's Annual Operating Plan sets out, in more detail, what it will do each year to those ends. This is followed through in the plans for individual directorates and services, and then on to the plans of individual teams and the objectives and target set annually for individual managers and their staff.

5.2 Herefordshire Community Strategy

5.2.1 The Herefordshire Community Strategy – A Sustainable Future for the County is the culmination of a major review in 2005 of the Herefordshire Plan. The Herefordshire Plan was first produced in 1999 with local groups, organisations and residents identifying their priorities for Herefordshire and reviewed in 2000 and 2003.

5.2.2 The HCS sets our aspirations for the County by 2020 and how they might be achieved. Each local authority must produce a sustainable community strategy that should be based on issues and priorities for local services, reflecting the views of local people, businesses and organisations. Where appropriate it should fit with regional and national priorities. Sustainable communities have been described as 'places where people want to live and work, now and in the future. They meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life, They are safe, inclusive, well planned, built and run, and offer equality of opportunity and good services for all' (Office for the Deputy Prime Minister).

5.2.3 The HCS sets out a shared vision for the future of Herefordshire. This gives an idea of the sort of place that people would like it to be in 2020. If the outcomes identified in the HCS are achieved, the County will be much closer to achieving the vision.

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5.2.4 The HCS also acts as Herefordshire's Local Agenda 21 Plan and Regeneration Strategy and is closely integrated with the emerging Local Development Framework for the County. It has also been used to develop Herefordshire's Local Area Agreement.

5.2.5 To achieve the vision, organisations, groups and service providers work together in the Herefordshire Partnership, which is a non-statutory, voluntary partnership often referred to as a Local Strategic Partnership (LSP). Partners include:

- Chamber of Commerce Herefordshire and Worcestershire, and Business Link West Mercia;
- Herefordshire Association of Local Councils;
- Herefordshire Council;
- Herefordshire Primary Care Trust;
- Learning & Skills Council, Herefordshire and Worcestershire;
- Voluntary Organisations; and
- West Mercia Constabulary.

5.2.6 In addition, many other groups and organisations are involved in the Herefordshire Partnership and contribute to achieving the vision. Examples include Advantage West Midlands and the Government Office for the West Midlands.

5.2.7 The HCS consists of:

- **One vision** – Herefordshire will be a place where people, organisations and businesses working together within an outstanding natural environment will bring about sustainable prosperity and well being for all;
- **Five guiding principles** - to:
 - realise the potential of Herefordshire, its people and communities;
 - integrate sustainability into all our actions;
 - ensure an equal and inclusive society;
 - build on achievements of partnerships working and ensure continual improvement; and

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- protect and improve Herefordshire's distinctive environment.
- **Outcomes covering the 4 themes** – which are:
 - economic development and enterprise;
 - healthier communities and older people;
 - children and young people; and
 - safer and stronger communities.
- **Performance indicators** – to measure progress towards the outcomes; and
- **A single action plan** – a plan of activities that will deliver the vision.

5.2.8 The HCS will be implemented through many organisations, networks, sectors and groups working together to co-ordinate their activity, reduce duplication and provide joined up services. This will happen through the Herefordshire Partnership and a single 3-year detailed action that will be updated each financial year.

5.3 Herefordshire Corporate Plan & Annual Operating Plan

5.3.1 Herefordshire's Corporate Plan for 2006 – 2009 sets out the Council's objectives for the next 3 years in support of the Herefordshire Community Strategy.

5.3.2 Herefordshire Council's medium-term objectives are as follows:

- to maximise the health, safety, economic well-being, achievements and contribution of every child including those with special needs and those in care;
- to build on the already strong performance of the county's schools and continue to improve the achievement of pupils;
- to enable vulnerable adults to live independently and, in particular, to enable many more older people to continue to live in their own homes;
- to protect the environment, including by producing much less waste, recycling much more of what remains and significantly reducing carbon emissions;
- to improve transport and the safety of roads, including further reductions in the numbers of people killed or seriously injured;
- to sustain vibrant and prosperous communities including by securing more efficient, effective and customer-focussed services, clean streets, tackling homelessness and effective emergency planning;

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- to promote diversity and community harmony and strive for equal opportunities for all the people of Herefordshire, regardless of race, religion, disability, sex, sexual orientation, geographical location, income or age; and
- to develop its community leadership role, working with partners to deliver the Herefordshire Community Strategy, including the Local Area Agreement with government.

5.3.3 To make these things possible, Herefordshire's organisational priorities are to:

- streamline its processes, assets and management structures, and secure significant efficiency savings, so as to keep down Council Tax increases and invest in priority service improvements;
- ensure that its essential assets, including schools, other buildings, roads and ICT are in the right condition for the long-term cost-effective delivery of services, and ensure business continuity in the face of emergencies;
- better understand the needs and preferences of service users and Council Tax payers, and to tailor services accordingly;
- recruit, retain and motivate high quality staff, ensuring that they are trained and developed so as to maximise their ability and performance; and
- embed corporate planning, performance management and project management systems so as to continue to drive up service standards and efficiency.

5.3.4 Each year, Herefordshire also adopts an Annual Operating Plan that sets out what it is going to do that year to achieve the objectives set out in the medium-term Corporate Plan.

5.4 Herefordshire's Overall Performance Improvement Plan

5.4.1 The Audit Commission introduced revised and significantly more demanding arrangements for corporate performance assessment in 2005: *CPA – The Harder Test*. All upper tier councils' scores under the old system are protected until all have been through *The Harder Test*. Herefordshire's score is currently protected at 3 (out of a possible 4).

5.4.2 However, under the new arrangements, the Council was given an overall Comprehensive Performance Assessment score of 2 and was adjudged to be improving adequately. It also adjudged us overall to have maintained services at the same level as in the previous year, notwithstanding the lower scores under this tougher regime awarded to Benefits, Environment and Use of Resources. It was the first year that Herefordshire had failed to keep pace with its ambitious plans for improvement.

5.4.3 The previously separate scores for Education and Children's Social Care have been replaced with an overall score of 2 for Children & Young People, with education services seen as good but social care

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judged to be inadequate, substantially owing to concerns about the Council's arrangements for safeguarding vulnerable children. Following a Department for Education & Skills (DfES) review in May 2006, safeguarding practice systems are now considered sound and to be resulting in improved outcomes for children.

- 5.4.4 Housing, Culture and Adult Social Care maintained their service scores.
- 5.4.5 The Commission for Social Care Inspection (CSCI) assessed the Council as providing a no-stars service, serving some adults well, with uncertain capacity for improvement; and not service children well, with poor capacity for improvement.
- 5.4.3 Against this background, the Council has drawn up a comprehensive Overall Performance Improvement Plan (OPIP), to become an excellent Council within 3 years, improving external assessment ratings as a welcome by-product of that ambition. A new Performance Improvement Cycle that fully integrates corporate, service and financial planning, coupled with greatly strengthened performance management arrangements has been put in place to achieve this. The OIP summarises the Council's key objectives for the year including our response to the 2005 CPA and JAR inspections.

5.5 Herefordshire's Business Transformation Programme

- 5.5.1 Herefordshire has embarked on a massive and ambitious programme of change to improve services and deliver the financial capacity needed invest in key priorities for the future.
- 5.5.2 The overall change programme is managed by a Business Transformation Board lead by the Chief Executive and including the Director of Corporate & Customer Services, the Director of Environment, the Director of Resources and the Change Manager. This Board is responsible for delivering the overall change programme within budget and on time, and for ensuring benefits are maximised and achieved.
- 5.5.3 The business transformation programme is complex and currently consists of 4 main inter-linking programmes, each managed by its own board arrangements in line with Prince 2 project management methodology. These 4 main programmes are the:
- 'Herefordshire Connects' programme;
 - Customer Services Strategy;
 - Children & Young People programme; and
 - 'The Big Move' – our office accommodation strategy.
- 5.5.4 'Herefordshire Connects' is the Council's strategic transformation programme. Approved in April 2006 and now in the early stages of procurement, it will address the service improvements (including those

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required by central government) recognising future financial constraints. It will involve substantial investment in staff and support systems in order to revolutionise the delivery of Council services to improve quality, efficiency and Value for Money.

- 5.5.5 The vision is for every local citizen to have considerably improved access to services and information, at a time and a location that is convenient to them, by a means that most suits them, so they can communicate with a single point of contact, who is trained and empowered to respond effectively to their request across the full range of Council services. The programme will transform the Council's performance, helping us all to work more closely together, supporting service areas to focus on delivery and developing customer-facing staff and services.
- 5.5.6 The Herefordshire Connects programme is an integrated programme of change across the Council structure around 3 key work streams:
- **Integrated Customer Services** – a simple, multi-channel way of interacting with citizens using an electronic records and document management system to ensure that the right information is immediately available;
 - **Integrated Support Services** – an integrated capability covering finance, procurement, HR and asset management; ensuring data is only entered into the system once and the timely availability of accurate information; and
 - **Corporate Performance Management** – a cross-Council corporate performance management framework linking the planning of budgets, other resources and activities to the achievement of specified outputs and outcomes including performance indicators for different levels of the authority.
- 5.5.7 The outline financial appraisal for the programme is promising with the likelihood that significant revenue benefits will accrue from 2007/08 onwards (paragraph 7.4.3 refers). This is perfect timing in terms of the CSR07 given that a tight, 3-year financial settlement starting from 2008/09 is expected.
- 5.5.8 The Herefordshire Connects programme is a bold, inventive plan that will need to be well managed and delivered quickly for success. Making sure the benefits of the programme are realised and re-directed towards the Council's key priorities will also be essential for success.
- 5.5.9 As mentioned in paragraph 5.5.3, there are other complementary projects running along side the Herefordshire Connects programme.
- 5.5.10 One of the key themes of the Herefordshire Connects programme is improving customer interfaces and improving customer information

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management. This will be delivered through our Customer Services Strategy by improving access to services by extending our Info and Info by Phone services

5.5.11 The recent JAR review highlighted the need to improve customer interfaces and customer information management as a particular issue for Children & Young People. It is therefore included in the overall business transformation programme as a separate programme area.

5.5.12 The Council originally approved an Accommodation Strategy in May 2005. It approved an updated business case in May 2006 and put both the revenue and capital budget in place to implement the strategy. Progress in planning to centralise office accommodation at the Plough Lane site is now well advanced.

5.6 Summary

5.6.1 This section of the MTFMS shows how the Council's objectives and targets cascade down the organisation to ensure we work as one organisation with all parts pulling in the same direction.

5.6.2 Herefordshire Connects is crucial to the Council's future success. It is an ambitious plan to:

- make a step change in the improvement of services in terms of quality, efficiency and Value for Money; and
- create the financial capacity to be able to continue to invest in services given the gloomy financial outlook for local government from April 2008.

5.6.3 Herefordshire is about to enter perhaps the most challenging period it has faced since it came into being in 1998 with demands all round for improvement at a time when cash resources are likely to reduce in real terms. Sound financial governance will be essential to ensure the Council's continued financial health.

5.6.4 The next section of this MTFMS sets out the financial context at the local level before moving on in the following section to describe the Council's approach to strategic financial management during this difficult period.

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6. Herefordshire's Financial Context

6.1 Introduction

6.1.1 This section of the MTFMS describes Herefordshire's financial position in some detail. It is important to set the scene locally before considering the best approach to the high-level management of the Council's financial resources to ensure cash follows priorities.

6.2 Relative Funding Position

6.2.1 As our inspectors have acknowledged, government funding per head of population in Herefordshire is significantly below the average for all-purpose authorities. The inspectors noted that our funding per head of population was 8% below the average in our last Corporate Assessment report.

6.2.2 Updating the position for the 2006/07 settlement figures reveals that the gap in funding has widened. The figures for this year are as follows:

- Formula Grant per head of population is £259 – 21% below the unitary authority average of £329;
- Formula Grant plus Dedicated Schools Grant per head of population is £698 – 19% below the unitary authority average of £862; and
- Dedicated Schools Grant per head of population is £439 – 18% below the unitary authority average of £533.

6.3 Reserves

Revenue Reserves

6.3.1 Herefordshire has 2 main sources of reserve funding to support its day to day spending that is recorded in the revenue account – the General Fund balance and Specific Reserves. As the titles suggest, the latter are held for a specific purpose whilst the former could be considered a pot of 'rainy day' money.

6.3.2 The following table shows the balance on the General Fund and the level of Specific Reserves at the end of the last 3 financial years:

(All figures £000k)

Balance as at:	General Fund	Specific Reserves		Total
		Schools	Other	
31st March 2004	9,847	6,845	2,562	19,254
31st March 2005	14,491	8,919	2,325	25,735
31st March 2006	14,525	8,739	5,203	28,467

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6.3.3 There are a number of important points to note about the figures in this table:

- a significant proportion of the Specific Reserves belong to our schools and cannot be used to help pay for non-schools services;
- the General Fund balance at 31st March 2006 includes £2.8m of budgets carried forward into the current financial year leaving £11.7m that is uncommitted; and
- the large increase in Other Specific Reserves as at 31st March 2006 is due to the creation of a specific reserve of £1.928m for the Herefordshire Connects programme.

6.3.4 The Council does not currently have a comprehensive policy on the level of reserves it holds other than requiring a minimum balance of £3m on the General Fund. This policy has not been reviewed since 1998 and the Council's overall budget and financial risks have altered somewhat since then.

6.3.5 The policy on the minimum acceptable balance on the General Fund should be considered in the context of the Specific Reserves held. The greater the range of financial risks adequately covered by Specific Reserves, the lower the minimum balance required on the General Fund can be. At £3m, the Council's policy on the minimum General Fund balance is at the low end of the range recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA).

6.3.6 Section 7.3 of the MTFMS gives further consideration to an appropriate policy on general and specific reserves to ensure revenue cash resources are used effectively in support of corporate objectives.

Capital Reserves

6.3.7 There is 1 capital reserve that represents cash available to support spending on the creation or enhancement of assets that is recorded in the capital account. It is known as the Usable Capital Receipts Reserve.

6.3.8 The table below shows how the balance on the Usable Capital Receipts Reserve has changed over the last 3 financial years.

(All figures in £000k)

Financial Year	Balance at start of year	Income from sale of assets (capital receipts)	Capital receipts used to pay for capital spending	Balance at end of year
2003/04	18,908	5,301	4,245	19,964
2004/05	19,964	2,654	4,327	18,291
2005/06	18,291	3,876	2,097	20,070

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- 6.3.9 Important point to note is that £15.9m of the £20m of Useable Capital Receipts at the end of 2005/06 have been committed to help pay for approved capital projects leaving just £4.1m as yet unallocated.
- 6.3.10 The Council agreed a strategy for disposing of surplus assets as part of the Accommodation Strategy. Capital receipts will be generated over the medium-term as these assets are vacated and sold but they will be used to reduce the potential borrowing requirement for the project to rationalise office accommodation.
- 6.3.11 The Council has set the Smallholdings Estate an annual target of realising £1m capital receipts. This policy ensures a steady but modest stream of new capital receipts each year.
- 6.3.12 The Council adopted a policy of sharing capital receipts equally between the corporate pot of capital receipts and the Directorate that 'owned' the assets sold in 1998. This was designed as an incentive to Directorates to rationalise their asset holdings as they shed the direct revenue cost of running the property and gained additional capital resources.
- 6.3.13 Section 7.3 of the MTFMS gives further consideration to an appropriate policy on the allocation of capital receipts to ensure capital cash resources are used effectively in support of corporate priorities.

6.4 Trends in Outturn

Revenue Overview

- 6.4.1 The table below compares the actual use of General Fund balances compared to planned use for the last 3 financial years.

(All figures in £000k.)

Financial Year	Planned use of General Fund balances ¹	Actual use of General Fund balances ²	Improvement in financial performance ³
31st March 2004	(2,942)	3,479	6,421
31st March 2005	(3,176)	4,644	7,820
31st March 2006	(4,063)	34	4,097

Notes

1 – brackets means there was planned contribution from the General Fund balances to the revenue account – a top-up from the 'rainy day' money to get the budget to balance for the year.

2 – no brackets means that there was actually a surplus on the revenue account of the year that was used to top the 'rainy day' money up.

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3 - a plus sign means actual financial performance was better than planned.

6.4.2 The table in the preceding paragraph show that there is potentially some – albeit reducing – latent financial capacity in our base budgets for revenue spending. This suggests that we still have more work to do to encourage service managers to behave more corporately and treat their cash allocations as a corporate rather than service resource. It also suggests that services can manage within existing resources despite the lengthy ‘wish lists’ that develop when asked to identify service pressures.

Directorate Revenue Outturns

6.4.3 The overview shows that the Council’s income exceeded its spending in each of the last 3 financial years. Overall financial performance has therefore been good but this masks the fact that a small number of key budgets have not performed so well.

6.4.4 Service area under spends in 2005/06 amounted to £3.72m. Every Directorate except Adult & Community Services was able to identify under spends compared to budget that more than matched their over spends.

6.4.5 The Adult & Community Services Directorate over spent by some £1.6m due to pressures in Adult Social Care services (Learning Disabilities, Mental Health & Physical Disabilities) and Homelessness services. Part of the over spend for the year was due to the budget deficit carried forward from 2004/05 being written off.

6.4.6 Whilst in overall terms the other Directorates were under spent compared to budget at the end of the financial year, their outturn position was a mix of under and over spends. There appears to be little pattern to the areas under spending from year to year as a basis for considering redirection of resources. Directorate budget management plans need to ensure budget is allocated accurately each year to avoid repeated under and over spends being reported simply because the budget isn’t in the right place.

Capital Outturn

6.4.7 The Council maintains as a minimum a full 3-year rolling capital programme that is fundamentally linked to the Council’s strategic plans and estimated sources of capital funding.

6.4.8 The following table compares the final capital budgets for the last 3 financial years to actual spend.

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(All figures in £000k)

Financial Year	Original capital budget	Capital outturn	Over / (under) spend for year
2003/04	32,839	31,866	(973)
2004/05	40,100	33,198	(6,902)
2005/06	37,131	31,845	(5,286)

6.4.9 Slippage in the Council's capital spending programme is managed to ensure that conditional funding resources have not been lost and that the use of available resources has been maximised.

6.4.10 A delay in incurring capital spending and taking up planned new borrowing due to slippage in the capital has a direct impact on the revenue account. Extra investment income may be earned as cash sits longer than anticipated in the Council's bank account and interest payments may not be incurred as early as anticipated. The overall effect is therefore positive and often helps explain better performance on the revenue account.

6.5 Local Spending Pressures

6.5.1 The outturn position for 2005/06 provides evidence of Herefordshire's spending pressures for the future, many of which reflect the national trends identified in section 4.4 of the MTFMS.

6.5.2 The key concern is the Adult Social Care service budgets. The base budget funding position for these services in 2006/07 was enhanced with real terms growth for at least the 3rd successive year in a row. However, we recognise there is more we need to do. Current forecasts at this early stage of the 2006/07 financial year are that this budget will over spend by some £3.5m this year if the status quo in terms of service delivery arrangements is maintained.

6.5.3 The Children's Social Care budgets are of concern too. They were less over spent than anticipated in 2005/06 but are currently expected to over spend by some £400k in 2006/07.

6.5.4 Research is being carried out into the impact that Herefordshire's ageing population and other factors will have on demand for social care services and the options for the patterns and levels of services needed to meet them. A report is anticipated in August that will help inform decisions on future base budget provision for these services.

6.5.5 A social care contingency fund of £1.3m was established for 2006/07 in the event that the Adult and Children's social care budgets over spent. This clearly will not be sufficient given current projections of a combined over spend of £3.9m.

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- 6.5.6 The Homelessness budget has been in crisis but the position – both in terms of service and financial performance - is steadily improving since the service was taken back in-house from Herefordshire Housing. Although early days in the financial year, the current forecast is that this budget will not over spend this year and that it will manage with planned base budget reductions into the future.
- 6.5.7 Other budgets that showed signs of strain in 2005/06 included:
- street cleansing;
 - public toilets;
 - winter road maintenance; and
 - administrative buildings.
- 6.5.8 Other spending pressures that need consideration include:
- waste disposal – the Specific Reserve for this issue stands at £1.366m but needs review as the date for agreeing changes to the original PFI contract continues to slip and waste tonnages continue to grow;
 - contingent liabilities – there is no provision for these items of expenditure which could cost up to £620k if the liability was confirmed (the Statement of Accounts for 2005/06 refers).

6.6 Summary

- 6.6.1 Herefordshire is not a well-resourced council but despite this it has been judged as providing services that represent good value. Government grant systems attempt to make allowance for the additional cost and complexity of delivering services in a sparsely populated area but do not do enough for councils like Herefordshire where its sparse population is more evenly distributed throughout the area. Many sparsely populated councils – such as Cornwall, Devon or Cumbria – have great tracts of land that people just do not live in.
- 6.6.2 Despite the challenges to date, financial performance has been good in overall terms providing a healthy level of reserves. There are however some problem areas – notably social care – that need attention.
- 6.6.3 The MTFMS thus far has set out the national and local policy and financial context for Herefordshire. Having set the scene, it is now possible to consider in section 7 the detail of a proposed high-level, medium-term financial management strategy to ensure that we preserve our financial health through a period in which we plan significant service improvements whilst financial support from the government reduces in real terms.

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7. Financial Management Strategy

7.1 Introduction

7.1.1 Herefordshire's MTFMS supports all of Herefordshire's other resource management and service delivery strategies. The detailed financial implications of all those strategies are dealt with in the supporting papers and decisions for those strategies. The intention is not to repeat that information in this document, but to focus on an overall financial strategy for the Council in terms of setting clear corporate financial objectives and establishing a universal set of 'ground rules' for developing future service delivery proposals over a 3-year period that will also demonstrate progress on cross-cutting themes.

7.1.2 This section of the MTFMS therefore sets out to describe Herefordshire's corporate financial objectives given the national and local context and its financial management strategies for:

- Revenue spending;
- Capital investment;
- Efficiency review and improving Value for Money; and
- Treasury management.

7.1.3 Active risk management is a key component of the Council's corporate governance arrangements. This section of the MTFMS therefore sets out the key corporate and financial risks the Council will be monitoring to ensure it stays on course to deliver its overall objectives.

7.2 Corporate Financial Objectives

7.2.1 Herefordshire's corporate financial management objectives are to:

- ensure budget plans are realistic, balanced and support corporate priorities – especially those that protect the vulnerable in our communities;
- continue to develop centres of excellence for financial administration and management – in line with the principles supporting the future shape of the Resources Directorate;
- maintain an affordable Council Tax – the Medium Term Financial Resource Model (MTFRM) assumes a sub-5% increase in line with that for 2006/07;
- manage spending within budgets – Directorates are required as a 'non-negotiable' to manage outturn expenditure for each financial year within a 1% margin of their base budget;

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- ensure sustainable balances, reserves and provisions – within a reasonable limit consistent with the corporate financial risks without tying up public resources unnecessarily;
- create the financial capacity for strategic priorities for service improvement through the Herefordshire Connects programme;
- support a prudent level of capital investment to meet the Council's strategic requirements;
- maintain a strong balance sheet position;
- deliver year on year efficiency and Value for Money improvements;
- ensure an integrated approach to corporate, service and financial planning in full consultation with key stakeholders;
- maintain the current Use of Resources score in the 2006 inspection advancing to excellent in the 2007 inspection; and
- develop the 3-year Medium Term Financial Resource Model into 3-year indicative cash limits for Directorates by March 2007 (the cash limits will be subject to continual review to take into account the changing financial context and in particular the latest financial appraisals for the Herefordshire Connects programme).

7.3 Financial Management Strategy for the Revenue Account

7.3.1 This section of the MTFMS sets out Herefordshire's financial management proposals for achieving the corporate financial objectives outlined above.

Managing the General Fund Balance & Specific Reserves

7.3.2 Herefordshire's General Fund balance at the start of 2006/07 was £14.5m with £11.7m available to spend. This is significantly in excess of the Council's policy to maintain a minimum balance of £3m. It is essential to set out the reasons for holding this money in order to achieve the corporate financial objectives for having reserves outlined in paragraph 7.2.1.

7.3.3 Herefordshire's financial management strategy is to maintain Specific Reserves to deal with the key corporate financial risks reducing the need for a higher level of General Fund balances. This strategy will ensure there is complete transparency about what is and what is not resourced for corporate financial risks that, if realised, would affect the Council's financial standing. It represents an 'open-book' approach to accounting with no hidden cocoa tins.

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7.3.4 With this end in mind, it is proposed that some new Specific Reserves are created and existing ones enhanced to deal with the key financial risks the Authority is currently managing. The proposals are as follows:

- to increase the social care contingency by £1.7m, topping it up to £3m given the current forecast for outturn for 2006/07 is for a £3.9m over spend;
- to increase the winter road maintenance Specific Reserve by £392k, topping it up to £500k;
- to increase the waste disposal Specific Reserve by £634k, topping it up to £2m;
- to incorporate the Initiatives Fund (£433k) in the Invest to Save Specific Reserve and top up by a further £639k to there is a total of £3m available for Invest to Save initiatives - £1.928m of which has already been earmarked for the Herefordshire Connects programme (see paragraphs 7.3.37 – 7.3.38);
- to create a Specific Reserve of £300k so there is some provision in event the contingent liabilities identified in the Statement of Accounts for 2005/06 are realised;
- to create a budget management Specific Reserve of £1.1m so that there is money set aside in the event that Directorate budgets (excluding schools and social care) are 1% over spent at outturn compared to their base budget.

7.3.5 Directorates will be expected to manage budget pressures within their overall requirement to deliver an outturn no more than 1% higher than budget. It is recognised that this target will not be achieved in the short-term for social care services – particularly adult services. A contingency fund has been set up to deal with this situation for 2006/07 whilst an assessment of the ongoing level of base budget investment is carried out. The budget management Specific Reserves will only be used in exceptional circumstances when Directorates are able to demonstrate they did all they could reasonably have been expected to do to manage the position.

7.3.6 The need for the range and level of Specific Reserves and the policy for minimum General Fund balances will be continually reviewed as part of the financial planning, monitoring and outturn processes. The strategy described here provides cover for the key corporate financial risks. We will be relying heavily on the Herefordshire Connects programme to release resources to replenish and maintain adequate reserve funding for 2007/08 and beyond if these reserves are utilised in 2006/07.

Managing a balanced budget

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7.3.7 Over the years Herefordshire has sought to ensure that all services are adequately funded given available resources. Keeping up with increasing demand for services – particularly in social care – has been difficult but Herefordshire can show that it has consistently provided real terms growth for these services over the years and although it recognises more will be needed to meet future demand.

7.3.8 There are a number of more minor base budget issues that need addressing if strategic priorities are to be achieved. This financial management strategy suggests they are tackled as follows:

- **Queenswood Park** – restore £75k base budget reduction in anticipation of a Cabinet decision to reverse its policy to introduce charges for parking: the shortfall will be met from balances in 2006/07 but will be included in the Medium-Term Financial Resource Model from 2007/08 onwards (reducing the General Fund balance for the year by a corresponding amount);
- **Procurement & Efficiency Review** – increase the staffing budget by £55k a year starting from 2007/08 to reflect the full-year cost of this new Key Manager post: the shortfall will be met from balances in 2006/07;
- **Herefordshire Matters** – correct base budget omission by adding £50k to base budget from 2007/08 onwards to support future publications: the shortfall in 2006/07 will be met from balances;
- **Chief Executive’s Development Fund** – add £150k to base budget from 2007/08 onwards: the shortfall in 2006/07 will be met from balances;
- **Housing Benefit & Council Tax Benefit (HB / CTB) Administration Subsidy** – reduce anticipated grant income by £150k a year starting 2007/08 to reflect the 5% real terms reduction announced by the DWP;
- **Service Level Agreements** – set aside £100k from 2007/08 onwards for allocation in the event the proposed review of support services to check we have sufficient capacity in key priority areas such as performance management and to improve recharging mechanisms leads to base budget pressures: any pressure in 2006/07 will be met from balances;
- **Whitecross PFI Scheme** – shortfall on amount included in Financial Resource Model for 2006/07 of £380k to be met from balances; and
- **ESG (Herefordshire) Ltd** – increase base budget provision by £225k a year from 2007/08 for 3 years to take total up to £350k so

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funding is in place for Herefordshire to contribute 50% of the running costs to support the approved business plan.

7.3.9 The strategy for managing General Fund balances, Specific Reserves and for ensuring a balanced budget will increase the level of Specific Reserves held by £4.765m. There will be approximately £5m left in General Fund balances at the end of the 2006/07 financial year after allowing for budget carry forwards already approved and the measures proposed for delivering a better balanced budget. This represents a satisfactory level of General Fund balances, providing some headroom above the £3m minimum to provide cash flow cover and for unforeseen contingencies.

7.3.10 The impact on General Fund balances in 2006/07 is illustrated in the following table:

	£000	£000
General Fund balance on 1st April 2006		14,525
Less items in paragraph 7.3.4 – managing the General Fund balance and Specific Reserves		
Social care contingency	1,700	
Winter roads maintenance	392	
Waste disposal	634	
Invest to save	639	
Contingent liabilities	300	
Budget management	1,100	
Sub Total		-4,765
Less items in paragraph 7.3.8 – managing a balanced budget		
Queenswood Park	75	
Procurement & Efficiency Review Manager	55	
Herefordshire Matters	50	
Chief Executive's Development Fund	150	
HB / CTB Administration Subsidy	150	
Service Level Agreements (up to)	100	
Whitecross PFI Scheme	380	
Sub Total		-960
Less other items		
Carry forward budgets from 2005/06	3,720	-3,720
Sub Total		
General Fund Balance on 31st March 2006		5,080

Managing financial performance

Medium Term Financial Management Strategy (MTFMS)

- 7.3.11 Maintaining strong financial control is a prerequisite to achieving the Council's corporate priorities and the integrity of the MTFMS. Good systems and procedures are in place for reporting on financial performance as part of the Integrated Performance Reporting framework.
- 7.3.12 Further improvements are planned to incorporate non-financial information in financial performance monitoring reports. This will help us track Value for Money improvements and also help highlight areas that are performing to the standard required and have spare financial capacity that could be reinvested in another corporate priority.
- 7.3.13 Routine budget monitoring reports will also be reviewed to ensure each Directorate can monitor both the 'controllable' elements of their budget as well as overall financial performance. The latter is important for external benchmarking activities to demonstrate Value for Money is being achieved.
- 7.3.14 Certain types of income and expenditure budgets are classified as 'non-controllable'. In the main, these are budgets that are allocated to Directorates on a recharge basis (e.g. support service recharges, insurances). The support service provider will exercise the budgetary control for these services.

Managing budget carry forwards

- 7.3.15 The Council's Standing Orders have recently been amended to ensure the cash resource redeployed through the year-end budget carry forward arrangements is allocated in line with corporate priorities whilst maintaining as much flexibility as possible for Directorates.
- 7.3.16 Budgets are now only carried forward if there is an under spend on the Consolidated Revenue Account and at Directorate level. Such under spends are top-sliced if necessary to ensure corporate priorities and financial risks are funded. Budget carry forwards can only be used to fund one-off spending.
- 7.3.17 Budget carry forwards on support service and other recharged items will not be permitted. Budget carry forwards on income budgets such as car park charges, planning fees and investment property income will not generally be permitted either.

Managing Directorate base budgets

- 7.3.18 Base budget needs to be in the right place at Directorate level as well as the corporate level to support effective financial management and to avoid repeated over spends in one area being consistently offset by under spends in others.
- 7.3.19 A virement process that allows the transfer of resources between budget headings is in place. This financial management strategy will actively encourage Directorates to use this facility to ensure there is an

Medium Term Financial Management Strategy (MTFMS)

'open book' approach to accounting at Directorate level, ensuring such virements support corporate priorities.

Managing inflation on expenditure budget headings

- 7.3.20 The government is planning on 2% pay inflation over the medium-term. This will be reflected in Herefordshire's MTFRM. Salary budgets and budgets linked to salary payments will be uplifted by this amount. Indirect employee costs will not be uplifted for inflation.
- 7.3.21 The resources available are not sufficient to provide in full for inflation across all other expenditure heads. Current practice has been to uplift most non-pay spending heads by the rate of inflation with ad-hoc exceptions to that rule. The result of this policy is that some services with a contractual inflation commitment that exceeds the rate of inflation have built up an ongoing base budget problem.
- 7.3.22 The MTFMS for the non-pay inflation provision will be to ensure that contractual commitments for inflation are met as far as possible. The provision will be allocated pro rata to spend and inflationary pressure. This approach will help achieve the corporate financial objective to set balanced budgets.

Managing income

- 7.3.23 Setting challenging but attainable income targets is an essential element of Herefordshire's MTFMS. To achieve corporate financial objectives, income targets included in approved budget plans need to be realistic. The current approach of assuming all fees and charges income will increase by the rate of inflation each year is not sustainable into the future for planning fees, car parking charges and investment property income.
- 7.3.24 Income budgets for these services will not be inflated (other than to reflect anticipated increases in demand for the service) if the Council has no plans to review the charges or there is no legal requirement to do so. Similarly, these income budgets will be revised downwards where there is clear non-financial information to evidence a decline in demand for the service.
- 7.3.25 The corollary to this new approach is that any surplus on the planning and car park income budgets will be treated as a corporate resource. Any under achievement, providing the Directorate has taken appropriate mitigating action, will be a corporate rather than a Directorate problem.
- 7.3.26 All other budgets will be increased by inflation and Directors will be expected to review all their fees & charges annually as part of the business planning cycle to ensure they comply with relevant corporate priorities and policies (e.g. diversity and social inclusion).

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7.3.27 Government funding to support Herefordshire is effectively fixed for the medium-term given the advent of multi-year settlements. Scope to increase Council Tax is likely to remain limited by government capping rules. One way to achieve the corporate financial objective to create additional financial capacity is to maximise potential income and generate income from new sources.

7.3.28 The MTFMS for income generation is therefore to:

- ensure income budgets reside with the client service where the service is responsible for determining service strategy;
- adopt an entrepreneurial approach to generating income from investment properties, commercial properties and trading activities with risks being managed in line with the Council's risk management procedures;
- focus on debt collection by setting targets for improvement;
- consider the scope for higher levels of charging for services especially where there is clear evidence that Herefordshire attracts much lower levels of income than comparator authorities; and
- investigate new freedoms to charge for services.

Managing partnership resources

7.3.29 Herefordshire welcomes the opportunity to work with strategic partners to improve outcomes. But, in order to achieve its corporate financial management objectives, we will always seek to ensure:

- the financial viability of partners before committing to an agreement;
- there is clarity of respective responsibilities and liabilities;
- the accounting arrangements are established in advance of operation;
- the implications of terms and conditions on any associated funding are considered in advance of operation.

Managing staffing budgets

7.3.30 It is vital that the council has employees with the right skills, knowledge and abilities. The MTFMS makes the link between investing in people and improves services to the community. Improvements to workforce planning and establishment control will help to ensure that we have a much more reliable source of information as a basis for agreeing employee and training budgets. In addition, capacity will be built and value added by working with key partners.

Managing external funding

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7.3.31 External funding provides another opportunity to increase financial capacity. The MTFMS will be to actively pursue such opportunities, including Public Finance Initiative (PFI) funding, providing that:

- match funding requirements are considered in advance;
- they support corporate priorities;
- they do not conflict or distract from corporate priorities;
- they have no ongoing commitment that cannot be met by base budget savings; and
- they do not put undue pressure on existing resources.

Managing Developer Contributions

7.3.32 This is another source of external funding that can be secured through the planning system. It may be possible to secure funding to support the cost of day-to-day services (e.g. commuted sums for maintenance of public open spaces). Support for capital infrastructure can also be achieved in this way (e.g. developer contributing to cost of new access roads).

7.3.33 The MTFMS is to maximise the potential for increasing financial capacity and / or managing growth in volumes through s106 agreements. This will involve a much more commercial and co-ordinated approach to such opportunities. The Interim Head of Asset Management & Property Services will be tasked to review and improve current arrangements as a short-term priority.

Managing increases in demand / volumes

7.3.34 The policy context sections of this MTFMS describe the pressures of increasing demand in certain key services such as social care, homelessness and benefits. With finite resources available, it is not possible to keep adding to the base budget as demand grows. Volumes are increasing in some services too – e.g. maintenance of public open spaces.

7.3.35 Herefordshire will seek to discharge all its statutory responsibilities to service users. To achieve the corporate financial objectives that underpin the achievement of corporate priorities, service managers will actively seek to contain increases in demand or volume to mitigate the financial consequences.

Managing Invest to Save initiatives

7.3.36 This financial management strategy makes proposals for turning the Initiatives Fund into Invest to Save money, and topping the latter up to £3m so there is just over £1m available for Invest to Save initiatives outside of the Herefordshire Connects programme. This money will be allocated to projects that support the Council's corporate priorities and complement projects within the business transformation programme.

7.3.37 Invest to Save projects may deliver base budget savings to improve Value for Money in the bidding service area. In such cases, there will be a requirement for the service area to make a permanent base

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budget reduction. Invest to Save projects may also be used to manage increasing demand or volumes so as to minimise the impact on the base budget. In these cases, the bidding service area will be required to show how existing performance standards will be at least maintained or even improved.

Managing Value Added Tax (VAT)

7.3.38 To preserve financial capacity, Herefordshire will continue to actively manage business activity that is classed as 'exempt' under current VAT legislation to ensure that the partial exemption limit is not breached. We are allowed to reclaim the VAT on exempt business activities providing it does not exceed 5% of our total VAT liability. If we breach the 5% limit, HM Customs & Revenues will expect us to hand over the VAT on exempt activity too – approximately £750k a year.

7.3.39 VAT is a particularly specialised field within the accountancy profession and we supplement in-house resources with external consultancy support when needed. The Financial Policy Team will continue to ensure service managers are aware of the circumstances that represent greatest financial risk in terms of the Council's overall VAT liability so they can seek the specialist advice.

7.4 Medium-Term Financial Resource Model (MTFRM)

7.4.1 The MTFRM is designed to provide an assessment of the overall resource availability for the revenue account over the medium-term. This sets the financial context for the corporate and service planning so that the two planning processes are fully integrated. It covers the period from 2007/08 to 2010/11 – the final year of the current 2-year settlement and the following 3-year period that will be covered by CSR07.

7.4.2 The MTFRM shown in Appendix A takes into account the corporate financial objectives and MTFMS proposed in this document. It also makes a number of other assumptions. These are summarised below to ensure the financial planning process is open and transparent:

- **Herefordshire Connects** – the MTFRM reflects the outline financial appraisal approved by Cabinet in April 2006 and will need to be updated as the programme develops and the financial appraisal is refined;
- **Accommodation Strategy** – the MTFRM reflects the latest financial assessment approved by Cabinet in May 2006;
- **Capital Investment** – the MTFRM reflects the revenue implications (cost of prudential borrowing) of the capital programme approved by Council in March 2006 plus slippage from 2005/06 approved by Cabinet in June 2006;

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- **Whitecross PFI Scheme** – the MTFRM includes an additional £451k in 2007/08 only to meet the initial costs of this project;
- **Formula Grant** – the MTFRM reflects known transfers in or out of Formula Grant (e.g. Preserved Rights Grant being transferred in to Formula Grant without a corresponding increase), the indicative 2.4% increase for 2007/08 and a cash standstill in following years given the pessimistic view on the CSR07 for local government;
- **Dedicated Schools Grant** – the MTFRM reflects the indicative 4.3% increase for 2007/08 and assumes a 2% increase in following years;
- **Second Local Public Service Agreement (LPSA2)** – the MTFRM reflects the investment in LPSA2 approved by Cabinet and assumes receipt of 75% of the potential Reward Grant (i.e. £3.292m, 50% of which will be revenue and will be received in 2 equal instalments in 2008/09 and 2009/10);
- **Employers' superannuation costs** – the MTFRM includes increases in employers' contributions rates in line with latest actuarial advice;
- **Interest Rates** – the MTFRM reflects interest rate assumptions for investment income and new borrowing costs in line with the Treasury Management Strategy approved by Council in March 2006;
- **National Taxation** – the MTFRM assumes there will be no significant change to national taxation systems;
- **Local government finance system** – the MTFRM assumes the status quo with no change to the grant distribution system, Council Tax or National Non-Domestic Rates;
- **Housing Benefit / Council Tax Benefit Administration Subsidy** – the MTFRM reflects the implications of a 5% real terms cut in this subsidy each year starting from 2007/08;
- **Local Authority Business Growth Incentive Grant** – the MTFRM makes no assumptions about future grant income as it is very difficult to predict the amounts that may be involved and, as alternative arrangements are proposed to fund corporate economic development priorities upfront (e.g. supporting ESG (Herefordshire) Ltd), any income will be used to replenish reserves and balances;
- **Council Tax Income** – the MTFRM assumes 1% a year growth in the Council Tax base, 4.7% a year increases in Council Tax each

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year and a surplus on collection of £500k in 2007/08 reducing to £300k a year thereafter; and

- **Public Service Trust** – no allowance has been made for potential one-off costs associated with setting this organisation up or the cashable efficiency gains it will deliver as no Cabinet decisions have yet been taken.

7.4.3 The MTFRM sets the overall financial context for corporate and service planning and the detailed budget work prior to setting the Council Tax. Given the assumptions outlined above, the following table summarises the potential financial capacity in the revenue account:

(All figures in £000k)

	2007/08	2008/09	2009/10	2010/11
Potential revenue capacity	4,545	2,750	3,850	2,690
Herefordshire Connects benefit realisation target	5,800	4,800	800	350

7.4.4 The above table shows quite clearly that the Herefordshire Connects programme will have a major role to play in releasing cash from business processes to reinvest in service and capital investment priorities. Chief amongst these priorities are:

- establishing a balanced budget for social care services based on the current review of future needs due to report in August; and
- supporting new affordable borrowing for key investment priorities such as the Rotherwas Relief Road and ICT infrastructure.

7.4.5 The MTFRM looks at the totality of the revenue account and identifies indicative cash limits at the corporate level. As the new Performance Improvement Cycle beds in, and the MTFMS is agreed, it will be possible to develop indicative medium-term cash limits for Directorates. These will be in place for March 2006/07 covering 2007/08 to 2010/11 and will be updated to reflect known changes in the financial environment – particularly as the financial appraisal for the business transformation programme develops.

7.5 Financial Management Strategy for Capital Investment

7.5.1 Capital resources for the future are also likely to be very constrained.

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- 7.5.2 Herefordshire only has £4.1m of unallocated useable capital receipts. There are only modest expectations for new capital receipts that haven't already been earmarked for approved capital investment plans. If we are successful in securing 75% of the potential Performance Reward Grant for LPSA2, then a further £1.646m of as yet unallocated capital grant will be available – half due in 2008/09 with the rest due in 2009/10.
- 7.5.3 The MTFRM for the revenue account reflects the new borrowing requirement implied by the Treasury Management Strategy (see section 7.8) to support the capital programme. It also reflects the new borrowing requirement identified in the outline financial appraisal for the Herefordshire Connects programme and the latest financial appraisal for the Accommodation Strategy.
- 7.5.4 Potential capacity in the revenue account to absorb the revenue implications of yet more borrowing is limited as can be seen from the table in paragraph 7.4.3. The problem is compounded by the fact that revenue cost of government infrastructure capital spending allocations (e.g. LTP) is no longer supported in full through Formula Grant. This funding used to be protected from the floors and ceilings arrangement within the grant distribution system but this is no longer the case with the distribution system introduced for 2006/07.
- 7.5.5 This leaves limited capacity in the revenue account to accommodate new projects unless ongoing efficiency savings can match the additional borrowing costs. This is a problem because there are a number of projects that are likely to be a high priority for the Council such as:
- the Rotherwas Relief Road (approximately £6m funding shortfall assuming LTP is awarded);
 - the Ross Flood Alleviation Scheme (although responsibility for this may pass to the Environment Agency);
 - repairs, maintenance and enhancement of corporate assets such as property assets and ICT;
 - investment in property assets needed to deliver the changes needed in adult social care; and
 - ICT Strategy to support the Business Transformation programme.
- 7.5.6 The Council has an Asset Management Plan and Capital Strategy that has been given top marks by the Government Office for the West Midlands. These documents need fine-tuning to help address the impact of there being a scarcity of capital resources.

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7.5.7 The financial management strategy for increasing capital investment capacity centres on:

- maximising developers' contributions as outlined in the financial management strategy for the revenue account;
- effective project management of capital schemes to ensure they stay within budget;
- creating the capacity to implement the property review arrangements set out in the Asset Management Plan to see what further opportunities there are for rationalising property assets and releasing resources (capital and revenue);
- maintaining our successful track record for innovative capital investment schemes – e.g. the Whitecross PFI project and the Edgar Street Grid redevelopment project; and
- attracting external funding such as the recent £25m grant allocation under the government's Building Schools for the Future programme.

7.5.8 The financial management strategy for capital investment also focuses on making sure the available resources are allocated in line with corporate priorities. To achieve this we will:

- treat property assets as a corporate resource and move to a corporate landlord arrangement to provide greater flexibility in matching property assets to service needs;
- remove the Financial Regulation that allows services to take a 50% share of the sale proceeds of any assets in their ownership;
- ensure that corporate assets (including property assets and ICT infrastructure) are not neglected;
- develop a corporate approach to maintaining and developing corporate asset;
- reallocate existing resources in Directorate base budgets used for this purpose to boost the corporate maintenance fund;
- allocate the corporate asset development and maintenance using the existing Scheme Selection & Prioritisation Process.

7.6 Medium-Term Capital Plan

7.6.1 A summary of the approved capital investment programme is provided in Appendix B.

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7.6.2 The following table summarises the capital investment programme for 2006/07 approved by Council in March 2006 updated for slippage from 2005/06 and subsequent Cabinet decisions on the Accommodation Strategy and the Herefordshire Connects programme.

Directorate	Total Budget	Funded by:				
		Direct Revenue Financing	Supported Capital Expenditure	Prudential Borrowing	Capital Receipts Reserve	Grants & Other
	£000	£000	£000	£000	£000	£000
A & CS	18,117	-	218	3,840	5,746	8,313
C & YP	9,882	-	2,459	2,000	756	4,667
C & CS	12,245	1,200	-	10,775	-	270
Environment	13,500	-	10,475	2,441	100	484
Resources	5,233	-	-	3,269	1,964	-
Total	58,977	1,200	13,152	22,325	8,566	13,734

7.7 Efficiency Review & Value for Money

Efficiency Review

7.7.1 Herefordshire's strategy for securing efficiency gains is to seek continual improvement in the productivity of all our resources – people, land & property, ICT and cash. To us this means getting more from the same amount of resource or achieving the same results with less and targeting the capacity released at our highest priorities.

7.7.2 Our strategy is **not** to cut services but to keep improving those that matter most to our community. Our corporate plan for 2006 – 2009 sets some ambitious targets for service improvement that can only be achieved with a robust MTFMS and MTFRM in place.

7.7.3 We use the following mechanisms for identifying and delivering efficiency gains:

- the MTFMS and MTFRM supports our corporate priorities and included ongoing efficiency savings that will be delivered through the business transformation programme;
- whenever there is staff turnover the opportunity is taken to review the provision of that service – this may include not replacing the member of staff, reallocating the duties or changing the way the service is provided;

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- service managers can transfer certain amounts and types of budget between items giving them flexibility to react to external changes and improve the delivery of services to their customers;
- our annual Directorate plans set out the service changes that will be made in the coming year to achieve improved performance within budgetary constraints;
- task and finish scrutiny teams carry out best value style review on service areas that the Council wishes to develop; this approach ensures that providing Value for Money is an integral part of every service review;
- proposals to add expenditure to the based budget – revenue or capital – are management through an annual scheme selection and prioritisation process designed to ensure we invest our resources effectively in our highest priorities.

7.7.4 Herefordshire has a good track record for delivering on its 2.5% overall Gershon efficiency gains target as can be evidenced in its Annual Efficiency Statements. Assessment of the current policy and financial landscape at national level as outlined in the earlier sections of this document suggest that the current efficiency gain targets are likely to get more challenging in the near future.

7.7.5 We think this will be coupled by an increased focus on procurement activities. As a result, Herefordshire will shortly be appointing to a new post of Procurement & Efficiency Review Manager. This post will be located in the Resources Directorate and will have a key role to play in embedding corporate procurement policies across the Council. The post holder will also be working alongside the Herefordshire Connects programme, supporting the procurement elements of the integrated back office work stream. The final aspect of this person's job will be in developing simple systems for reviewing and reporting on the Gershon efficiency agenda.

7.7.6 Given our pessimistic view of funding for local government funding over the period covered by CSR07, and the fact that the government has already moved to increase efficiency targets for some of its own departments, our plans are geared to delivering a significantly higher level of efficiency gain.

7.7.7 Our aim is to demonstrate if required cumulative cashable efficiency savings over the 4-year period covered by the MTFRM of £11.55m – that's 1.25% of the current baseline for the first year and 2.5% of the current baseline for the following 3 years. We will be able to achieve this through the Herefordshire Connects programme. It will deliver at least £11.75m of cashable efficiency gains in that 4-year period based on outline financial appraisal approved by Cabinet in April 2006.

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Value for Money (VfM)

7.7.8 Herefordshire is committed to routinely using VfM information and benchmarking data to review and challenge VfM throughout services and corporately, supporting continuous service improvement and the drive for efficiencies. This is an integral component of the new Performance Improvement Cycle.

7.7.9 We support the drive for VfM through the following mechanisms:

- ensuring service managers deliver the outputs and outcomes agreed for their service area within budget – managing within budget is a key responsibility for all budget holders embedded in our staff review and development procedures;
- establishing the corporate Procurement & Efficiency Review Manager post described above;
- integrating corporate, service and financial planning processes;
- planning over the medium-term as well as the short-term;
- developing our routine financial performance monitoring reports for Cabinet to include VfM reviews;
- benchmarking our costs and activities with other authorities;
- through internal and external audit reviews; and
- through scrutiny reviews.

7.7.10 Herefordshire was judged to be offering Council Tax payers good value for money in the 2005 Use of Resource assessment scoring 3 out of 4 on the Value for Money Key Line of Enquiry.

7.7.11 Our overall Comprehensive Performance Assessment rating is good too. We achieve this despite being the most sparsely populated upper tier authority in the country, despite our government funding being 20% lower per head of population from the government than the average for similar authorities, and despite having a lower than average Council Tax compared to similar authorities. The Audit Commission Value for Money profiles show that our spending on services is just above bottom quartile.

7.7.12 We will shortly be submitting our 2006 self-assessment as a basis for our external auditor to make his judgement on our Use of Resources score. We will be concentrating on demonstrating that planned improvements in response to feedback from our auditors on the 2005 assessment have been made and are embedded.

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7.7.13 A key development is including non-financial performance information in our routine financial performance monitoring reports as described in paragraph 7.3.11 et al.

7.8 Treasury Management Strategy

7.8.1 The Council is required to approve an annual treasury management strategy each year as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2006/07 complies with the detailed regulations that have to be followed.

7.8.2 The Treasury Management Strategy is a key element of the overall financial management strategy. It supports achievement of several corporate financial objectives, including creating financial capacity within the revenue account as it aims to optimise investment and borrowing decisions.

7.8.3 It is not necessary to include the full Treasury Management Strategy in the MTFMS although the two documents do complement each other. It is provided at Appendix C for information.

7.8.4 In summary, the Treasury Management Strategy sets out the Council's strategy for making borrowing and investment decisions during the year in the light of its view on future interest rates. It identifies the financial institutions the Council will place money with and the limits for each counter party. On the borrowing side, it deals with the balance of fixed to variable rate loan instruments, debt maturity profiles and rescheduling opportunities.

7.8.5 The Treasury Management Strategy also sets the Prudential Code limits for the year. These limits define the framework within which the Council self-regulates its borrowing based on long-term affordability. These link back to the overall size of the capital investment programme and the MTFRM.

7.9 Key Corporate & Financial Risks

7.9.1 Herefordshire sees risk management as an essential element of the corporate governance framework. We have done much in recent months to promote our corporate Risk Management Strategy with our Audit Committee, councillors, Corporate Management Board, Directorate Management Team and our Senior Management Team.

7.9.2 All formal reports include a risk management assessment. The Cabinet receives regular updates on the corporate risk register following review by CMB as part of our Integrated Performance Reporting arrangements.

7.9.3 Corporate Management Board and Directorate Management Teams can demonstrate that their risk registers are regularly reviewed. Risks

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are regularly discussed in performance review meetings at all levels although at lower levels they might not be recognised as such.

- 7.9.4 The most recent update of the Corporate Risk Register (reviewed by Corporate Management Board in June 2006) is provided for information at Appendix D.
- 7.9.5 The assumptions underpinning the MTFMS and the MTFRM and Capital Investment Plan are identified in the relevant section of this document.
- 7.9.6 Council considered a full financial risk assessment of its budget plans for 2006/07 before setting its budgets and Council Tax for the year in March. This is included at Appendix E.
- 7.9.7 Many of the financial risks identified at that time have been addressed through the outturn process for 2005/06 or are addressed by the financial management strategies proposed in this paper, demonstrating risk management in practice. The financial risk assessment will continue to be reviewed as part of routine performance reporting arrangements and as part of the budget planning process.

7.10 Summary

7.10.1 There are 3 key things that will underpin the Council's ability to maintain its current financial standing into the future and achieve its service improvement aspirations:

- strong corporate working supported by open book accounting;
- strong financial management; and
- successful and timely delivery of the business transformation programme.

7.10.2 The corporate financial objectives and financial management strategies set out in this section of the MTFMS all support these three pre-requisites, providing the financial ground rules within which medium-term service plans can be developed.

Medium Term Financial Management Strategy (MTFMS)

8. Decision Making, Consultation, Diversity & Review

8.1 Introduction

8.1.1 This section of the MTFMS describes the decision making and scrutiny process supporting the new integrated corporate service and financial planning process, sets out how we plan to consult on the proposals, considers the support it provides to cross-cutting themes and finishes by setting out how the MTFMS will be reviewed and improved for the future

8.2 Decision Making & Scrutiny Process

8.2.1 Cabinet will launch this draft version of the MTFMS on 13th July 2006 as a consultation document. It will however be used to inform the 'ground rules' that Directors will be asked to follow in developing their 3-year service delivery proposals over the coming month that will feed into the Corporate Plan for 2007 - 2010.

8.2.2 A members' seminar is proposed for week commencing 17th July 2006 to brief all councillors on the MTFMS, the key role it has to play in the new fully integrated performance improvement cycle and the nature of the ground rules being used to develop service delivery proposals.

8.2.3 A further members' seminar is planned for late September to brief all councillors on the emerging Corporate Plan for 2007 – 2010, which is being developed well ahead of the detailed budget setting procedure and the start of the year to which it relates. This briefing session will be lead by the Director of Corporate & Customer Services and the Director of Resources to reflect the fact that corporate, service and financial planning has been integrated in the new performance improvement cycle. It will also involve workshops led by the each Director and the Head of HR, supported by their service accountant, to give all councillors the opportunity to ask questions at the more detailed level.

8.2.4 Cabinet plans to approve the MTFMS alongside the Corporate Plan for 2007 – 2010 on 9th October 2006, for approval by Council on 10th November 2006.

8.2.5 Cabinet will consider the draft Annual Operating Plan for 2007/08, with budgets, in January 2007, with a view to approving them in February, subject to the budget and Council Tax for 2007/08 set by Council in March 2007.

8.2.6 The Strategic Monitoring Committee to meet and consider the proposals and give its views to Cabinet prior to corporate, service and financial plans being finalised. Briefings will be offered to Group Leaders and their groups.

Medium Term Financial Management Strategy (MTFMS)

8.2.7 The above timetable suggested by Corporate Management Board is designed to ensure maximum opportunity for every councillor to be fully briefed on the policy and financial context to the Council's improvement planning process. It is hoped it will allow members to offer both formal and informal opportunities to comment and influence the developing corporate, service and financial management strategies and plans – whether or not they have executive, scrutiny or corporate governance responsibilities.

8.3 Consultation & Communication

8.3.1 The Head of Communications is developing a communication strategy for the MTFMS so that we do not lose this unique opportunity to ensure our staff and our partners understand the national policy context for local government and how that impacts on our approach to strategic financial management.

8.3.2 The communications strategy will ensure two-way dialogue so the Cabinet is able to take the views of our customers, strategic partners, colleagues and trade unions (Unison) into account when it finalises the MTFMS in October.

8.4 Diversity & Equality

8.4.1 A key target in the Annual Operating Plan for 2006/07 is to achieve Level 2 of the Local Authority Equality Standard by the end of the year. Integral to this is the completion of our initial 3-year programme of equality impact assessments by September 2006.

8.4.2 The MTFMS is designed to support key corporate priorities and indirectly supports diversity and equality work in other service areas. An impact assessment of the MTFMS itself will be completed by September 2006 in line with the corporate requirement. The result of the impact assessment will be taken into account in the final version of the MTFMS that will be approved by Council in November.

8.5 Reviewing the MTFMS

8.5.1 This MTFMS sets the financial context for corporate and service planning and then the detailed budget work prior to setting the Council Tax. It is a living document as the detail of the strategic financial context within which we operate is subject to constant change.

8.5.2 The MTFMS will be formally reviewed and updated at least once a year. This will be timed so as to integrate with corporate and service planning and to deliver the Council's budget and Council Tax report on time.

8.5.3 Updates to the MTFMS may be approved at other times of the year as a result of routine financial performance monitoring reports or as

Medium Term Financial Management Strategy (MTFMS)

significant changes to any of the key assumptions underpinning the MTFRM are identified.

8.6 Summary

- 8.6.1 The MTFMS will be one of Herefordshire's key policy statements and as such will need to be formally approved by Council. Council will consider the Executive's recommendations following full consultation with the Scrutiny function and input from a wide range of stakeholders.
- 8.6.2 The MTFMS sets the financial context for corporate and service planning and then detailed budget work prior to setting the Council Tax. It describes how the Council will allocate its cash resources in support of corporate, service and organisational priorities, including crosscutting themes.

Medium Term Financial Management Strategy (MTFMS)

9. Conclusions

- 9.1 Robust financial management is the essential underpinning for the Council's determined drive for sustainable excellence in the deliver of services and, with its partners, securing a successful future for the county and a better quality of life.
- 9.2 This MTFMS is designed to achieve this in a much more demanding environment than any the Council has faced: one that combines unprecedented demands from service users and government, within equally unprecedented financial constraints. Meeting these twin challenges requires fundamental change in the Council's approach to financial management and the Council's constitution will need to be revised accordingly.
- 9.3 But the change will be more extensive than this. Fundamental cultural change will be needed. Accountants and service managers will need training and development support so they are equipped to make financial management work within the authority. Service managers will need reassurance that the new approach isn't a one-way street if they operate within the financial management framework now being established, and that there is still room for innovation.
- 9.4 With the increasing pressure to do more for less that is clearly set out in the early sections of this document, we have little choice but to accept the new way of working that the Herefordshire Connects programme will bring. The future is both exciting and challenging. The plan for change is ambitious and it will be fast but, working as one, this way forward gives us much greater control over our destiny as, if achieved, we will avoid the need for potentially painful cuts in service provision.
- 9.5 A final note: no document like this would be complete without the Treasurer's health warning! The MTFMS, and its supporting MTFRM, has been developed using the best available information as a basis for forecasting the future policy and financial context for the Council. A key corporate financial risk is that these assumptions, whilst appropriate at the current point in time, might need review as the future actually unfolds. The Corporate & Customer Services and Resources Directorates will continue to scan the policy and financial horizons, working together to update members and advise on policy changes as necessary.

Medium Term Financial Management Strategy (MTFMS)

APPENDIX A

<u>Medium-Term Financial Resource Model</u>	2007/2008 Budget £'000	2008/2009 Budget £'000	2009/2010 Budget £'000	2010/2011 Budget £'000
Base Budget	118,285	123,486	127,615	132,192
Inflation	1,569	1,613	1,609	1,649
	119,854	125,099	129,224	133,841
Other Items				
- Waste management - PFI Contract (net of £2m reserve)* * £850k required in 2011/12 to restore net budget requirement	550	450	500	500
- Whitecross PFI requirement (net of schools contribution)	451	0	0	0
- Part transfer of Preserved Rights grant into FSS	0	1,891	0	0
MTFMS changes per Para 7.3.8				
2006/07 adjustments				
- Queenswood Park	75	0	0	0
- Herefordshire Matters	50	0	0	0
- Chief Executives Development Fund	150	0	0	0
- Support Services Review	100	0	0	0
2007/08 adjustments				
- Procurement & Efficiency Staff	55	0	0	0
- HB & CT Benefit Administration	150	0	0	0
- ESG	225	0	0	(225)
MTFMS changes per Para 7.4.2				
- Herefordshire Connects - Revenue Costs	0	1,866	(566)	(280)
- Herefordshire Connects - Revenue Savings	(5,800)	(4,800)	(800)	(350)
- Accommodation Strategy - costs as above	(88)	(64)	(253)	0
- LPSA 2 Reward grant - 75% of Revenue element	0	(823)	0	823
Capital Financing Costs				
- Herefordshire Connects	924	451	(56)	(56)
- Accommodation Strategy	120	170	250	0
- Repayment of LGR SCA	0	(453)	(334)	(230)
- SCE Capital financing costs	1,275	712	669	385
- Existing Prudential Borrowing Allocations	850	366	(22)	(66)
Capacity to achieve desired Tax increase	4,545	2,750	3,580	2,690
TOTAL BUDGET	123,486	127,615	132,192	137,032
Council Tax increase	4.70%	4.70%	4.70%	4.70%
Assumptions				
Assumed Pay and Price Increase				
Employees	2.0%	2.0%	2.0%	2.0%
Employers pension contributions - additional on basic pay	0.6%	0.6%	0.5%	0.6%
Other Expenditure	0.0%	0.0%	0.0%	0.0%
Income (other than Planning, Car Parking and Investment Property income)	2.5%	2.5%	2.5%	2.5%
Assumed Formula Grant increase	2.4%	0.0%	0.0%	0.0%
Assumed Collection Fund Surplus (£'000)	500	300	300	300
Dedicated Schools Grant b/fwd	78,151	81,511	83,142	84,805
Increase	3,360	1,630	1,663	1,696
Dedicated Schools Grant	81,511	83,142	84,805	86,501
DSG % increase	4.3%	2.0%	2.0%	2.0%

Medium Term Financial Management Strategy (MTFMS)

APPENDIX B

MEDIUM-TERM CAPITAL PLAN

	2006/07	2007/08	2008/09	2009/10
	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000
Children's Services	9,882	6,006	2,110	-
Resources	5,233	3,550	8,450	200
Corporate and Customer Services	12,245	11,903	1,500	-
Adult and Community Services	18,117	4,785	4,025	1,485
Environment Services	13,500	12,575	10,797	10,937
	58,977	38,819	26,882	12,662
Funded by:				
Supported Capital Expenditure (Revenue)	13,152	12,647	10,597	10,937
Prudential Code Borrowing	22,325	9,305	7,775	(1,300)
Unfunded	-	-	1,035	-
Capital Receipts Reserve	8,566	7,658	6,893	2,985
Revenue Contribution	1,200	5,800	-	-
Government Grants & Contributions	13,734	3,409	582	-
	58,977	38,819	26,882	12,662

Detailed above is the medium term initial capital programme. This is continuously updated as part of the capital monitoring process.

Major schemes include:

- Weobley High sports hall, Sutton Primary replacement school and Hunderton Junior and Infants school amalgamation (£8m scheme)
- Corporate Accommodation costs of £3.8m in 2006-07
- Herefordshire Connects ICT capital scheme costs of £8.5m in 2006-07 and £10.9m in 2007-08, plus additional ICT corporate voice and data network work of £2m in 2006-07
- Friar Street museum resource and learning centre Phase 3 works and High Town and High Street Hereford capital works
- Extra Care Housing development (£5.28m in 2006-07) and affordable housing grants capital schemes

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APPENDIX C TREASURY MANAGEMENT STRATEGY 2006/07

Not provided as part of the draft MTFMS document – Council papers for 10 march 2006 refer. Further copy available from Sonia Rees on request.

Medium Term Financial Management Strategy (MTFMS)

APPENDIX D

Corporate Risk	Risk Reference Number	Assessment of Risk (with NO control measures implemented)			Risk Controls Measures	Responsible Directors	Assessment of Residual Risk (with control measures implemented)		
		Impact (Severity)	Likelihood (Probability)	Priority Rating			Impact (Severity)	Likelihood (Probability)	Residual Priority Rating
Managing the reputational impact of the 'Staying Safe' rating being 'inadequate' in the JAR assessment and more importantly ensuring that arrangements for safeguarding the most vulnerable children.	CR1	4	4	High	Need to put in place measures to tackle the shortcomings against a planned and timed programme drawing in the assistance of better performing authorities as may be required. Draft JAR Action Plan reported to Cabinet on 25th May. External risk management experts engaged to preliminary assess level of risk in plan.	SF	4	3	High
Corporate spending pressures outweigh the level of resources available to meet them. Particular pressures prevalent in adult social care services.	CR2	4	4	High	Medium Term Financial Management Strategy identifies need for significant efficiency savings and use of reserves. Greater corporate resource allocated to identifying underlying budget issues in Social Care. Major project now underway aimed at estimating demand for social care and developing costed options for the service to meet them. Review report expected in August.	ALL/SR	4	3	High

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<p>Herefordshire Connects Programme does not go through robust investment appraisal and subsequent savings are not realised leading to service cuts.</p>	CR3	4	4	High	<p>Robust appraisals are carried out based on hard data, comparative and sensitivity analyses and deliverability. Strong corporate governance arrangements are already in place. Interim Change Manager appointed. Business Transformation Board created although Audit Commission has yet to sign off the new governance arrangements. Capacity issues will need to be addressed, particularly in HR.</p>	NP	4	3	High
<p>109 Failure to maintain CPA “3 star” rating and move from improving adequately to improving strongly</p>	CR4	4	3	High	<p>Capacity created at a senior level and adherence to the Overall Performance Improvement Plan agreed in March. Board to monitor progress set up under Director of Corporate & Customer Services. It requires effective implementation of the corporate planning and performance frameworks, including the full integration of financial planning.</p>	ALL/NP	3	3	Medium
<p>Business continuity management</p>	CR5	3	4	High	<p>Substantial capital investment made in ICT network and disaster recovery arrangements. Workshops held for all directorates and service continuity plans have been prepared and due for testing during the year in business critical systems and services.</p>	ALL/NP	3	3	Medium
<p>Continuity of Herefordshire Jarvis Services and successful partnering arrangements</p>	CR6	4	3	High	<p>Regular consultation held between senior management from both sides of the partnership.</p>	GD	3	3	Medium

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Corporate Capacity to deliver a range of changes the Council has embarked upon.	CR7	4	3	High	Programme Management, Clear Leadership and Senior Management Restructuring. Capacity issues identified within CPA inspection and will be part of Improvement Plan. A minimum of 20% of corporate directors' time will be spent on corporate issues.	NP	4	2	Medium
Successful implementation of Accommodation Strategy	CR13	4	3	Medium	Accommodation Board meets on a regular basis and communications made to staff on a regular basis. Resource commitments identified in MTFMS.	SR	3	2	Medium
Achievement of LPSA 2 targets and hence the Performance Reward Grant (PRG). Failure to manage future PRG will have a significant and detrimental impact on the Council's ability to invest in future performance gains in services.	CR8	3	3	Medium	LPSA agreement signed with government and monitoring to be undertaken within Annual Operating Plan and under umbrella of LAA. Funding has now been agreed by Cabinet and clear responsibilities communicated to Directors and managers involved in its delivery. CMB resolved to project manage LPSA2 to ensure clarity over accountabilities.	SF/GH/GD	3	3	Medium
Development of a Public Services Trust for Herefordshire	CR14	3	2	Medium	External assistance for the first phase of development has been secured.	GH	3	2	Medium
Delivery of Local Area Agreement	CR9	3	2	Medium	LAA has now been agreed and is part of the Integrated Performance Reporting framework.	JJ	3	2	Medium
Recruitment and retention of staff where there are national skills	CR11	3	3	Medium	Succession planning	ALL/DJ	2	2	Medium

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<p>shortages and including the impact of Job Evaluation. Ensuring consistent treatment of Equal Pay Claims</p>					<p>Utilise SRDs / implement career development posts and conclude job evaluation. 100% SRDs by the end of May.</p> <p>Centralisation of recruitment; Projects focussing on the recruitment and retention of young people; Implement market forces/supplement.</p> <p>Promote professional development support through training agreements and payment of professional fees. Develop secondment opportunities internally and with partners. · Improving leadership and management through a review of management development</p> <p>Promote pride in Herefordshire.</p>				
<p>Approach to Diversity:</p> <p>Risk of not achieving appropriate Level and not improving Standard.</p>	CR12	3	3	Medium	<p>Level 1 commitment signed off.</p> <p>Staff resource committed.</p> <p>Long term development plan in draft.</p>	JJ	3	2	Medium

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APPENDIX E

FINANCIAL RISK ASSESSMENT – MARCH 2006

Not provided as part of the draft MTFMS document – Council papers for 10 March 2006 refer. Further copy available from Sonia Rees on request.

REPORT ON HEREFORDSHIRE COUNCIL SUPPORT TO THE VOLUNTARY AND COMMUNITY SECTOR

PORTFOLIO RESPONSIBILITY: COMMUNITY SERVICES AND CORPORATE STRATEGY AND FINANCE

CABINET

13TH JULY, 2006

Wards Affected

County-wide

Purpose

To advise Cabinet of responses received during the consultation process on the Strategy Framework and proposals to take the Framework forward.

To seek approval for proposed arrangements for Council funding for support, advice and representation (infrastructure) services for the Voluntary and Community Sector in Herefordshire.

Key Decision

This is not a Key Decision.

Recommendations

THAT

- a) Herefordshire Council adopt the Strategy Framework as attached (Appendix 2);
- b) the Community Regeneration Team take the lead in developing a more detailed Action Plan and implementing the Strategy Framework across the Council; and
- c) Cabinet endorse the principles set out as a basis for negotiations with the members of the Herefordshire Infrastructure Consortium on service level agreements for future years.

Reasons

The 2004 Review of Council support to the Community and Voluntary Sector highlighted the need for a Council strategy for Voluntary and Community Sector Support. National government policy is that the Voluntary Sector be supported to deliver public services, encourage volunteering and social enterprise and build stronger communities.

Considerations

1. A key recommendation of the Review conducted in 2004 was that the Council produce a coherent strategy for support to the Community and Voluntary Sector,

Further information on the subject of this report is available from
Nina Bridges, Community Regeneration Manager on (01432) 260624

setting out its priorities and role in engaging with the sector. Consultants were commissioned to produce such a Strategy Framework, working with the Community and Voluntary Sector and Council officers. The draft Framework was approved for consultation by Cabinet on 17th November 2005. The consultation period ended in May, with the following methods of consultation used:

- News releases drawing public attention to the Strategy and consultation,
 - The Strategy Framework made available on the Council website in full (“Have your say” section), and in hard copy or alternative formats on request.
 - An explanatory letter, summary sheet and some background information was sent to all organisations registered with the Voluntary Sector Assembly, together with an invitation to comment on the strategy document and/or attend the consultation event at the Town Hall on 4th April 2006.
 - A successful consultation event was held on 4th April, chaired by Cllr Stockton, with 40 representatives from the Voluntary and Community Sector.
 - A separate briefing was held for members of the Herefordshire Infrastructure Consortium on 27th April 2006
2. There was generally a very positive response to the consultation exercise. The questions and comments raised at the consultation on 4th April are attached as Appendix 1. A detailed letter has also been received from the Alliance, which has been responded to. No comments were received as a result of the consultation exercise on the Council’s “have your say” section of its website. One emailed response was also received from a representative of a Parish Hall.
3. The key feedback from the consultation exercise can be summarised as follows:
- A general desire for improved communication with the Council. Those that attended the event on 4th April welcomed the opportunity for such a dialogue with senior officers and members from the Council. Respondents also requested clarity in terms of who to contact on voluntary sector issues within the Council;
 - Issues around the commissioning of Council services and how the Voluntary and Community Sector can be involved in this process;
 - How the recommendation of a single gateway for small grants will operate;
 - The need for more support to community groups and volunteers as well as greater co-ordination and simpler application processes across all funding bodies.
 - Consistency between the Council’s Strategy Framework and the Herefordshire Infrastructure Consortium Strategy, together with implementation using Compact principles;
 - An action plan for taking the Strategy forward, linked to long term investment.
4. As a result of the above, the summary document of the Strategy Framework (attached as Appendix 2), which was circulated as part of the consultation has not significantly changed, apart from some initial wording (highlighted). The feedback from the consultation will however influence the implementation stage.

5. Following adoption of the Strategy Framework by Cabinet, this document will be publicised throughout the County, and respondents thanked for their input into the consultation exercise. It is proposed that the Community Regeneration Team within the Adult and Community Services Directorate, take the lead in developing a more detailed Action Plan and implementing the Framework across the Council. This will be dependent on resources being freed up to fund a post of Voluntary Sector Liaison Officer, who will act as the central point of contact with the VCS, a clear message from the consultation exercise.

Issues with regard to funding of Infrastructure Support

6. A major theme of the Strategy Framework is the Council's commitment to investing in support and development services for the Voluntary and Community Sector. At Cabinet on 17th November 2005 it was agreed that the existing funding arrangements to Age Concern, Community First, Herefordshire Voluntary Action and Community Voluntary Action Ledbury and District would be maintained, pending final adoption of the Strategic Framework and agreement of the Infrastructure Consortium Business Plan. It was anticipated that during 2006, the Herefordshire Infrastructure Consortium members would move towards a joint business plan for infrastructure services across the County, and that the Council would be able to contract with them on this basis. Since then, the Consortium has engaged consultants and has drawn up a strategy document which is at the final draft stage, with a Delivery Plan in development. It is clear from this that Consortium members are moving towards greater joint delivery, but a detailed joint business plan is unlikely to be produced for at least a year. Following discussions at officer level with the Consortium, it is proposed that the Council set out its priorities and indications of available funding for 2007/8 and future years, and enter into discussions with the Consortium about allocation of resources, in order to have a coherent plan for Council-supported services from April 2007 onwards and a 'jigsaw' of Service Level Agreements with individual organisations, with robust monitoring arrangements to establish value for money and integrated delivery of services. This is viewed by the Consortium as an achievable outcome and a valuable step towards more integrated arrangements in the future.
7. Principles for negotiations on Service Level Agreements for Infrastructure Support are proposed as follows:
 - a) The funding made available for Infrastructure support for 2007/08 is the sum of that currently offered by the Council to CVA Ledbury and District, HVA, Community First for specialist and general infrastructure support for all information, support and advice services including training for local Voluntary and Community Sector organisations.
 - b) Service level agreements with VCS organisations for direct service delivery would be subject to the implementation of the recommendations on SLAS made in the Voluntary Sector Review 2004.
 - c) The current service level agreements between Children and Young People's Services and Herefordshire Council for Voluntary Youth Service and between Health and Social Care and the Alliance and Age Concern would be left outside this process in the short term, although discussions will take place with these Council directorates and their partners as well as Infrastructure Consortium members to explore the potential to move towards greater integration with other services.

The funding allocated for (a) above is therefore £166,410.

8. The Council's priorities, for infrastructure support to the Voluntary and Community Sector will be based on the Strategic Framework, and other relevant strategies, such as the Community Strategy, the Community Development Strategy, the Community Involvement Strategy, Social Enterprise Strategy.
9. The SLAs will be drawn up based on the recommendations of the Voluntary Sector Review 2004, with particular emphasis on demonstrable Quality Assurance of services, value for money, principles of inclusion, integrated service delivery between organisations, with clear and discrete areas of work. In line with good practice and national government policy, a commitment to longer term funding is proposed, moving towards a 3 year service level agreement based on an integrated business plan for infrastructure support.

Legal and Financial Implications.

Service Level Agreements are legal documents. Following the Voluntary Sector Review 2004, a checklist has been drawn up by Legal Services to form the basis of any contractual arrangements.

The proposal within this report to move to longer term funding for Infrastructure support, and more specifically to 3 year funding, would have implications for the Council's budgetary management, but is in line with national government policy.

Risk Management

Failure to progress the implementation of a Voluntary and Community Sector Support Strategy may affect the credibility of the Council across the sector and in terms of local government performance, as well as its community leadership role. Any SLAs will be managed in accordance with robust performance management arrangements. In order for the Community Regeneration Team to take the lead in taking forward the Strategic Framework, both Corporate and Customer Services and Adult and Community Services are working to free resources to fund the post of Voluntary Sector Liaison Officer.

Alternative Options

There are no alternative options identified for the first two recommendations of this report.

The Council could identify its requirements in terms of infrastructure support and tender this work, but this may be counter productive and could damage the relationship that the Council has built up with the Infrastructure Consortium.

Consultees

The Voluntary and Community Sector in Herefordshire. See page 2 of this report for more detail.

Appendices

Appendix 1 – Questions and Answers from Consultation Event on 4th April 2006

Appendix 2 – Summary of Strategic Framework

Background Papers

Review of Herefordshire Council Support to the Community and Voluntary Sector – November 2004

A Voluntary and Community Sector Fit for Purpose – Defining the Role of Herefordshire Council – Consultation Draft

Q&As from VCS Strategy event 4th April 2006

Question:

Who were the consultants who undertook the work to formulate the strategy proposals?

Answer: The current proposals are based on a decision by the Council in 2004 to review its relationship with the VCS. The Council decided to bring the independent expertise of these two consultants in, to undertake a review, which was based on the views of not only Herefordshire Council, but was a joint approach to how both the Council and the VCS could work together more effectively in the future. The consultants were Alison Mac Lean and Barbara Parkinson.

Question:

We welcome the proposed scheme, it brings more clarity to the relationship between Council and the VCS. However, it will be important to clarify whom we will have to contact in the future about funding and other issues, and equally importantly, when will it all happen?

Answer:

The consultation period for this strategy will run until the end of May. A report will then go back to the Council's Cabinet, which asked for this consultation exercise. This should happen in late June 2006. Once a Cabinet decision has been reached, the proposals will be implemented. Part of this will be a decision about the processes for communication, meaning that VCS organisations will be informed who to contact about what. One possible option for us is to have the Community Regeneration team as first point of contact.

However, there are at least two different models we could consider: a single point of contact, as suggested above, would have to have general knowledge of the issues you want advice/support with. This might be a challenging task, given the complexity of the VCS and the tasks we all are being asked to undertake. An alternative would be to nominate specialist officers in different directorates/departments, who will have more detailed knowledge about the issues, but this might require additional coordination of the information provided. We would like to hear your views on this issue during the consultation period and thereafter.

Question:

Following on from the previous question, who will be the contacts in the VCS for Herefordshire Council?

Answer:

Herefordshire Council is seeking a single route in for consultation or point of contact within the VCS, this will make discussions and decision making much easier for everyone involved.

Question:

The consultation document mentions grants for VCS, in particular we are interested in the Small Grants Scheme. Is there going to be a single 'gateway' for accessing this scheme?

Answer:

The current Small Project Fund is being revisited as a result of the review of the VCS Strategy proposals. This fund can offer up to £1,000 for projects, which means you cannot apply for the same thing again, once you have had funding (though you can apply, but it would have to be for a different purpose). We are inviting VCS as part of this consultation exercise to give us their views on how this scheme could operate in the future to serve your needs.

Question:

In order to make interactions between the Council and the VCS easier, are there any plans to use the Council's website to communicate on particular issues and ask questions?

Answer:

The Council is going through a substantial change process, which includes how we use our website, which was revamped during 2005. One thing that is likely to happen is that more Council services will be available online, including the facility for citizens to ask questions online and receiving answers online. All consultations, including this one, are now carried on the website. In addition, this week we launched our community portal and the new multilingual Migrant Workers' website together with West Mercia Police.

Question:

We understand that funding needs to be tightly controlled, it is public money, and it needs to reach the right people and the right causes. Are there any plans for VCS to be involved in the commissioning of services to ensure that our knowledge of the needs on the ground are properly taken into account? Also the minutes of such meetings should be publicly accessible, can they be posted on the Council's website?

Answer:

Herefordshire Council is already involving local people and organisations in Council decisions. For example, the Scrutiny committees have representatives of voluntary organisations as advisers, and meetings are mostly open to the public, including the meetings of Cabinet. We will, however explore what else we can do to use the VCS's expertise.

From a Children's Service's point of view, Commissioning of services not only by Herefordshire Council, but by everyone providing services for children will be brought together under the Children's Trust (consisting of various partners in the Statutory and Voluntary Sector, guided by the Children and Young People's Plan, which was launched on 4th April 2006. As part of the "Every Child Matters approach to improving outcomes for children, all our services will be commissioned in such a way that VCS have their say on how best to deliver services and who is best placed to so.

Question:

The consultation document points out that Herefordshire Council values the contribution the VCS has made and is making to the life in Herefordshire. Do you have an overview of the financial value and contribution the VCS makes to and in Herefordshire.

Answer:

Herefordshire Council has over the years worked in partnership with the VCS, many services would not have been delivered in the successful way they are, had it not been for the knowledge of the issues on the ground, the unique skills and approaches the VCS can offer.. A study undertaken for and on behalf of a number of organisations, including the VCS and Herefordshire Council in 2000 estimated the income of VCS in Herefordshire at £22m, just under 17% were from local authority sources (either grants or contracts). The total value of volunteer time provided to the county of Herefordshire was estimated at £15.25million (this used average earnings as a comparator).¹

Question:

Can you give us an example of the commissioning processes that are already in operation and could be used as a blueprint for the future?

Answer:

One good example is Community Transport, where Herefordshire Council has been working for some time through the Rural Transport Partnership, commissioning services within public transport from within the VCS. Ca. £200,000 worth of public transport services are being delivered through 7 schemes, run by the VCS, to ensure that e.g. isolated communities have access to transport (and through this to services they need), which otherwise they would not have via the 'mainstream' provider in the County.

¹ Source: Valuing the Voluntary Sector, Research Report on the social economy in Herefordshire and Worcestershire, 2000, undertaken by Chris Wardle& Associates

A VOLUNTARY AND COMMUNITY SECTOR FIT FOR PURPOSE

DEFINING THE ROLE OF HEREFORDSHIRE COUNCIL

Herefordshire Council is committed to contributing to a *strong, dynamic, diverse and independent* Voluntary and Community Sector that plays its full role in improving the quality of life in Herefordshire.

The Council’s contribution has four building blocks.

<p>SUPPORTING COMMUNITY ACTIVITY</p> <p><i>What the Council is trying to achieve:</i></p> <ul style="list-style-type: none"> ➤ A single gateway for small, mainly one off grants, which is easily accessible to local communities and groups. ➤ Community groups well supported with the advice and information they need to thrive. ➤ Community buildings and other facilities used flexibly to meet the needs of local people and generating enough income to run independently. <p><i>Links to government’s policy on building community capacity - Firm Foundations</i></p>	<p>OPENING UP OPPORTUNITIES FOR THE VCS TO DELIVER PUBLIC SERVICES</p> <p><i>What the Council is trying to achieve:</i></p> <ul style="list-style-type: none"> ➤ Voluntary and Community Organisations delivering services that are in service delivery and commissioning plans of Council and other public bodies. ➤ Consistent and agreed procurement and contracting processes that comply with Compact principles operating across the Council <p><i>Links to government policy on modernising delivery of public services – based on 2002 Treasury cross cutting review and subsequent guidance.</i></p>
<p>INVESTING IN SUPPORT AND DEVELOPMENT SERVICES FOR THE VCS</p> <p><i>What the Council is trying to achieve:</i></p> <ul style="list-style-type: none"> ➤ A single cross sector delivery plan for infrastructure support to include all information, support and advice services including training for local VCS organisations. The plan would spell out roles, responsibilities and resources over a 3-year period and be clear about how generalist and specialist infrastructure bodies worked together. ➤ VCS infrastructure organisations co-located and sharing back office functions where this makes sense. <p><i>Links to government policy on building the capacity of the sector – Change Up</i></p>	

BUILDING A STRONG RELATIONSHIP WITH THE VCS

What the Council is trying to achieve:

- **Partnership based Compact and Codes of Practice agreed and being implemented.**
- **Strong VCS representational structures.**
- **Excellent collaborative working with good understanding in both Council and VCS about respective functions, culture and constraints.**

Links to government policy in relation to VCS involvement in planning and commissioning public services and to the development of local Compacts.

HOMELESSNESS UPDATE

PORTFOLIO RESPONSIBILITY: SOCIAL CARE ADULTS AND HEALTH

CABINET

13TH JULY, 2006

Wards Affected

Countywide

Purpose

To update Cabinet on progress made in relation to homelessness prevention in Herefordshire.

Key Decision

This is not a key decision.

Recommendations

THAT Cabinet notes the update and receives two further quarterly reports during this year on progress and developments in homelessness prevention services and the work of the Homelessness & Housing Advice Steering Group.

Reasons

In July 2005, Cabinet agreed a number of 'spend to save' initiatives to address the financial pressures created by the demand for homelessness services in Herefordshire. Since then, changes have been implemented, including the return in-house of homelessness and housing advice services from Herefordshire Housing Ltd, which have led to an improving position around homelessness prevention in Herefordshire.

Considerations

1. The spend to save fund has enabled 240 successful homelessness prevention payments to be made since the fund became active in October 2005, and this trend has continued into the new financial year. The total value of homelessness prevention payments made since the fund was created is £46,000. In the past, the majority of these 240 applicants would have been placed in temporary accommodation, potentially costing well in excess of £1 Million.
2. Mediation services continue to be provided by Herefordshire Mediation, which has enabled young people to stay at home where appropriate, and strengthened working practices around youth homelessness are being developed with partner agencies around the county. Closer working with the Aftercare team continues to produce improved outcomes for some care leavers in housing need. Additional units of accommodation have been secured in partnership with a local Registered Social Landlord to support young people leaving care.

Further information on the subject of this report is available from Derek Allen, Change Manager-
Homelessness on 01432 261600

3. The number of new families booked into bed and breakfast accommodation has continued to fall steadily, and we are now averaging less than four new families into B&B per month. B&B use has fallen by 60% since the start of 2006, and we currently have 17 families in B&B, 12 of whom have been there for longer than 6 weeks. We have therefore set ourselves a target of ceasing any routine use of B&B in Herefordshire by the end of this financial year. Achieving this will depend upon retaining the prevention team in its current format, together with continued stability in terms of the demand for services.
4. While demand for homelessness and housing advice services shows no sign of slowing down, the number of homelessness applications and acceptances under the Housing Act 1996 has showed continued signs of increased stability in the last 6 months, due to early prevention activity. During the final quarter of 2005/06, the Council took 94 homelessness applications, resulting in 45 acceptances. This compares to 44 applications in this first quarter of 2006/07, and 22 acceptances. We expect this homelessness activity level to settle at around this latest first quarter figure from now on. Targets set for 417 homeless acceptances for 06/07 were met earlier than anticipated - within the 05/06 financial year this figure was 416.
5. The newly formed homelessness and housing advice steering group met in May 06 for the first time. Initial feedback on homelessness prevention has generally been positive, and the group have advised the Council should focus on producing published policies and procedures in this field as a matter of priority. Department for Communities and Local Government guidance has now been published which will help us to complete this task.
6. We have evidence that the emphasis on homelessness prevention is having a positive impact with those people for whom homelessness cannot be avoided. For example, Pomona Place, a hostel for single homeless people, reports a significantly increased move-on rate for single homeless people as a result of decreased pressure on the Home Point choice-based lettings register.
7. The historical accumulation of the number of families living in temporary accommodation still remains a challenge, although it is now decreasing more quickly than initially projected at the start of the financial year.

Risk Management

Despite the substantial progress made in reducing homeless acceptance rates and the associated use of B&B, the budget for bed and breakfast accommodation in 2006/07 may not be adequate, despite additional budget being allocated. The implications will be reported as part of the integrated performance report throughout the financial year, and every effort is being made to prevent an overspend occurring.

Continued use of bed and breakfast accommodation for families could result in judicial review proceedings being taken against the Council by families accommodated in Bed and Breakfast for longer than 6 weeks contrary to the Homelessness (Suitability of Accommodation) Order (England) 2003.

Alternative Options

Not applicable.

Consultees

Not applicable

Background Papers

Reports to Cabinet dated 19th May 2005, 14th July 2005, and 20th April 2006.

PAY AND WORKFORCE DEVELOPMENT STRATEGY 2005-08

PORTFOLIO RESPONSIBILITY: CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES

CABINET

13TH JULY, 2006

Wards Affected

None

Purpose

To provide an outturn report on the Council's Pay and Workforce Development Strategy operating plan for 2005-06 (following the report to Cabinet on 26th January 2006).

To provide an update on planned activities in the operating plan for 2006-7.

Key Decision

This is not a key decision.

Recommendations

THAT progress against the Strategy, and key actions for 2006-07, be noted.

Reasons

The report is being presented as part of performance management arrangements for the Pay and Workforce Development Strategy.

Considerations

1. The Council's Pay and Workforce Development Strategy 2005-8 was agreed by Cabinet on 9th June 2005. It adopted the Employers' Organisation for Local Government five themes as key areas Pay and Rewards, Developing Leadership Capacity, Resourcing, Developing the Skills and Capacity of the Workforce, and Developing the Organisation. There was an added emphasis in the Council's Strategy on ensuring workable pay, reward and recognition structures to help recruit, motivate, and retain employees following Job Evaluation and Single Status implementation. It was envisaged that this would remain a key focus for several years.
2. The Strategy was developed in conjunction with the development of the Council's Corporate Plan. Activities within each key theme are interlinked and have been designed to help support delivery of the Corporate Plan. The Strategy aims to ensure the Council:
 - has the right people in the right places, with the right skills, to deliver the agenda

Further information on the subject of this report is available from Human Resources
on 01432 383055

and priorities set out in the Corporate Plan (improved services with greater efficiency and better customer focus) and is well-placed to respond to environmental changes, changes in society, and emerging technology;

- meets statutory obligations, and where possible exceeds those to demonstrate best and leading edge practice as the largest local employer;
- becomes an employer of choice amongst those seeking employment and career opportunities. The Strategy includes a major focus on improvements to recruitment activity.

Key achievements from the Operational Plan 2005-06, and work of Human Resources Service during the year are set out below, followed by key activities planned, for 2006-7:

Pay, Reward and Recognition

- Reduced numbers in receipt of pay protection by 43% (from 838 at 31st March 2005, to 475 at 1st April 2006). Evaluation appeals have been concluded and Single Status implemented. Post Job Evaluation support was provided for employees on protection including Jobs & Careers intranet site (and physical site at Castle Green), *Your Career, Your Life, Your Future* events and List of Vacancies, offering early view of job opportunities to those on protection. Established requirement for a generic skills and career framework.
- Revised Employment Policies including Disciplinary Policy and Procedure, Honoraria Payments Policy and Procedure, and Market Forces Supplements. New employment policies introduced were Termination of Contracts, Probationary Period Procedure. Policies were updated to take account of Civil Partnership Act.
- Implemented framework for corporate consultation, including improved Directorate consultation mechanisms, and Joint employment policy workshops for managers and Trades Unions.
- Completed first phase in the project to develop generic skills and careers pathways linked to pay progression throughout the Council.

Resourcing

- Identified Social Work as a key resourcing issue. Response to the Joint Area Review contains detailed actions aimed at improved recruitment and retention in Social Work. The current campaign resulted in 41 applications sent, 17 returned, 8 shortlisted, 2 appointments made. A drop in session showcasing careers and jobs in Social Work attended by over 100 people, with one appointment.
- Modernised recruitment processes to deliver improvements and savings. A Central Recruitment Team was established; and a recruitment partnership with Shropshire and Staffordshire Councils regarding agency worker and senior management procurement.
- Introduced of New Deal – 11 placements; 2 people employed permanently.
- Reduced employee turnover to just under 8% for 2005-6, compared with a target of 9%. and a median average for Unitary Councils of 16.5%.
- Set in place market forces supplements mechanism. Begun to promote the comprehensive employment package both internally and externally.

Developing Leadership Capacity

- Reviewed management development provision, improvement proposals being progressed by the Senior Management Team.
- Introduced Certificate in Leadership and Management for first line managers with

University College Worcester.

- Won a Regional Award for the Leadership Development Programme commissioned and developed in partnership with the seven Worcestershire Councils.
- Supported the establishment and development of Corporate Management Board and Senior Management Team.

workforce

- Expanded Social Care National Vocational Qualification (NVQ) Centre to become corporate Skills for Work Centre to better support the Council's drive to improve customer services.
- Carried out Light Touch assessment against the Investor in People Standard to identify areas for improvement.
- Delivered minimum qualifications and skills for social care workforce across Herefordshire, and Post Qualifying and Practice Assessor programmes in partnership with Bournemouth University.
- Improved Staff Review and Development completion from 72% to 76%. The SRD process is firmly linked to the Council's performance management cycle.
- Supplied 2,000 places on corporate training events based around needs identified from Staff Review and Development discussions.

Organisational Development

- Set in place a programme of tailored Diversity awareness. A voluntary language register for employees was established. Introduced mandatory Diversity and Equality half day induction for new employees.
- Achieved 10.5 FTE days lost per employee per year to sickness absence, against target of 10 days for 2005-6 and a median average of 10.2 days for local government. The long-term sickness absence rate was significantly reduced. A series of events to focus on employee well being were held and well attended.
- Improved response rate to Staff Opinion Survey – 40% in 2005 against 38% in 2004, and introduced an on line completion option.

Key Actions for 2006-7 include:

Pay, Reward and Recognition – a formal approach for recognition developed and in place, review contractual documentation, progress the generic skills and careers pathways project.

Resourcing – embed Recruitment Centre approach, including improvements to use of Agency Workers, develop a workforce planning system including targeted activity to address identified shortage areas, e.g. Children's Social Work, Youth Service. Remove known barriers to employment.

Developing Leadership Capacity - implement review of management development findings including succession management, aspiring manager development, and induction of new managers.

Developing the skills and capacity of the workforce - Develop workforce development plan for social care workforce including Skills for Care and Children's Workforce Development Council requirements, address workforce planning, skills and development, career pathway requirements in Children's and Young People's Service and Adults and Community Services. Set timeline and critical steps for Investor in People assessment accreditation.

Organisational Development - meet an absence target of no more than 9 dys per FTE per year. Continue Equality and Diversity training and awareness, to support Equality

Impact Assessments.

3. Leavers from the Council's employment continue to be surveyed for their reasons for leaving. The full year Survey for 2005-6 shows the most common primary reason for leaving is change in domestic circumstances. Main attractors to a new organisation were career progression (cited by 28% of respondents), and pay (cited by 24% of respondents). Both these issues are addressed in the Pay and Workforce Development Strategy, through action to develop a Generic Skills and Careers Pathway, Pay, Reward and Recognition and Resourcing elements, including to ensure market forces supplements are in place where appropriate, and the comprehensive employment package is promoted both internally and externally.
4. The 2006 Employee Opinion Survey commenced during July, based on a simplified format to further improve the response rate. Results will be reported to Cabinet when available.

Risk Management

The risks with mitigating actions are contained in the Pay and Workforce Development Strategy.

Alternative Options

There are no alternative options.

Consultees

N/A.

Background Papers

Employers' Organisation Pay and Workforce Development Strategy, and People Skills Scoreboard 2004 both available from www.lg-employers.gov.uk

REPORT OF THE STRATEGIC MONITORING COMMITTEE

Meeting Held on 26th June, 2006

Membership:

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

PERFORMANCE MANAGEMENT

The Council's Overall Performance Improvement Plan

1. The Committee has noted the Council's Overall Performance Improvement Plan, produced in response to the Comprehensive Performance Assessment and arrangements for reporting progress against the Plan. Both Cabinet and the Committee will receive reports on progress against the Overall Plan on an exceptions basis as part of the Integrated Performance Report.

The Council's Performance Improvement Cycle

2. In accordance with the Council's Overall Performance Improvement Plan the previous corporate planning and budget processes have been brought together to ensure that there is a direct relationship at all stages between the planning of budgets (and other resources) and the outputs and outcomes they are allocated to achieve. The proposed performance improvement cycle is intended to ensure that performance reports, and performance management generally, address financial and service performance in the round. The integrated performance reports that have been in place since June 2005 have already sought to do this, but the full integration of corporate, service and financial planning will provide a much better basis to do this well.
3. The Committee has been advised that the new performance improvement cycle is recognised best practice: to secure the maximum value for money; to raise performance in the context of tight financial constraints and increased demand for essential services; and to have this recognised in external assessments. The cycle will culminate in the presentation to Council of the Annual Operating Plan, including the proposed budgets to deliver the outputs and outcomes in the Plan. The proposed cycle will therefore replace the previous arrangements for budget planning. The Committee has noted that further consideration needs to be given to the detailed arrangements for wider Member involvement, including through scrutiny. Members of the Committee have had regard to the new cycle in informal discussions about the development of the scrutiny programme.

Integrated Performance Report – 2005/06 End-of-Year Report

4. The Committee has received the end of year Integrated Performance Report for 2005/06. The outturn against the AOP indicators is considered disappointing and the Committee has noted steps being taken to achieve future improvement. Regarding the Best Value performance Indicators it has noted that 58% had either improved or maintained performance compared to 57% last year, that 36% had deteriorated, compared with 43% in 2004-05, with information awaited on 6% of the indicators.

Final Revenue Outturn 2005/06

5. The Committee has noted Cabinet's decisions in relation to the Final Revenue Outturn for 2005/06 which showed an underspend of £3.7 million on Directorate budgets. In relation to the carry forward of unspent budgets to 2006/07 the Committee noted that while robust financial monitoring reports were now in place, greater financial management was needed by directorates to ensure that improved services were delivered at budget. The Committee has also noted the importance of the Herefordshire Connects Programme in driving efficiencies to release resources.

Integrated Performance Report – 2006/07 April-May Progress Report

6. The Committee has been informed of performance to the end of May 2006, against the Annual Operating Plan 2006/07 and the remedial actions taken to address areas of under-performance. The Committee has noted that 42 of the 72 performance indicators relating to the Local Area Agreement (which now incorporates the indicators under Local Public Service Agreement 2G) had been marked "red flagged" (that is where the target was not achieved, not expected to be achieved or where no targets/milestones were identified.) The Committee was advised that this was of particular concern and remedial action would be required. The Committee also noted that exception reports on the overall performance improvement plan were being regularly provided to the Leader of the Council and the Chief Executive.

REVIEW OF THE STRATEGIC SERVICE DELIVERY PARTNERSHIP

7. The Committee has considered Cabinet's response to the Committee's review of the Strategic Service Delivery Partnership. It has noted the action plan prepared in response to the Review's recommendations and the statement that a number of concerns were already being addressed as part of existing management initiatives. Cabinet has also agreed that consideration be given to engaging an external consultant to undertake a brief piece of work to verify a number of aspects of the services supplied by the Partnership including value for money under the partnership agreement.

ICT SERVICES SCRUTINY REVIEW – PROGRESS REPORT

8. Work on the Committee's review of ICT Services is continuing with interviews and fact finding visits being undertaken.

SCRUTINY IMPROVEMENT PLAN

9. The Committee has approved a revised and updated Improvement Plan for Scrutiny having regard to the Council's Corporate Assessment. The Plan is based on the Centre for Public Scrutiny's self-evaluation framework.

WORK PROGRAMMES

10. The Committee has noted the Scrutiny Committees' current and future work programmes. It has recognised that the current work programmes do not substantially reflect the Council-wide themes and issues identified as priority areas in the Council's Overall Improvement Plan, the Annual Operating Plan and the Herefordshire Community Strategy including the Local Area Agreement. Consideration is accordingly currently being given to pursuing the following matters:

- **Recycling:** How is it working? What message is the Council sending out (eg use of green recycling bags, opening hours for Recycling Centres and capacity.) Is the Council responding to the public's comments about the Council's approach? What

are we doing, are we doing it well enough? What can be done to improve?

- **Planning (Development Control) Policies:** What is the scope for local discretion, noting implications of some decisions on adult social care provision and other Council priorities?
- **Understanding and Responding to Customers:** how well are we doing this?
- **Every Child Matters:** Transition from Social Care to adult life. Exchange of information between Schools and Social Workers. Are the plans being put in place with the Council's partners working well in practice? Is the Council fulfilling its Corporate Parent Role?
- **Older Peoples Strategy:** Is it robust enough, how does it fit with the Council's Medium Term Financial Plan, what are the implications for other services?
- **Improving Adult Social Care:** considering and commenting on the assessments of adult social care needs and services that are being produced, including the wider implications for health services and housing.
- **Rural Schools Review:** Is the review addressing all the issues? What part do schools play in the Community? What is link to other Council plans?

PRESENTATIONS BY EXECUTIVE (LEADER, CABINET MEMBER (CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES) AND CABINET MEMBER (RESOURCES))

11. Following presentations by the Leader, Cabinet Member (Corporate Services and Human Resources) and Cabinet Member (Resources), the Committee questioned the Leader and Cabinet Members on issues and concerns in their respective programme areas.

ISSUES CONSIDERED BY THE INDIVIDUAL SCRUTINY COMMITTEES

12. The work of the Committees is analysed below as far as practicable under the following five roles for overview and scrutiny: holding the executive to account, best value reviews, policy development and review, external scrutiny, and improvement (performance management and review), the first four of which are identified as key roles in the report on "The Development of Overview and Scrutiny in Local Government published by the Office of the Deputy Prime Minister". Issues considered by the Strategic Monitoring Committee are listed for completeness.

Summary

13. The **Adult Social Care and Strategic Housing Scrutiny Committee** met on 2nd June 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	Presentation by Cabinet Member (Adult Social Care and Health)
Best Value Reviews	Provision of Private Sector Housing – Stage 4 Report – Improvement Plan
Policy Development and Review	Learning Disability Services – Scrutiny Review Needs Analysis Phase 1 Report
External Scrutiny	

Improvement (Performance Management and Review)	Adult Social Care Improvement Planning Performance Monitoring
Other	Co-opted Membership

14. The Committee has received a presentation by the Cabinet Member (Social Care Adults and Health) informing the Committee of progress in 2005/06 and the challenges in 2006/07 and future years.
15. An interim report on the Committee's Scrutiny Review of services for people with a learning disability has been considered and the Committee will now consider the recommendations it wishes to make to the Cabinet Member (Social Care Adults and Health).
16. The Committee has also received a report on progress with the Adult Social Care Improvement Plan
17. The **Children's Services Scrutiny Committee** met on 31st May, 2006 and 19 June 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	Presentation by Cabinet Member (Children and Young People)
Best Value Reviews	
Policy Development and Review	Scrutiny Review of Behaviour and Discipline Management in Schools Effect of Homelessness on Young People in Herefordshire
External Scrutiny	
Improvement (Performance Management and Review)	Revised Management Arrangements and Structure in Children and Young People's Directorate Safeguarding Children in Herefordshire Joint Area Review Improvement Plan
Other	

18. Following a briefing on the revised management arrangements and structure in the Children and Young People's Directorate, the Committee have identified a number of outcomes it would wish to see from the revised management arrangements. 18. The Committee have been informed of progress in relation to the Joint Area Review (JAR) Improvement Action Plan. The Committee conveyed to the Cabinet Member (Children and Young People) its concern over the availability of suitable housing for young people and young people and families experiencing homelessness. A further report on the JAR Improvement Plan and a report on the effect of homelessness of young people will be received at its meeting on 19th June.
19. The Committee has decided to undertake a scrutiny review of Behaviour and Discipline Management in Schools and has approved a scoping statement for the Review.
20. The **Community Services Scrutiny Committee** met on 6th June, 2006 and 16th June, 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	Presentation by the Leader of the Council on the Economic Development matters Presentation by the Cabinet Member (Community Services)
Best Value Reviews	
Policy Development and Review	Scrutiny Review of the Courtyard Centre for the Arts Preparations for the Three Choirs Festival Scrutiny Review of Hereford City Partnership Economic and Tourist Benefit of the River Wye in Herefordshire
External Scrutiny	
Improvement (Performance Management and Review)	Performance Monitoring
Other	-

21. At its meeting on 6 June 2006 the Committee considered the final report of the Courtyard Review Group. The Review had taken place over an 8 month period and its findings were reported to the Committee by the Chairman of the Review Group, Councillor H. Bramer. The Review Group believe that the Courtyard can seriously improve its income generation activity which would allow it to address its budget deficit and reduce its reliance on the grants from Herefordshire Council and the Arts Council. The Review Group also felt that in order to encourage the Courtyard to increase its income generation activities then any future funding agreement with the arts centre should decrease in value over the course of the contract. This and other recommendations, as appended to this report, were approved by the Committee and passed onto the Cabinet Member (Community Services) for consideration.
22. The Committee also received a presentation by the Leader of the Council on Economic Development matters, approved a Review of the Hereford City Partnership and considered work undertaken in preparation for the Three Choirs Festival.
23. At its meeting on 16 June 2006 the Committee hosted a discussion on the economic and tourist benefit of the River Wye in Herefordshire, inviting a number of interested parties to participate.
24. One other point to highlight is the commencement of the Museum and Heritage Review Group which is now underway with a number of meetings and visits scheduled over the summer.
25. The **Environment Scrutiny Committee** met on 5th June 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	Presentations by Cabinet Member (Environment) and (Cabinet Member (Highways and Transportation)
Best Value Reviews	Improvement Plans
Policy Development and Review	Biofuels briefing
External Scrutiny	
Improvement (Performance Management and Review)	Capital Programme Revenue Budget GEM report

Other	
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26. Following presentations by the Cabinet Members for Environment and Highways & Transportation, the Committee questioned the Cabinet Members on issues and concerns in their respective programme areas. The meeting also debated the subject of Biofuels and how it related to aspects of Planning, Environmental Health and Trading Standards. Arising out of the debate on Biofuels the Committee have requested a briefing paper on hydro generation systems.
27. The **Health Scrutiny Committee** met on 15th June, 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	Presentations on behalf of the Herefordshire Primary Care Trust, the Hereford Hospitals NHS Trust and the Cabinet member (Social Care Adults and Health)
Best Value Reviews	
Policy Development and Review	Cost Saving Proposals – Provider Arm of Herefordshire Primary Care Trust
External Scrutiny	
Improvement (Performance Management and Review)	
Other	

28. In receiving the presentation from the Herefordshire Primary Care Trust and the Cabinet Member (Social Care Adults and Health) the Committee has recognised the challenges facing the Primary Care Trust and the importance of the work taking place with the Council to develop a Public Service Trust. It has also recognised the challenges facing the Hereford Hospitals NHS Trust and its plans to become a Foundations Trust hospital.
29. The business conducted by the **Strategic Monitoring Committee** at its meeting on 26th June, 2006, 2006 is summarised below.

Theme	Reports
Holding the Executive to Account	Review of the Strategic Service Delivery Partnership – Cabinet Response Presentations by Executive (Leader, Cabinet Member Corporate and Customer Services and Human resources), and Cabinet Member (Resources).
Best Value Reviews	
Policy Development and Review	ICT Services Scrutiny Review – Progress Report.
External Scrutiny	
Improvement (Performance Management and Review)	The Council's Overall Performance Improvement Plan. The Council's Performance Improvement Cycle.

	Integrated Performance Report 2005/06 End –of-Year Report. Final Revenue Outturn 2005/06. Integrated Performance Report – 2006/07 April-May Progress Report.
Other	Scrutiny Improvement Plan. Work Programmes. Scrutiny Activity.

**T.M. JAMES
 CHAIRMAN
 STRATEGIC MONITORING COMMITTEE**

BACKGROUND PAPERS

- Agenda Papers of the Meeting of the Strategic Monitoring Committee held on 26th June, 2006.

DRAFT

REVIEW OF THE COURTYARD CENTRE FOR THE ARTS JUNE 2006

SUMMARY OF RECOMMENDATIONS AND SUGGESTIONS

(RECOMMENDATIONS & SUGGESTIONS APPEAR IN ORDER THEY FEATURE IN THE FULL REPORT AND CONTAIN A PARAGRAPH REFERENCE FOR CONVIENIENCE)

The turnover of the Courtyard Trading Company should be higher than the income for admissions at the arts centre. (Para 5.15)

Tenders should be sought for franchisees to operate a retail shop within the current Courtyard Complex. (Para 6.8)

That the Courtyard should investigate the possibility of operating a separate commercial gallery in addition to the current gallery sponsored by the Arts Council. (Para 6.12)

That the Courtyard seeks to develop a dedicated cinema space within the centre even if the venue does not extend. (6.19)

That the leaks in the office space be repaired as soon as possible. (Para. 6.26)

That the outside arts organisations housed at the Courtyard pay a fair market rental value for the space in line with other City Centre Office space including the real costs of utilities and services or be relocated to another premises in order to release much needed space at the Courtyard. (Para. 6.27)

That the Alloy Jewellers housed at the Courtyard pay a fair market rental value for the space in line with other City Centre workshop space including the real costs of utilities and services or be relocated to another premises in order to release much needed space at the Courtyard. (Para. 6.29)

The Courtyard should proceed with a more mainstream programme in order to generate more income to address the budget deficit. (Para 6.52)

That strict financial monitoring systems and maintained and reviewed on a monthly basis. (Para 6.53)

The feasibility of sharing certain core costs with another charitable organisation be investigated. (Para 6.54)

That tenders be invited from commercial catering operators with regard to taking up the operation of the facilities provided by the Courtyard Trading Company. (Para 6.66)

The Friends of the Courtyard be asked about the possibility of them staffing the bar area. (Para 6.68)

That methods be investigated on how to attract customers back to the Courtyard Trading Company during the day including the possibility of refunding car-parking tickets. (Para 6.73)

That different methods of enforcing parking restrictions be investigated, including the four possible ways considered by the Review Group. (Para 6.79 – 6.84)

That schools be further targeted as a daytime audience and that further external funding to help with the cost of school transport be sought for when the current funding arrangement ends. (Para 7.19 and 7.20)

The Commissioning Agreement between the Courtyard and Herefordshire Council end at the same time as the current funding arrangements on 31 March 2008. (Para 7.26)

If not already done so the Commissioning Agreement between the Courtyard and Herefordshire Council be signed. (Para 7.25)

That any future funding deals with the Courtyard be negotiated at a Corporate level. (Para 7.18)

That any future funding deals with the Courtyard operate on a structured grant scheme principal with grants diminishing annually for the duration of the deal. (Para 7.27)

DRAFT