

**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**

Chief Executive's Office

Chief Executive: N.M. Pringle

Your Ref:

Our Ref: NMP/CD

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12th July, 2006

Dear Councillor,

**MEETING OF CABINET
THURSDAY, 20TH JULY, 2006 AT 2.00 P.M.
THE COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD**

AGENDA (06/05)

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.

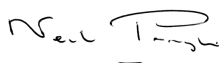
3. VALUE FOR MONEY SELF-ASSESSMENT

To approve the Council's updated Value for Money self-assessment prior to submission to the Audit Commission by 31st July, 2006. *(Pages 1 - 46)*

4. REVIEW OF THE CONSTITUTION

To update the Constitution to reflect changing Council requirements. *(Pages 47 - 66)*

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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VALUE FOR MONEY SELF-ASSESSMENT

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

20TH JULY, 2006

Wards Affected

None.

Purpose

To approve the Council's updated Value for Money self-assessment prior to submission to the Audit Commission by 31st July, 2006.

Key Decision

This is not a Key Decision.

Recommendations

THAT the draft Value for Money self-assessment attached at Appendix 1, delegating authority to the Director of Resources in consultation with the Cabinet Member (Resources) for any final amendments, be approved.

Reasons

Having scored 3 (out of a possible 4) for the Key Line of Enquiry (KLOE) on Value for Money (VfM) in the 2005 Use of Resources assessment, the Council is only required to submit an update of our existing self-assessment for 2006. Councils that scored a 1 for this KLOE have to submit a new self-assessment for 2006.

Considerations

1. The draft VfM self-assessment update has been prepared in accordance with the guidance provided by the Audit Commission and is attached at Appendix 1. The self-assessment can be fine-tuned if further relevant evidence emerges following discussion at Cabinet as the final submission date is not until the 31st July, 2006.
2. The Audit Commission guidance suggests we concentrate on highlighting any areas that have changed sufficiently in our opinion for our auditor to reassess the arrangements in place.
3. The key principles that underpin the Audit Commission's approach to assessing the VfM KLOE are that:
 - they will judge VfM from a community-wide perspective rather than that on individual service users;

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

- they will look at gross costs as net costs can mask high spending if income is also high;
 - costs alone do not reflect value; local context and quality of service need to be taken into account, not just immediate costs in arriving at VfM judgements;
 - full long-term costs and benefits should be taken into account, not just immediate costs;
 - numerical data on costs and performance provide a starting point for questions;
 - VfM judgments need to allow for local policy choices about priorities and standards of service;
 - Judgments should address current performance in achieving VfM and how well VfM is managed and improved over time and the extent to which a long-term approach is taken; and
 - Judgements should rely primarily on evidence of outcomes achieved and the effectiveness of activity to improve VfM.
4. There are 2 headings within the KLOE on VfM:
- how well the council currently achieves VfM; and
 - how well the council manages and improves VfM.
5. The Council has the opportunity to provide an overview of how its costs compare with others under the first heading – current achievement of VfM. Explanations should be given where costs are out of line with the all England comparison and the Chartered Institute of Public Finance & Accountancy ‘nearest neighbour’ group. The Audit Commission provides a web-based VfM toolkit to make this exercise easier. The questions in the KLOE are designed to take the Council from describing costs to value through the following steps:
- **Step 1** – describe the overall financial context, homing in on what costs are and how they compare;
 - **Step 2** – describe how external factors affect costs, such as having a disproportionately high older population;
 - **Step 3** – describe how factors within the council’s control affect costs, such as local choices about the range of discretionary services provided or the standard of service to be provided;
 - **Step 4** – describe how the council’s own priorities affect costs.

6. Under the second heading – managing and improving VfM – the Council has the opportunity to provide an overview about how it systematically sets out to secure improving VfM across all services. Councils need to be able to demonstrate it has good processes, good commitment from all service managers and good evidence of a VfM culture. The opportunity will therefore be taken before submission to include as much evidence to show that VfM is a core part of Herefordshire’s financial management culture.
7. The draft Medium-Term Financial Management Strategy approved by Cabinet on 13th July, 2006 sets out the overall approach to efficiency review and improving VfM in Herefordshire. The MTFMS will be provided as supporting evidence to our VfM self-assessment update.
8. Councils are required to submit their 2005/06 backward look Annual Efficiency Statements with their self-assessment update for 2006.
9. The Audit Commission will report on its VfM judgement and overall Use of Resources score in November / December.

Risk Management

The Council’s VfM self-assessment is important for its reputation. The draft update was prepared in consultation with accountancy staff and finance managers across the Council to ensure the evidence of progress since the baseline self- assessment in 2005 has been gathered and accurately presented for inspection. A robust submission is essential to at least maintaining our current VfM score of 3 and is important as it helps relieve the burden of future inspection.

Consultees

Accountancy staff and finance staff supporting Directorates.

Chief Executive.

Cabinet Member (Resources).

Background Papers

Background papers are held in the Resources Directorate.

Value for money

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

What has been achieved to date?

5.1 The council currently achieves good value for money

What is the purpose of this section of the self-assessment?

This section provides the authority with an opportunity to demonstrate how it achieves good value for money including how current costs compare with others. Local fieldwork will focus on the extent to which the authority understands, compares and reviews its costs in relation to both performance and priority. This section will draw significantly on the evidence provided in the standardised VFM Profiles report.

Completing the self-assessment

Please provide short statements using the pro-forma which address the key line of enquiry and each of the audit focus questions:

- 5.1 How well does the council currently achieve good value for money?
- 5.1.1 How well do the council's overall and service costs compare with others?
- 5.1.2 How do external factors affect costs and how do adjusted costs compare?
- 5.1.3 To what extent are costs commensurate with service delivery, performance and the outcomes achieved?
- 5.1.4 To what extent do costs reflect policy decisions?

KLOE 5.1 How well does the council currently achieve good value for money?

Please provide brief details and evidence to support your assessment with focus on:

- how the council challenges value for money through services and corporately; and
- the relationship between local taxation, overall expenditure and costs; and the level and performance of services provided, taking account of local priorities.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

HOW THE COUNCIL CHALLENGES VALUE FOR MONEY THROUGH SERVICES AND CORPORATELY

Our baseline position in 2005

Value for Money is key to almost everything the Council does and is a constant message going throughout the Corporate Plan and all Service Plans. It is not something that is paid lip service to but is central to the Council's overall objective of providing good quality serviced as efficiently as possible.

The Council does not undertake formal Best Value reviews anymore but uses a variety of other tools to ensure VfM. The starting point is consultation with citizens as this focuses attention on local priorities. The value of a service cannot be measured without first deciding the broad level to which ti is provided and the Council conducted extensive consultation during 2004. The outcomes of the consultation, together with a host of other factors helped shape the Corporate Plan and subsequently the Annual Operating Plan. The Chief Executive and Leader have clearly stated in the Corporate Plan the importance of delivering services as efficiently as possible.

Our position in 2006

Value for Money remains central to everything the Council does. Indeed it is now established as a fundamental part of our key corporate, service and financial strategies.

The Chief Executive and Leader's comments in last year's Corporate Plan covering 2005 – 2008 are now included in the updated Plan for 2006 – 2009 as our medium-term organisational priorities for achieving our service improvement objectives over the next 3 years.

Our organisational priorities maintain the focus on continuing to improve Value for Money. We will achieve this by organising ourselves to:

- consult fully before finalising service improvement plans;
- integrate our corporate, service and financial planning procedures so service improvement plans are set in the context of available resources and those resources are allocated in line with priorities; and
- make the most of all our assets – cash, people, ICT and property.

The draft Medium-Term Financial Strategy (MTFMS) supports the objectives and priorities set out in the Corporate Plan. It provides the financial context within which Directors and the Head of HR will develop 3-year service delivery proposals. It also sets out the Council's approach to Efficiency Review and Value for Money (section 7.7 of the MTFMS refers). We aim to achieve twice the current Gershon target of 1.25% cashable gains over the period covered by the MTFMS (2007 – 2010).

We will deliver this ambitious efficiency gain target through our other key corporate strategy - the Herefordshire Connects programme. This strategy will be described in more detail later in this VfM update.

Reference

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HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

THE RELATIONSHIP BETWEEN LOCAL TAXATION, OVERALL EXPENDITURE AND COSTS; AND THE LEVEL AND PERFORMANCE OF SERVICES PROVIDED, TAKING ACCOUNT OF LOCAL PRIORITIES

Our baseline position in 2005

The Council's net expenditure per head is 8% lower than the average for unitary authorities. It is well within the lower quartile, and is 26th amongst unitaries for the amount of Council Tax it levies. It needs to be emphasised that the county is the most spare upper tier authorities the country. The cost of providing services in rural areas is addressed specifically in 5.1.2 but the low net expenditure figures is a key indicator of how well the county uses its resources given overall service performance. The current CPA overall service score is 3 out of 4.

Our position in 2006

The inspectors noted that our funding per head of population was 8% below the average in our 2005 CPA report. Updating the position for the 2006/07 settlement figures reveals that the gap in funding has widened. The figures 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.

Herefordshire Council set a Council Tax level in 2006/07 at 1.1% below the unitary average and slightly below the median ranking position at 25th out of 49 unitary authorities.

Despite our low resource base, our Value for Money assessment in the 2005 CPA – *The Harder Test* was good at 3 (out of a possible 4). In overall terms, our CPA inspectors adjudged Herefordshire to have maintained services at the same level and to be improving adequately and 55% of our BVPIs stayed the same or improved in 2005/06. We felt this was a commendable achievement given the CPA test was harder and government funding was still comparatively poor.

We are not complacent though. We are determined to continue improving services and VfM despite our challenging financial position. The corporate and service plans we have developed since the 2005 CPA results were published, supported by our new financial management strategy, show how determined we are to provide even better services at even better value.

Despite our relative funding position, we continue to perform well in most services. Our housing service scored a maximum 4 in our CPA for 2005 despite it being a harder test and has continued to show strong improvement both in terms of service delivery and VfM in homelessness. We can also demonstrate strong improvement in services with our weakest 2005 CPA scores too. A Department for Education & Skills (DfES) review in May 2006 concluded that our safeguarding practice systems are now sound.

Reference

4

5

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HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

5.1.1 How well do the council's overall and service costs compare with others?

Please provide brief details and evidence to support your assessment – key areas of focus:

- current level of overall costs and costs for key services;
- planned spending in relation to others; and
- level of overheads and how they are accounted for.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

CURRENT LEVEL OF OVERALL COSTS AND COSTS FOR KEY SERVICES

Our baseline position in 2005

The VfM profiles show that the Council is slightly lower quartile for expenditure on all services. This is broadly commensurate with its overall funding levels and demonstrates the challenges the Council has faced in providing high quality services in the face of constraints on both Council Tax and central government grant. The main spending block is Education and despite a comparatively high cost for LEA functions the expenditure on schools places the Council firmly in the lowest quartile for the nearest neighbour comparison.

Our position in 2006

The Audit Commission VfM toolkit profiles show that our overall spending on services remains just above bottom quartile.

Environmental Services

- Our spending on planning services is just above lower quartile compared to the nearest neighbours group.
- Our spending on street cleaning is the second lowest cost per head compared to the nearest neighbours group.
- Our spending on waste collection & recycling services is the seventh lowest compared to nearest neighbours and a below average cost per head.

Children's Services

- Our spending on schools per pupil is in the bottom quartile of the nearest neighbours group.
- Our spending on LEA central functions is in the top quartile of the nearest neighbours group.
- Our spending on children and young families (0-17) is just above the lowest quartile of nearest neighbours group.

Adult Social Care & Strategic Housing

- Our spending on people with learning difficulties is high compared to the nearest neighbours group.
- Our spending on older people is low compared to the nearest neighbours group.
- Our spending on homelessness is at the median level of the nearest neighbours group.

Revenues and Benefits

- Our spending on benefits administration is in line with the nearest neighbours group.
- Our spending on Council Tax collection per chargeable dwelling compares favourably with the benchmarking club the Council belongs to.

Economic & Community Services

- Our overall spending on economic & community services is just above lower quartile
- Our spending on tourism services is in the upper quartile reflecting the level of priority afforded to this service in producing a sustainable community.
- Our spending on heritage services and sports & recreation services is in the middle two quartiles.
- Our spending on parks & open spaces and library services is in the lower quartile.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

PLANNED SPENDING IN RELATION TO OTHERS

Our baseline position in 2005

The Medium Term Financial Strategy broadly looks to maintain Education expenditure and increase funding in high-pressure areas, particularly Adult Social Care. The comparative VfM profiles would not necessarily be used to significantly influence this Strategy but would be used, as a guide to identify where additional resource may well be required. They are in that sense commensurate with the current Strategy where budgets are being reduced in central and environmental services, both being in upper quartile of spend against near neighbours.

Our position in 2006

The new Dedicated Schools Grant means the government now makes the decision on the overall level of funding for schools rather than the Council. Schools received a higher percentage increase in funding than all other local government services in the 2006/07 local government finance settlement and will do so again in 2007/08. Given national policy priorities, we anticipate this pattern will continue and will be reflected in the Comprehensive Spending Review 2007 (CSR07) that will set government spending limits for the period 2008/09 through to 2010/11.

Section 6.5 of the MTFMS identifies the local spending pressures for the future. The key concern remains 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. 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 in 2006/07. A social care contingency fund of £1.3m was established for 2006/07 in the event that these budgets over spend. 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.

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. The Landlord Payments scheme has been particularly successful in keeping people out of expensive bed and breakfast accommodation.

Other budgets that showed signs of strain in 2005/06 included street cleansing, public toilets, winter road maintenance and administrative buildings. The MTFMS also highlights waste disposal as a future spending pressure as the date for agreeing changes to the original PFI contract continues to slip and waste tonnages continue to grow.

Spending pressures in Herefordshire show a very similar pattern to national spending pressures. Our Medium-Term Financial Resource Model (MTFRM) includes all the future cost pressures we are currently able to quantify including pay, waste disposal and transfers out of Formula Grant for Preserved Rights Grants. Our MTFMS ensures that our social care services are at the top of the priority list for re-investing cash released by our Herefordshire Connects programme.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

LEVEL OF OVERHEADS AND HOW THEY ARE ACCOUNTED FOR	
Our baseline position in 2005 The accounting policies for central overheads are detailed in the Statement of Accounts. The level of overheads is monitored where applicable through service reviews (such as property) but also on an ongoing basis through benchmarking exercises. The Treasurer's Department for example is a member of the CIPFA benchmarking club and information is analysed accordingly.	
Our position in 2006 Our updated policies on accounting for overheads can be found in our Statement of Accounts for 2005/06. We follow the Best Value Accounting Code of Practice (BVACOP) in accounting for overheads. Our spending on central services and other overheads is high compared to the nearest neighbours group. We investigated the reason for this following our 2005 VfM assessment. We discovered we were not completing the government's financial returns correctly and were overstating expenditure on overheads as a consequence. The Audit Commission VfM toolkit relies on these financial returns to create their database of comparative spending. This explains our apparent high level of spending. The financial returns will be completed correctly in future.	Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

5.1.2 How do external factors affect costs and how do adjusted costs compare?

Please provide brief details and evidence to support your assessment:

- external local contextual factors that influence costs (such as deprivation, geography, demography); and
- demand and supply levels.

EXTERNAL LOCAL CONTEXTUAL FACTORS THAT INFLUENCE COSTS (SUCH AS DEPRIVATION, GEOGRAPHY, DEMOGRAPHY)

Our baseline position in 2005

There are 2 major factors that have a significant bearing on the cost of providing services within the county. Firstly there is the Council's sparsity and secondly the demography of older people: 22.7% of the population is retired compared to 18.5% nationally. The most dramatic demographic change however is the growth of older people. By 2011 is projected that the rate on increase of over 65s will be at double the national rate with the over 85s growing at nearly 25%. There are a number of challenges faced by adult social care as a result of these external factors. The cost of providing domiciliary care in particular in rural areas is higher than in urban areas whilst the increasing numbers of older people coming in to care places significant pressures on the corporate budget. The difficult financial situation was highlighted by the SSI report in July 2003.

The Council has therefore had to adopt innovative ways of commissioning social care, the main one being the partnership with Shaw for residential homes and home care volume contracting with the independent sector. Also included in the transfer are day care services, re-enablement services, domiciliary care and outreach support services.

Whereas overall the county cannot be described as being a deprived area, there are pockets of high deprivation, such as South Wye, which demand considerable redirection of resources to meet local needs. It also needs to be recognised that the county's average weekly wage is £361 that is 14% lower than the national figure.

Our position in 2006

We are in fact the most sparsely populated upper tier authority and our population is more evenly distributed compared to other rural counties. Cornwall, Cumbria and Devon, for example, are sparsely populated but large tracts of their area are uninhabited.

Poor rail and road links also impact on the cost of services. The supply market for services is restricted by the geographical position of the county.

Our local economy is based on rural industries. This attracts a growing migrant worker population every year that also impacts on service delivery. It has been estimated that the county's population temporarily grows by so me 25,000 or 14% during the summer months. This temporary growth puts demand pressure on a wide range of public services – a factor that is not recognised in central government funding for local government.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

DEMAND AND SUPPLY LEVELS

Our baseline position in 2005

The county's geographical position and population sparsity undoubtedly presents problems in ensuring there are sufficient numbers of service providers to create competitive markets. This is experienced in a number of areas with significant budgets and is most keenly felt within Adult Social Care, Children's Services and Public Transport. A recent example of where procurement has not been as competitive as the Council would have hoped has been with the limited market for special school out of county placements.

Our position in 2006

The county's geographical position and sparsity remains a constraint in stimulating competitive markets. The Council is still seeking major infrastructure changes through its Local Transport Plan to improve the overall environment for businesses to thrive.

Herefordshire carries out extensive consultation with the community and with strategic partners to ensure its corporate plans and strategies meet the needs of our residents. We also monitor customer satisfaction scores annually rather than rely on the statutory triennial consultation all local authorities are required to carry out. We use the information gathered to work out what demand there is for the range of services we currently provide and we shape our corporate plans, service plans and resource plans accordingly to supply the services our residents want and need. Where this information is insufficient as a basis for making resource allocation decisions, we carry out further detailed research. An example of this is the current piece of research into the impact that Herefordshire's ageing population will have on demand for social care services and the options for the patterns and levels of services needed to meet them.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

5.1.3 To what extent are costs commensurate with service delivery, performance and the outcomes achieved?

Please provide brief details and evidence to support your assessment in relation to the key areas of focus – please refer to the VFM Profiles tool for evidence:

- quality and standards achieved, including targeted investment to improve poorer services and quality of life;
- results of service inspections; and
- range of discretionary services provided.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

QUALITY AND STANDARDS ACHIEVED, INCLUDING TARGETED INVESTMENT TO IMPROVE POORER SERVICES AND QUALITY OF LIFE

Our baseline position in 2005

The VfM profiles and BVPIs are extensively analysed to provide a relationship between the comparative costs of services and the level of service provided. Where most appropriate the comparisons have been made with the near neighbour authorities group or the unitaries group.

The Council performs above average in analysing the BVPIs. 30% of its BVPIs are in the top quartile and 65% in the top two quartiles, with only 13% in the worst. 64% of these showed improved performance between 2001/02 and 2003/04 rising to 75% in 2004/05. The Council and its partners have met or substantially achieved the majority of the stretch targets in the first LPSA.

The analysis takes into account the main service blocks and the highlighted areas demonstrating VfM are summarised as follows:

Environment:

- The overall CPA service score for the Environment block has risen from 1 to 3 between 2002 and 2004.
- Street cleaning – lowest cost per head within the NN group with a satisfaction rating of over 60% placing it in the top 3 authorities in this group.
- Waste collection – costs are slightly below average for both NN and Unitary groups. Recycling rates however are 4th out of 16 for the NN group and just outside upper quartile for the Unitaries group.
- Highways – maintenance costs per km considerably lower than unitary average based on CIPFA Stats 2002/03 actuals. Although there are still high levels of repair needs for Herefordshire's roads the LPSA1 targets have been met.

Children's Services

- The Education CPA score has dropped from 4 to 3 although in that time the KS2 and 3 results for English and Maths have been the best ever and overall standards have been maintained for KS1 and 4.
- Herefordshire is funded at below national levels for education and social care although in many instances achieves above average performance.
- The county's Schools Formula Spending Share of £2,789 per pupil ranks the authority 123 out of 148 local education authorities.
- The majority (67%) of APA performance indicators demonstrate at least average performance and in many instances that which is well above the norm.
- School OFSTED reports show that over 99% of schools are satisfactory or better with regard to value for money.

49% of the total costs of LEA central functions are transport. In 2004/05 £527 per pupil was spent on central functions of which £258 was for transport. If these transport costs are excluded, and they do fall disproportionately on a rural county such as Herefordshire, the Council is £50 per pupil higher than the average for the OFSTED family of shire LEAs. This £50 is mostly explained by the repayment of the LGR expenditure and on non devolved standards fund for the ICT broadband network, which is retained with schools' agreement.

With respect to transport and VfM, the Council is widely regarded by the DfES transport group as an excellent example of route rationalisation by using routing software to achieve savings. The Backward Looking Efficiency Statement identified savings of £524,000 in transport after adjusting for the number of riders and transport RPI.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

The VfM profiles show Herefordshire as being the second most expensive for statutory and regulatory duties. There has however been a significant shift from the 2004/05 section 52 data to the up to date information based on 2005/06 following a fresh look at how S52 has been completed. The 2004/05 data is £79 per pupil whilst the 2005/06 data shows £51 being spent on these duties. It needs to be borne in mind that as a relatively small, rural authority with limited competition for school meals and school transport (where we have to pay more to sustain the market), there are limited opportunities for economies of scale which can explain the disparities in the per pupil funding comparisons. Typical examples are school meals and transport.

The CPA score for Children's Social Care has also dropped a point but it has also been judged by CSCI as having promising prospects for improvement. Supporting this assessment is the fact that the majority of the 2004/05 PAF indicators have improved.

VfM analysis for social care services for children need to be seen in the context of the size or demand for the service. A very small number of children placed in agency provision consume a disproportionate amount of available resources but the nature and size of this cohort does not enable block purchasing or economies of scale.

Adult Social Care

Herefordshire spends less on older people than all the Council's in the comparator group in the VfM profiles despite considerable investment over the first two years of the three-year plan. The key BVPIs on support for independent living show improvement in areas where investment has been made, primarily in assessment activity – statement of needs given; waiting times for assessment and Direct Payments. However BVPIs for independent living have not improved and this points towards increasing future investment to help achieve full VfM in this area.

Expenditure on adults with learning disabilities is comparatively high and the Council has a change programme to move away from a traditional approach to service provision to one that is more inclusive, local and personalised.

The pooled budget and integrated service arrangements with the PCT provide the most effective use of a scarce resource and enables the seamless provision of important services. Herefordshire is also one of the few counties with formal risk sharing arrangements with the PCT.

The CPA Strategic Housing assessment is a maximum score of four demonstrating in particular how the LSVT of Council Housing has been managed but also excellence across all areas of service.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Our position in 2006	Reference
<p>Adult Social Care & Strategic Housing</p> <ul style="list-style-type: none">• Key BVPIs for Adult Social Care Services all show improvement with the exception of the Direct Payments indicator.• Key BVPIs for Strategic Housing show improvement, particularly the number of people being accepted as homeless.• Extra cash targeted at improving homelessness services on an invest to save basis and the service was brought back in-house as standards and costs were unacceptable.• 70% of people using personal social services were satisfied with the service.• The Home Care Survey showed 87.4% of respondents were at least quite satisfied with the help received <p>Environment – compared with the nearest neighbours group:</p> <ul style="list-style-type: none">• Waste recycled or composted is 19.5%, the fourth highest.• 100% of minor planning applications were determined within the target time.• LPSA1 target for conditions of non-principal roads was met.• Satisfaction with the standards of cleanliness is 62%, which, when coupled with low cost per head of population, ranks as one of the best performances compared to the nearest neighbours group• Satisfaction with waste collection services is 65%, which is just below the upper quartile. <p>Economic & Community Services – compared with nearest neighbours group:</p> <ul style="list-style-type: none">• Usage of libraries, museums & theatres was just below upper quartile.• Usage of sports facilities and parks & open spaces were lower quartile.• Customer satisfaction with theatres, galleries & museums was around the median.• Customer satisfaction with libraries was around the median.• Customer satisfaction with sports & leisure facilities and parks & open spaces was lower quartile, corresponding with low spend.• Spending on libraries is lower quartile and performance indicators are average demonstrating reasonable performance for low cost.• Museums & theatres show middle quartile expenditure and performance indicators.• Halo performs well in 'Quest' assessments and there has been a tangible improvement in leisure services. <p>In addition, for Economic & Community Services, the Council's latest annual satisfaction survey showed that:</p> <ul style="list-style-type: none">• 72% of people who used our leisure facilities were satisfied with them.• 84% of people who used libraries were satisfied with them.• 72% of people who used museums were satisfied with them.• 77% of people who used parks & open spaces were satisfied with them.	

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Children's Services	Reference
<p>OFSTED inspections between September 2005 and March 2006 considered all schools to be adequate and above.</p> <p>The Youth Service received an adequate OFSTED report although this also highlighted resource issues in a service which has found difficulties in recruiting trained staff.</p> <p>There are areas of the key business where increased investment in services is being translated to improved performance against the Council's priorities. A good example is within Adult Social Care where all the BVPIs related to the promotion of independent living have either improved or stayed the same. A similar situation exists with Looked After Children and the Council is making strong movements away from its current zero star CSCI rating.</p> <p>A range of local indicators is produced on a quarterly basis for our scrutiny committees. Examples of good performance in the most recent report include:</p> <ul style="list-style-type: none">• %of footpaths which were easy to use – 49.6% by the end of the 3rd quarter of 2005/06 compared to an annual target of 47%.• Number of visits to a TIC - 484,116 by the end of the 3rd quarter of 2005/06 compared to an annual target of 317,000.• Number of visits to museums per 1,000 population - 1,159 by the end of the 3rd quarter of 2005/06 compared to an annual target of 820.• Numbers taking part in sports referral programme - 80 by the end of the 3rd quarter 2005/06 compared to an annual target of 48.• % completing the sports referral programme - 58% by the end of the 3rd quarter of 2005/06 compared to an annual target of 45%.	

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

RESULTS OF SERVICE INSPECTIONS

Our baseline position in 2005

The SSI report on Social Services in 2003 has had probably the most significant impact on corporate budget strategy. Although the report highlighted a number of strengths it also identified areas where improvement was needed. This centred on the range and quantity of provision to support adults and children to maintain their independence and remain at home. Partly as a result of this Social Care has received an additional £1.5m over and above the normal inflationary increase in the 2004/05 and 2005/06 budgets. This has been translated into some key performance gains particularly within the Looked after Children area. The Council is still however facing a significant challenge with the demographic pressures of older people.

The Review carried out by CSCI of Older People Services in 2004 commented that the Council had 'responded vigorously to the Joint Review and whereas overall it was only serving some people well it had promising prospects for improvement.

The other major service inspection was the OfSTED review of Education in the county, which although reported in 2001, provides a good background to the quality of the service. This concluded with HMI of Schools saying that 'Herefordshire LEA is making good progress and has won the confidence of its schools in its drive to raise standards'.

Summaries of other external inspections are as follows:

Supporting People Programme (December 2003) – Good service with uncertain prospects for improvement

Libraries and Information Services (August 2002) - Fair service with uncertain prospects for improvement

Homelessness and Housing Advice – (August 2001) – Excellent service with strong prospects for improvement

Tourism and Development Services – (August 2002) – Good service with promising prospects for improvement

Although these only cover a relatively small part of the Council's business the outcomes from the inspections clearly show the value provided by the Council to residents with relatively limited resources.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Our position in 2006

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).

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. The report highlighted some areas of strength in demonstrating strong community leadership, close working partnerships and a track record of sound financial management alongside some weaknesses in scrutiny, internal processes and some aspects of Children's Services.

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 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.

Despite *The Harder Test*, Strategic Housing maintained its CPA rating of 4 (out of a possible 4). Adult Social Services maintained its CPA rating of 2 (out of a possible 4). Culture also maintained its service score but is due for re-inspection in 2006/07.

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 serving children well, with poor capacity for improvement.

The Council is currently undergoing a BFI inspection and the outcomes of this will be known soon. It has already been recognised that significant improvements have been made in performance following the introduction of the Academy system.

Against this background, the Council has drawn up a comprehensive Overall Performance Improvement Plan (OPIP). The OPIP summarises the Council's key objectives for the year including our response to the 2005 CPA and JAR inspections. 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.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

RANGE OF DISCRETIONARY SERVICES PROVIDED

Our baseline position in 2005

The Council provides a whole range of services that are additional to its statutory obligations. Some major examples of these are:

- £0.3m subsidy to the Courtyard Theatre in Hereford of
- nearly £1m on community regeneration and grants
- £0.5m in grants to voluntary organisations plus substantial in kind support.

The Voluntary Sector Review has recently been completed and whilst the Council is extremely keen on maximising the use of the voluntary organisations to help achieve the Partnership objectives, it is also very keen to ensure that VfM is received from the grants applied. The monitoring system for example has been made more robust to ensure the most effective use of grant monies and service levels to be agreed for all ongoing grant arrangements.

Another example of a discretionary service is Discretionary Rate Relief for non-profit making organisations. The assessment of applications is very much based on the convergence of the applicant's objectives to those of the Corporate Plan.

Our position in 2006

The Council has reacted extremely positively to the new well being powers afforded by the 2001 Local Government Act and uses its position as a community leader to invest and mobilise resources across the public sector for better outcomes, particularly in cross cutting areas.

Expenditure has been maintained in 2006/07 in many discretionary areas despite the capping regulations and pressures in high spend statutory services. The Council continues to develop very effective partnerships with the voluntary sector and these are very much based on shared objectives.

£10.6m is spent on community services with the main objective Corporate Plan objectives of sustaining vibrant and prosperous communities and targets are very much evident in the Local Public Service Agreement and the Local Area Agreement.. Examples of targets include reducing crime and disorder and increasing community engagement. Due to the overall funding position of the Council, expenditure on cultural services is generally below median levels within the nearest neighbours group, however those services seen as being a particularly high priority for the overall economic well being of the county, a good example being Tourism, have net expenditure comparisons in the top quartile.

Discretionary rate relief cost the Council £250k in 2005/06 which given the size of the authority is broadly line with its nearest neighbours. The Council however provides full rate relief for all charity shops in line with our discretionary relief guidelines.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

5.1.4 To what extent do costs reflect policy decisions?

Please provide brief details and evidence to support your assessment in relation to the key areas of focus:

- how costs are assessed when decisions are made;
- the extent to which higher spending is in line with stated priorities; and
- the extent of long term cost considerations with major investments or partnerships.

HOW COSTS ARE ASSESSED WHEN DECISIONS ARE MADE

Our baseline position in 2005

See below on long term cost considerations.

Our position in 2006

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 budget for 2006/07 agreed by Council represented a collective view from the Corporate Management Board for the first time on how resources should be allocated in line with corporate priorities.

Budget carry forwards at the end of 2005/06 were top sliced to resource corporate priorities before consideration was given to how the remainder would be shared amongst Directorates.

Our MTFMS sets out the overall financial context for the authority as it prepares its future service delivery proposals. There is little point in corporate or service planning without regard to the overall level of resources that is likely to be available.

Our MTFMS then ensures that resources are allocated in line with the corporate and service priorities established by the Council to meet the needs of its communities. This is one of Herefordshire's key corporate financial management objectives as set out in the MTFMS (section 7.2 refers).

Our Scheme Selection & Prioritisation process for capital and invest to save schemes ensures that only those schemes that do most to support corporate and service priorities are awarded funding.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

THE EXTENT OF LONG TERM COST CONSIDERATIONS WITH MAJOR INVESTMENTS OR PARTNERSHIPS

Our baseline position in 2005

Cost considerations are important but not predominant in making long term decisions on how services are provided. The cost benefit analysis however is vital in reaching decisions and this has been evident in the past three years with the partnerships with Shaw Homes, Jarvis and the Whitecross PFI contract. The 30-year term contract with Shaw Homes will enable significant development of the 6 residential homes transferred to meet current standards and for the service to be reshaped to reflect longer term service requirements such as EMI residential and nursing beds. The 10-year contract with Jarvis was designed to incorporate ongoing efficiencies of £700,000 per annum whilst the business case for the 25-year PFI deal for the new secondary school at Whitecross had a specific VfM showing a net benefit to the Council of £2.4m by procuring through PFI.

Our position in 2006

Long-term costs, income and savings are always considered in full when decision on major investments or partnerships are made,

An example is the waste disposal partnership. Herefordshire is a partner in the first national waste PFI being developed to meet LATS requirements. This will result in higher short-term costs although it will be a highly beneficial long-term investment as the private sector market contracts.

Another example where the outline financial appraisal considered the long-term position is the Herefordshire Connects programme. This is an ambitious invest to save programme designed to deliver a step change in the improvement of services in terms of quality, efficiency and VfM whilst creating the financial capacity to invest further in corporate priorities such as social care.

The long-term costs of capital investment proposals are also considered in detail before a decision to invest is made. The Scheme Selection & Prioritisation (SSP) process requires the submission of detailed capital bids for funding for review by the Capital Strategy Group prior to recommendations being made to councillors. The format of the business case each bidder has to submit is tightly defined and ensures that full consideration is given to the financial case for the proposal. Selected bids are in line with corporate plans. Successful bids included in the approved capital programme are monitored on a bi-monthly basis as part of the Integrated Performance Report. The objectives of each bid are revisited on completion and compared to improvements in service delivery.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

How is value for money being delivered and improved?

5.2 The council manages and improves value for money

What is the purpose of this section of the self-assessment?

This section provides the authority with an opportunity to demonstrate how it manages and improves value for money including its processes for monitoring and reviewing its costs. Local fieldwork will focus on the extent to which the authority identifies and pursues opportunities to reduce costs or improve quality within existing costs. Please provide evidence of outcomes achieved from any processes described.

Completing the self-assessment

Please provide short statements using the pro-forma to address the key line of enquiry and each of the key sub-questions:

- 5.2 How well does the council manage and improve value for money?
- 5.2.1 How does the council monitor and review value for money?
- 5.2.2 How well has the council improved value for money and achieved efficiency gains (limited to the last three years)?
- 5.2.3 Do procurement and other spending decisions take account of full long term costs?

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

KLOE 5.2 How well does the council manage and improve value for money?

Please provide brief details and evidence to support your assessment focusing on:

- how the council manages its costs, while maintaining the quality of services and responding to local needs.

Our baseline position 2005

There is no singular process for reviewing VfM within the Council. Benchmarking is not carried out as a corporate exercise as the focus has historically been on ensuring VfM in individual services through service reviews, inspections and member scrutiny. It is however used as a tool for informing decisions in services where up to date and meaningful data is available. The importance that has been placed on the Annual Forward Looking Efficiency Statement, particularly in terms of the medium term financial strategy for delivering the Corporate Plan, will ensure a more corporate and systematic approach to the efficiency agenda.

Internal efficiency working groups have been set up in the Adult Services and Children's Services Directorates to both deliver and monitor the efficiency agenda. These are advised by the corporate lead on the efficiency agenda. The purpose of these groups is to ensure that the efficiency gains are being realised and that the key corporate themes are being consistently applied within services.

The Council's Performance Management Framework plays a vital role in ensuring VfM across services. There are a number of key features to the framework which:

- Holds senior managers to account for the performance of their services through a process of 'commitments'
- Provides a comprehensive training programme for managers on all aspects of performance management
- Ensures that actual performance of services compared to targets and milestones is reviewed through regular performance monitoring by Chief Executive's Management Team, Directorate Management Teams, Cabinet Members and Scrutiny Committees.

Responsibility for co-ordinating the implementation of the framework rests with the Head of Performance Management, supported by a network of Heads of Service and performance co-ordinators. The two processes that play the most prominent part in driving the Framework are Service Plans and the Council's Staff Review and Development Scheme (SRD). Whereas the Corporate Plan sets out what the Council wants to achieve at a strategic level the Service Plans are the basis for monitoring and managing the performance of the service. All service plans are quality controlled corporately and the revised guidance this year has placed a stronger emphasis on:

- setting measurable targets
- defining resource requirements and
- assessing the needs of residents and service users.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

SRDs ensure that at the individual level staff are aware of the performance requirements for their job and the service. In 2004/05 76% of SRDs were completed across the Council. The Council uses the EFQM Excellence Model, known as the Herefordshire Driver, to provide the overall tool to drive continuous improvement in the organisation. A key aspect of the service planning process is the annual self assessment using the Herefordshire Driver. A full EFQM peer assessment will take place in 2006.

The Use of Resources assessment for the Council currently stands at 4, which in particular reflects the effectiveness of its stewardship role of public money. It is now committed, however, to achieving excellence in financial management and current developments, such as the integrated performance reporting, will help optimise the allocation of resources within the Council.

The Local Public Service Agreements (LPSAs) are another key feature of how the Council, with its partners seek to manage and improve VfM. The Council is very close to signing off its second agreement and in this respect is well ahead of many other authorities. Some key features of the approach taken to LPSAs are:

- all performance reward grant is recycled into new targets for further performance gains
- the success of the Herefordshire Partnership provides for excellent partnership working and this is evidenced by a number of initiatives. The signposting scheme for independent living for older people is a good example as is the joint team set up with DWP (amongst others) to promote benefit take up.

Individual services manage performance in many other ways in addition to the corporate framework. The Council for example belongs to the West Midlands Social Care Information Management Group that considers a range of performance issues, including performance indicators and performance initiatives such as Making it Real.

HOW THE COUNCIL MANAGES ITS COSTS, WHILE MAINTAINING THE QUALITY OF SERVICES AND RESPONDING TO LOCAL NEEDS

Our baseline position in 2005

See 5.2.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Our position in 2006

As explained elsewhere in this VfM self-assessment update, Herefordshire's integrated Improvement Planning Cycle ensures that resources follow priorities over the short and the medium-term

Having set a budget for the year that supports corporate priorities, we closely monitor actual income and expenditure against profiled budgets and take corrective action when required. We routinely produce financial information reports tailored to our budget holders' individual needs promptly following month end. These reports form the basis of the bi-monthly Integrated Performance Reports. We have already reported to Cabinet on budget pressures in 2006/07 that continue for adult social care services outside of the Integrated Performance Report timetable. This report included suggests for accelerating the modernisation programme for the service subject to consultation with service users and other stakeholders.

Managing services within budgets is now a 'non-negotiable' for Directors and Heads of Service that filters down through the organisation via the targets set in every employee's annual Staff Review and Development interview. Each Directorate must deliver an outturn financial position that is within 1% of its annual budget.

Herefordshire has a track record for strong financial management as evidenced by its score in 2005 for the Use of Resources Key Line of Enquiry on this topic. The Council also recognises just how vital excellence in financial management is to achieving sustainable improvement in services and a better quality of life for the people of Herefordshire. This is why we have created additional capacity within our strategic financial management function to develop Herefordshire's first ever MTFMS that explains simply the likely financial context within which the Council will have to operate and its approach to strategic financial management.

The heightened importance that Herefordshire places on sound financial management is also demonstrated by the fact that s151 Officer responsibilities now lie at the top of the officer organisation – at Corporate Management Board level.

We continually challenge costs and performance in a number of ways:

- We challenge costs through our annual budget setting process that is now fully integrated with our corporate and service planning processes.
- Whenever there is staff turnover the opportunity is taken to review the provision of that services. This includes not replacing the member of staff, reallocating duties or changing the way the service is provided.
- Service managers can transfer certain amounts and types of budget between items and between financial years allowing them flexibility to react to external changes and improve VfM and delivery of services.
- Our annual service plans set out the changes that will be made in the coming year to achieve improved performance within budgetary constraints.
- We belong to a range of service specific benchmarking clubs e.g. internal audit services.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

5.2.1 How does the council monitor and review value for money?

Please provide brief details and evidence to support your assessment:

- current processes for monitoring and reviewing costs, including:
 - consideration of value for money in the annual budget process;
 - internal reviews (including Best Value reviews); and
 - cost indicators.

CURRENT PROCESSES FOR MONITORING AND REVIEWING COSTS

Our baseline position in 2005

The review of the Council's BVPIs is integral to the Performance Management Framework. The new corporate performance reporting arrangements makes the link between expenditure in services and their performance and gives both members and senior management an overall picture of VfM across the Council.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Our position in 2006

The new Director of Resources post has responsibility for providing the corporate lead on the efficiency review and VfM agenda. As a member of the Corporate Management Board, the Director of Resources is well placed to champion efficiency and VfM review.

Our 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. Our strategy is not to cut services but to keep improving those that matter most to our community.

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;
- 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.

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 suggests that the current efficiency gain targets are likely to get more challenging in the near future. 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.

Bi-monthly Integrated Performance Reports are produced that combine the Council's performance, budget and risk management monitoring in one document. The budget monitoring is at a relatively high level for Cabinet reporting although at officer level a significant amount of activity takes place, particularly in high-pressure areas. Within the Adult and Community Services Directorate for example there are separate budget clinics for Strategic Housing, Older People Services, Learning Disabilities and Mental Health Services. Finance and service staff meet on a monthly basis with the primary objective of monitoring and reviewing costs.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

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.

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.

VfM is a key element of the annual budget process and the ongoing reporting of budget, service and efficiency performance through the year all feed into decisions whether resources need to be removed from, or invested in services. Services that are not considered to be operating efficiently will not have additional investment for performance improvement or to address budget deficits until they can prove otherwise. The timetable for the Performance Improvement Cycle 2006/07 includes numerous opportunities for executive, scrutiny and 'backbench' members to assess service VfM as budget proposals are prepared for Council to approve in March 2007.

The Council does not undertake formal Best Value reviews anymore although it does conduct scrutiny reviews in key strategic areas. There is currently a major member review being undertaken on ICT provision and the outcomes of this review will have an impact on how this important corporate support service is configured and provided in the future.

The new Performance Improvement Cycle for 2006/07 is further seeking to integrate performance and budget planning by linking, at all stages of planning and performance management, the allocation of resources with the delivery of the Council's priorities in terms of measurable outputs and outcomes. This will enable informed choices to be made about the trade offs between levels of investment in different services.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

5.2.2 How well has the council improved value for money and achieved efficiency gains over the last three years?

Please provide brief details and evidence to support your assessment. Please append your backward looking Efficiency Statement covering 2005/06:

- council targets for value for money and efficiency gains; and the achievement of efficiency gains.

Our baseline position in 2005

The financial year 2005/06 is the first year where the Council has taken a root and branch view of budget efficiencies. This was not initially driven by the Gershon review but by the need to keep Council Tax increases within manageable boundaries for the county's residents. The Gershon review has provided a structure and focus for the efficiency agenda as set out in the two efficiency statements produced this year. The Council has taken a strategic view over the last three years on how it provides its major services. The first major change was the transfer of its council houses to Herefordshire Housing in order to sustain the long term investment in the county's housing stock. The strategic housing function maintained within the authority has consistently received outstanding inspection scores. The next major service change was the joint partnership of the traditional CCT services with Jarvis Plc. This immediately realised efficiency gains of £0.7m in the service areas, which have been supported by BVPI performance increases in such areas as street and highway cleanliness and roads maintenance. A recent VfM assessment has been made of the partnership and this has highlighted:

- The establishment of the Joined up Programme for Highways and Property Schemes has developed a planned programme of works, enabling better resource management for the contractor and better time and cost predictability for the Council
- A full 12-month cycle of accurate data collection will allow proper whole life costings exercises to be carried out. This will result in long-term savings; less road closures; reduced third party claims and better public perception of highways.
- Third party claims have already reduced by 46% from 2003/04 to 2004/05.
- More effective emergency response. The flood response during the 2003/04 winter was acknowledged by emergency planning officers to be the most effective in the country.

The financial problems Jarvis Plc have had has recently resulted in negotiations for the transfer of Herefordshire Jarvis Services to Accord, however, these service improvements developed over the last two years will be consolidated with the new arrangements. The transfer of residential homes to Shaw Homes has and will continue to provide long term efficiencies of scale in the key strategic objective of providing cost effective and high quality care for those older persons not capable of living in their old homes. The ongoing negotiations with Worcestershire County Council to vary the existing joint waste management contract because of changes in technology and Government legislation should soon result in some very real efficiency gains in waste disposal, including maximising the financial benefits of the LATS arrangements and meeting the government's recycling targets. The common feature of these two areas of service is that they are very much demand led and hence the Council's approach to procurement is vital in minimising future financial liabilities. Strategic reviews have taken place in the last few years reviewing both property and office accommodation with the objective of both optimising the financial and operational efficiency of the Council's asset base. These have resulted in gradual rationalisation to a central and single administration site at Hereford and a number of property disposals. In 2004/05 capital receipts of well over £2.5m were realised for current and future capital investment.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

COUNCIL TARGETS FOR VALUE FOR MONEY AND EFFICIENCY GAINS

Our baseline position in 2005

The Backward Looking Efficiency Statement sets out the efficiency gains that have been achieved in 2004/05. A major constraint in producing this statement was the absence of a formal corporate exercise in identifying efficiencies as part of the 2004/05 budget setting process. The Forward Looking Statement was able to incorporate the significant amount of work that went into producing a balanced budget for 2005/06 given the funding constraints. Over 80% of the efficiency gains identified are cash releasing and these are an essential contribution to delivering the Corporate Plan.

Our position in 2006

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.

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.

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. Our ambition is to improve the quality of our Value for Money self-assessment through this and subsequent updates.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

THE ACHIEVEMENT OF EFFICIENCY GAINS

Our baseline position in 2005

The Backward Look Annual Efficiency Statement sets out the efficiency gains that have been achieved in 2004/05. A major constraint in producing this statement was the absence of a formal corporate exercise in identifying efficiencies as part of the 2004/05 budget setting process. The Forward looking Annual Efficiency Statement was able to incorporate the significant amount of work that went into producing a balanced budget for 2005/06 given the funding constraints. Over 80% of the efficiency gains identified are cash releasing and these are an essential contribution to delivering the Corporate Plan.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

36

Our position in 2006

Some examples of efficiency gains and improving VfM are as follows:

Adult & Community Services

- A restructure in Cultural Services bringing the visitor and learning services together resulting in improved performance and value for money.
- Combining the Organisational Support elements of Community and Adult Services enabling efficiencies in shared services to be driven out.
- The merger of Countryside and Public Rights of Way enabling joint procurement of services at reduced overall cost.

Corporate & Customer Services & HR

- Bringing survey work in house and having an annual satisfaction survey instead of triennial externally commissioned report. This enables the Council to have a more frequently presented picture of satisfaction ratings. Other survey improvements include having just one set of age, gender and sexual orientation categories across the Council making survey work comparable.
- The establishment of an annual performance improvement cycle enables close link use of resources to plans and priorities. Allied to this is the creation of a network of performance staff in directorates and standard format agendas developed for meetings enabling clearer focus on decisions to achieve outcomes and lead to improvements.
- Herefordshire Partnership currently are undertaking work on community consultation to lead all consultation co-ordinated across the Council, making it effective and joined up.
- There is significant work going on to restructure communications, in terms of staffing and how it is delivered corporately, to make it more efficient and effective. A major restructure of legal and democratic services is underway.
- Work on INFO in Herefordshire is on going with more services being integrated. The Info by phone centre is planned for October 2006 and enabling back office staff to concentrate on their area of specialism.
- Centralised Recruitment Team set up to streamline the recruitment and selection process.

Environment

- A major restructure of the Highways and Transportation Service to reduce management overheads through more efficient client-side arrangements.
- Best Value cost efficiency rebate of 1% for works on Highways Maintenance through HJS Service Delivery Partnership (£95k in 2005/06).

Efficiency gains in excess of the minimum level were planned for 2005/06. The draft Backward Looking Annual Efficiency Statement for 2005/06 submitted on 6th July 2006 showed the cash efficiency savings reported in the interim statement as being at the level expected forecast.

Reference

9

Use of Resources Value for Money Self-Assessment - Update 2006

5.2.3 Do procurement and other spending decisions take account of full long-term costs?

Please provide brief details and evidence to support your assessment:

- how Value for Money is built into the council's procurement practice;
- the extent to which a 'whole life' approach is taken to spending and procurement decisions;
- identifiable savings achieved through procurement; and
- use of external funding to deliver council priorities.

Baseline position in 2005

Sustainability is an important factor in all business cases put forward for corporate approval. The Scheme Selection and Prioritisation process for submitted capital schemes requires the identification of ongoing revenue costs as well as the estimate life cycle of the asset. This is important to not only ensure that services identify current budget provision but also to ensure that in the long term there is a sustainable capital programme as the Council gradually moves towards full depreciation accounting. This already takes place with those schemes funded through prudential borrowing.

Formal project management has also been adopted through the Performance Management Framework and this requires all major projects, either of a capital or revenue nature to be subject to Prince II project planning requirements. The business case element of this process ensures that all ongoing costs associated with the project have been fully assessed by the project sponsor and a corporate list of such projects is maintained. The corporate Information Policy Group assesses and recommends for approval all ICT related projects and challenges those that do not have a thorough and robust business case and assessment of long term costs.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

HOW VALUE FOR MONEY IS BUILT INTO THE COUNCIL'S PROCUREMENT PRACTICE

Our baseline position in 2005

The Council's Procurement Strategy focuses on how VfM is integrated into procurement across the organisation. VfM is obviously the core feature of the strategy and to a large extent it formalises the best practice that has taken place in the Council. This includes

- using a central supplies agency, West Mercia Supplies, for the majority of consumables, this developed an income stream of £150k to the Council in 2004/05;
- central purchasing of all ICT equipment;
- continuing the development of partnerships and consortia as appropriate with a view to achieving economies of scale.

Recognise the benefits of leveraging existing contracts and relationships to deliver best value.

Our position in 2006

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.

The integrated support services work stream includes procurement and much work was done as part of the corporate strategy review leading to the development of the Herefordshire Connects programme to identify potential areas for efficiency gains. This, coupled with our commitment to implement external audit recommendations on procurement by March 2007, has led us to fast-track the development of the Procurement & Efficiency Review Manager post. Recruitment and selection processes are under way and it is hoped we will have someone in post by the end of September 2006. Interim support is being sought in the meantime.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

THE EXTENT TO WHICH A 'WHOLE LIFE' APPROACH IS TAKEN TO SPENDING AND PROCUREMENT DECISIONS

Our baseline position in 2005

Whole life costing is fundamental to all investment appraisals and business cases put forward for spending and procurement decisions, These are ingrained within the project planning and Scheme Selection & Prioritisation (SSP) processes.

Our position in 2006

An additional corporate financial management objective within our MTFMS will be to underpin current practices by stating that there will be a requirement to consider the whole life cost of projects.

There are a number of examples in the SSP of whole life costings that were included in the capital programme for 2006/07. One particularly good example being the development of the museum and resource centre at Friar Street. These have been factored in to the budget planning for heritage services with ongoing revenue costs of £73k from 2008/09 onwards. From a strategic perspective the Cabinet report on the Herefordshire Connects set out the outline revenue and capital costs over 6 years. These included both the capital and revenue implications over this period. A more detailed sensitivity analysis will be carried out as the programme develops, however the outline business case demonstrates that the cashable benefits are realistic and potentially on the low side when compared to benchmark data.

Reference

10

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

IDENTIFIABLE SAVINGS ACHIEVED THROUGH PROCUREMENT

Our baseline position in 2005

A particular emphasis within the Forward looking Annual Efficiency Statement (FLAES) is the identification of savings made through procurement. Procurement has also been made a key feature of the new Resources Directorate and the new Procurement Strategy has recently been adopted by Cabinet.

Our position in 2006

The Council continually investigates ways of reducing its cost base and recent examples of how it is doing this are:

- A corporate approach to temporary staffing to reduce cost and the number of individual suppliers.
- A procurement review of the Integrated Community Equipment Store for Social care services.
- New contract for advertising employment opportunities with the Council saving £88k in a full year.
- New water cooler contract to engaging one supplier in order to reduce the number of individual procurement transactions.
- Improved routing and scheduling of school and social care transport through procurement of new Trapeze system.
- Better procurement and commissioning of social care packages through optimising use of block contracting for domiciliary care.
- Better procurement of library materials.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

USE OF EXTERNAL FUNDING TO DELIVER COUNCIL PRIORITIES

Our baseline position in 2005

The Council has been particularly successful at leveraging in external funding and since its inception has attracted over £52m, largely through European structural funds, the Government's Strategic Regeneration Budget, Advantage West Midlands, the National Lottery and the private sector. Much of this has been focussed on the areas of comparatively high deprivation in the county such as South Wye and this will be sustained into the future through the Local Area Agreement which will be negotiated during the next year. Further EC funding will be sought in addition to matched funding from Advantage West Midlands for some key strategic economic development initiatives such as the Rotherwas Access Road and the Edgar Street Grid. In respect to the latter project a significant grant has already been secured from Advantage West Midlands to purchase a trading estate.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Our position in 2006

External funding provides another opportunity to increase financial capacity. In our MTFMS, we state that we will 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.

The Council has responded positively and innovatively to the financial challenges it has faced over the years resulting in a mixed economy of service provision including several strategic partners to improve efficiency, Value for Money or lever in external funding.

Our newest strategic partnership is with ESG (Herefordshire) Limited, a joint venture to redevelop the Edgar Street Grid area of Hereford with a view to promoting sustainable economic and social well being in that area of the city. With the recent disappointing news that Local Transport Plan funding for the Rotherwas Relief Road would not be forthcoming from the government, we are investigating the prospect of a joint venture arrangement with Advantage West Midlands (AWM) to lever in external funding for regeneration of the Rotherwas industrial estate area. Significant matched funding has already been received from AWM to support the Edgar Street joint venture and further funding will be sought to begin the large scale regeneration of the area initially through the purchase of options..

We have recently been awarded £25m capital grant under the government's Building Schools for the Future programme. We are currently assessing the grant conditions attached to this funding in line with our strategy set out above and, if acceptable, will determine which secondary school has highest priority for investment.

We have recently submitted a bid for match funding of £200k to assist in improving energy efficiency of our buildings through the SALIX programme.

Restructuring proposals for Asset Management & Property Services will include proposals for a more co-ordinated and pro-active approach to planning gain from developers. An example of where this source of external funding has recently been used to good effect is in connection with Aylestone Park where s106 contributions will provide sports pitches that will generate hire income to help pay for annual running costs.

The Council has been very successful, together with its partners in securing external funding for lifelong learning, drugs and safety partnership. This success has minimised the impact on the Council Tax payer and has funded some very important local priorities. The targets within the second Local Public Service Agreement further increase investment in these areas.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Context

Please provide any other information you feel is relevant.

Comments

Reference

43

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Reference to Evidence Source

Reference	Description
1	Herefordshire's Corporate Plan 2006 – 2009
2	Herefordshire's Draft Medium-Term Financial Management Strategy 2007 – 2010
3	Report to Cabinet on Herefordshire Connects dated 20 th April, 2006
4	Report to Cabinet on Integrated Performance Report for 2005/06 dated 29 th June 2006
5	Report to Cabinet on Homelessness Update dated 13 th July 2006
6	Report to Cabinet on Progress on Improvement Following the Joint Area Review dated 13 th July 2006
7	Report to Cabinet on Social Care Budget dated 29 th June 2006
8	CMB Report on Performance Improvement Cycle 2006/07 dated 11 th July 2006
9	Backward Look Annual Efficiency Statement 2005/06
10	Detailed SSP Bids for 2006/07

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Authorities used for the Comparison group Nearest Neighbours within the VFM profiles tool are as follows:

- Bath and North East Somerset Council
- Borough of Poole
- Calderdale Metropolitan Borough Council
- City of York Council
- Darlington Borough Council
- East Riding of Yorkshire Council
- Isle of Wight Council
- North Lincolnshire Council
- North Somerset Council
- Rutland County Council
- Solihull Metropolitan Borough Council
- South Gloucestershire Council
- Stockport Metropolitan Borough Council
- Warrington Borough Council
- West Berkshire Council

REVIEW OF THE CONSTITUTION

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

20TH JULY, 2006

Wards Affected

County-wide

Purpose

To update the Constitution to reflect changing Council requirements.

Key Decision

This is not a Key Decision.

Recommendation

THAT Cabinet considers the recommendations set out below and recommends their approval to the Council.

THAT

- (a) **the Council meeting in March be reserved to approve the budget and the setting of the Council tax and associated business, together with statutory plans that need to be approved by Council and that cannot reasonably be delayed;**
- (b) **a new Standing Order 4.25.10 “Questions will not be accepted at the March meeting of the Council that sets the budget and Council tax” be approved;**
- (c) **the revised Financial Standing Orders at Appendix 1 be approved;**
- (d) **the name of the Audit Committee be amended to Audit and Corporate Governance Committee;**
- (e) **the revised terms of reference for the Audit and Corporate Governance Committee at Appendix 2 be approved;**
- (f) **the facility to appoint an independent Chairman to the Audit and Corporate Governance Committee be approved**
- (g) **Appendix 23 of the Constitution be amended to provide for the Director of Environment to make a decision to advertise any proposals for a Traffic Regulation Order, (including traffic calming measures) and to proceed to make the same if no objections are forthcoming;**

Further information on the subject of this report is available from
Alan McLaughlin, Head of Legal and Democratic Services, on (01432) 260200

- (h) **Part 12, 12.7.4 of the Constitution be amended by adding a specific reference enabling the Director of Environment to commence prosecutions under the provisions of the Food Safety Act 1990 (as amended) and the European Communities Act 1972, including any regulations made pursuant to those Acts or any re-enactment thereof.**

Reasons

To ensure the Constitution meets all legal and operational requirements.

Considerations

The Constitutional Review Working Group met on 30th May, 2006 to consider a number of revisions to the Constitution as set out below.

Review of Political Management Structures

1. The recommendations of the Constitutional Review Working Group meeting to be held on 17th July, 2006 will be reported to the meeting.

Agenda for the Council meeting to approve the Budget and Set the Council Tax

2. All Council meetings, except for the annual meeting following an election, currently have a standing item for questions from Councillors. In line with revisions to government legislation the March meeting of Council will deal only with setting the budget and council tax and associated business such as the Capital Programme and Corporate Plan. In addition the meeting approves statutory plans and reports from West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority.
3. To reflect the role of the March Council meeting it is suggested that the agenda is amended so that Councillors no longer ask formal questions. An item on the agenda for questions from members of the public will remain.

Financial Standing Orders

4. The Corporate Management Board, at the request of the Director of Resources, considered proposals for changes to the Financial Standing Orders covering the carry forward of budget overspends and underspends. Currently, Financial Standing Orders allow for the carry forward of underspendings and overspendings subject to certain percentage and other limits. The CMB agreed the wording and, in broad terms, it sets tighter arrangements for dealing with underspendings by permitting only the carry forward of managed underspendings and overspendings, by requiring action plans for dealing with identified overspendings to be produced early in the financial year.

Audit Committee

5. The Audit Commission, in its Annual Audit and Inspection letter identified that the Council needed to develop the role of the Audit Committee in providing leadership on audit and governance issues, including documenting the overall assurance framework. In line with CIPFA guidance an analysis/self-assessment, of the Audit Committee was carried out. The analysis measures the Committee's work and its effectiveness. As a result of the analysis some of the points identified were:

- the need to align the Audit Committee's current terms of reference with the CIPFA guidance;
 - to develop the committee's role in relation to internal control strategies such as Risk Management;
 - that Committee Members are independent of the Executive and Scrutiny functions of the Council; and
 - that training is carried out for all Committee Members.
6. The work programme for the Committee was examined and an effective framework is to be put in place to ensure there is no overlap with the work of the Strategic Monitoring Committee and the Audit Committee. The current terms of reference for the Committee also includes its consideration of the terms of reference for Internal Audit, the Internal Audit Strategy and Resourcing of the Internal Audit. CIPFA guidance states the Chairman and members of the Committee need to be independent of the Executive and Scrutiny functions of the Council and it is suggested that the facility is put in place to appoint an independent Chairman. In addition it is proposed that the title of the Committee is revised to reflect that it deals with broader aspects of corporate governance issues and not solely financial matters.

Delegated Powers for Traffic Regulation Orders and Food Safety Prosecutions

7. Presently the Constitution does not allow for the Director of Environment to make any delegated decisions in relation to Traffic Regulation Orders (TROs) and they are all currently dealt with by the Cabinet Member (Highways and Transportation). The amendment to the Constitution is to allow authorisation for the Director of Environment to take certain decisions relating to TROs and also to give express authorisation to commence prosecutions for offences created by the Food Safety Act 1990 and regulations made in respect of such like matters under the European Communities Act 1972, or any subsequent re-enactment. It is proposed to amend Appendix 23 of the Constitution so that the Director of Environment has authority to make decisions on initial proposals for any TROs, but with the Cabinet Member having the final decision as to whether to proceed and/or modify any proposal where objections have been received as a result of any public consultation exercise.
8. Additionally Environmental Health Officers are required to investigate matters relating to food hygiene and whilst the Constitution currently provides a general delegation to Directors to act on behalf of the Council, it is desirable to have a specific reference to the Director of Environment to be able to authorise such prosecutions personally.

Risk Management

Ensuring that the Constitution remains up to date and relevant will avoid legal challenge and uncertainty.

Alternative Options

There are no alternative options recommended.

Consultees

The Constitutional Review Working Group
Directors

Appendices

Not applicable.

Background Papers

None identified.

REPORT FROM THE CONSTITUTIONAL REVIEW WORKING GROUP

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

20TH JULY, 2006

Wards Affected

None

Purpose

To continue the on-going review of the Council's Constitution.

Key Decision

This is not a Key Decision.

Reasons

To implement proposed changes to the Council's Constitution.

Considerations

1. The Constitutional Review Working Group has met on 30th May, 2006 and 17th July, 2006. The Group has addressed the twofold issues of some limited detailed amendments to the Constitution and the issues raised as part of the Corporate Assessment undertaken in the latter part of 2005. The Assessment raised a number of issues in relation to the improvement of the Council's capacity which had been incorporated in the Council's overall Improvement Plan.
2. The Constitutional Review Working Group recognised the tension which existed between the need to address the issues raised in the Corporate Assessment and incorporated in the overall Improvement Programme and the practical issue of the disruption which might arise if there was to be a wholesale review of Cabinet portfolios in circumstances where in practical terms there would be less than nine months until the elections in May, 2007.
3. Whilst it was important to respond to the Improvement Plan, the Chief Executive advised that that might be more easily achieved by adopting the practice followed in many other authorities of determining the range of Cabinet numbers but leaving it to the Leader to determine the precise Cabinet portfolios and the appointments. The Constitutional Review Working Group recognised that in practice that was what currently happened and the Leader confirmed that he would want to continue the practice of working through the meetings of political group leaders.
4. The Leader explained that he would wish to maintain continuity within the current administration and it was accepted that the three strategic portfolios - Corporate

Further information on the subject of this report is available from
Mrs. Jane Jones, Director of Corporate and Customer Services on (01432) 260042

Strategy and Finance (the Leader has traditionally undertaken this role), Resources; and Corporate and Customer Services and Human Resources were seen as appropriate strategic portfolios and he would propose no change.

5. The issue that had been raised in the Corporate Assessment was the coherence of the current service portfolios. Whilst there was an immediate attraction to adopting the blocks set out in the Local Area Agreement, it was important to recognise that they did not necessarily reflect some of the local priorities. In particular, there would be a need to maintain a focus on the Environment and Sustainability.
6. Within those broad parameters, the Leader would seek to balance the need for continuity with the need in the short term to undertake some revision to Cabinet portfolios to improve the coherence of some of the individual portfolios. The Constitutional Review Working Group has also recommended the changes in the following areas:
 - Agenda for the Council meeting to approve the budget and set the council tax
 - the adoption of revised Financial Standing Orders (a copy of the revised Financial Standing Orders which will be incorporated in the Constitution is available in the Members' Room)
 - Audit Committee membership - The Constitutional Review Working Group has recommended that changes be made in the name of the Committee, the Terms of Reference and to establish the ability to appoint an independent Chairman.
 - delegated powers for Traffic Regulation Orders and Food Safety prosecutions - the Constitutional Review Working Group has recommended detailed amendments to the Constitution to facilitate the transaction of the Council's business.
 - discretionary payments - The Constitutional Review Working Group has recommended the establishment of a panel to address the award of compensation to senior employees in circumstances where their contracts are terminated.
7. The Constitutional Review Working Group request Cabinet to consider making the following recommendations to full Council on Friday, 28th July, 2006

Recommendation(s)

THAT

- (a) **Council agrees to amend the Constitution to provide for a Cabinet to be established between three and nine members. Those members to be appointed by the Leader of the Council and the membership and the individual portfolios to be notified to the Head of Legal and Democratic Services for inclusion as an Appendix to the Constitution;**
- (b) **Council agrees to the extension to the powers of the Strategic Monitoring Committee to allow it to commission work from any of the four Scrutiny Committees;**

- (c) Council agrees that the Council meeting in March be reserved to approve the budget and the setting of the council tax and associated business together with statutory plans that need to be approved by Council and that cannot be delayed and consequentially Standing Order 4.25.10 “Questions will not be accepted at the March meeting of the Council that sets the budget and council tax” be introduced;
- (d) Council approves the revised Financial Standing Orders, copies of which have been made available to the Constitutional Review Working Group and a further copy of which is available for inspection in the Members’ Room;
- (e) Council agrees to make the following amendments to the Constitution in respect of the role of the Audit Committee;
 - (i) the name of the Committee be amended to the Audit and Corporate Governance Committee;
 - (ii) the Terms of Reference as recommended by CIPFA be approved;
 - (iii) the Audit Committee approve the Terms of Reference for Internal Audit, the Internal Audit Strategy and consider the resourcing of Internal Audit; and
 - (iv) the Constitution be amended to permit the appointment of an independent Chairman of the Audit Committee;
- (f) provision be made in the Constitution for the establishment of a Compensation (Enhanced Payments) Panel whose Terms of Reference would be to address the award of compensation to senior employees in circumstances where their contracts are terminated and that that Panel consist of the Cabinet Member (Resources); the Cabinet Member (Corporate and Customer Services and Human Resources) and the Chairman of the Audit Committee
- (g) Council approves the following detailed amendments to the Constitution to improve the arrangements for delegating powers in respect of Traffic Regulation Orders and Food Safety prosecutions:
 - (i) Appendix 23 of the Constitution be amended to provide for the Director of Environment to make a decision to advertise any proposals for a Traffic Regulation Order (including traffic calming measures) and to proceed to make the same if no objections are forthcoming; and
 - (ii) Part 12, 12.7.4 of the Constitution be amended by adding a specific reference enabling the Director of Environment to commence prosecutions under the provisions of the Food Safety Act, 2990 (As Amended) and the European Communities Act 1972 including any Regulations made pursuant to those acts or any re-enactment thereof; and

- (h) **the Head of Legal and Democratic Services be given delegated power to undertake the necessary drafting amendments to give support to the recommendations contained above.**

Risk Management

The Council needs to ensure that its Constitution reflects current practice and needs.

Alternative Options

There were no realistic alternative options other than to leave the Constitution unamended or make different amendments.

Consultees

None.

Appendices

None

Background Papers

None identified.

FINANCIAL PROCEDURES RULES

FINANCIAL STANDING ORDERS AND FINANCIAL REGULATIONS

CONTENTS

	Page
I FINANCIAL STANDING ORDERS	
1 Introduction	A4-2
2 Committee and Officer Responsibility	A4-2
3 Revenue Budget	A4-2 – A4-3
4 Capital Budget	A4-3
5 Property	A4-3
6 Budgetary Control	A4-3 – A4-5
7 Borrowing Approvals	A4-5
8 Emergencies	A4-5
9 Financial Regulations	A4-5
II FINANCIAL REGULATIONS	
1 General	A4-6
2 Annual Estimates and Budget	A4-6
3 Financial Planning	A4-6 – A4-7
4 Budgetary Control	A4-7
5 Accounts for Payment	A4-7 – A4-8
6 Banking Arrangements	A4-8
7 Contracts for Building, Construction or Engineering Work	A4-8 – A4-9
8 Imprest Accounts	A4-9 – A4-10
9 Income	A4-10
10 Insurances	A4-10
11 Internal Audit	A4-10 – A4-11
12 Inventories	A4-11
13 Loans, Leasing and Investments	A4-11
14 Orders for Work, Goods and Services	A4-11 – A4-12
15 Salaries, Wages and Pensions	A4-12
16 Stocks and Stores	A4-12 – A4-13
17 Travelling and Subsistence Allowances	A4-13
18 Unofficial Funds	A4-13

FINANCIAL STANDING ORDERS

1. Introduction

- 1.1 The Council is a large diverse organisation, which needs a framework for Councillors and officers to reach decisions on the provision of services. The scheme of delegation adopted by the Council provides that basic framework.

In financial terms, further regulation is required, i.e.

- (a) A set of formal financial regulations approved by Cabinet.
- (b) A further professional requirement set by the Director of Resources that must be followed by all officers involved in financial administration. These requirements will follow various national codes of practice.
- (c) Manuals setting out good practice and internal procedures.

Financial Regulations and minimum requirements set by the Director of Resources are mandatory. Whilst the manuals are advisory, it is expected that they will be followed.

- 1.2 These Financial Regulations are designed to meet the requirements for the next level of this regulatory framework established by the Scheme of Delegation. They recognise the greater decentralisation of services enabling Directors to undertake some non-statutory financial functions provided certain safeguards are met.

2. Committee and Officer Responsibility

- 2.1 The Cabinet has responsibility for the proper administration of the Council's financial affairs including the making of Financial Regulations, and to monitor, review and formulate the Council's budget.
- 2.2 Each Cabinet Member shall be responsible for the observance of the Council's Financial Standing Orders and Regulations for those functions within their terms of reference.
- 2.3 The Director of Resources has been appointed under Section 151 of the Local Government Act 1972 as the officer with responsibility for the proper administration of the Council's financial affairs. The Director of Resources or his representative shall be entitled to attend a meeting of any body on which Councillors are represented where matters affecting the financial affairs of the Council are being discussed.
- 2.4 Each Director is responsible for ensuring that the Council's Financial Standing Orders and Regulations are complied with in respect of his/her Directorate.
- *2.5 For the purpose of the Financial Standing Orders, unless otherwise identified reference to a Director shall include reference to the Head of Legal and Democratic Services and Director of Resources.

3. Revenue Budget

- 3.1 The Cabinet shall recommend the revenue budget to Council as required.

- (a) The total budget of the Council for each year;
- (b) Council tax requirement;

- (c) Allocation of financial resources to different services and projects.

4. Capital Budget

4.1 The Cabinet shall, following the submission of proposals by Cabinet Members, recommend to Council:-

- (a) A capital programme for each financial year;
- (b) A future indication of a capital programme over a three year period;
- (c) The recommended funding method for each capital programme (including the use of Supported Capital Expenditure and Unsupported Prudential Borrowing, capital receipts, revenue or other financing methods).

4.2 Any capital project in excess of £250,000 or with a revenue commitment or implication (other than in respect of loan charges) exceeding £25,000 per year shall not be approved unless the relevant Cabinet Member has received a report detailing the full financial and other implications (including staffing matters).

4.3 Following the approval of a capital programme, and subject to any conditions specified in that programme, or specified by the relevant Cabinet Member, the relevant Director shall take all appropriate action to carry into effect the approved schemes, within the budget and time scale agreed in the capital programme. Any material variation in cost or time scale shall be reported to the Cabinet Member in accordance with guidelines issued by the Director of Resources.

4.4 All contracts entered into shall comply with the Council's Standing Orders for the Regulation of Contracts.

5. Property

5.1 On the disposal of any property held which has been declared surplus to requirements then the usable capital receipt will revert to the Council to be utilised in support of the Council's capital programme on the recommendation from the Cabinet.

5.2 In order to encourage the effective use of property the Cabinet will generally agree to the usable capital receipt generated as a result of property being declared surplus to requirements being applied in the following way:-

- (a) 50% by the relevant holding Programme Area.
- (b) 50% as determined by the Council on recommendation from the Cabinet.

6. Budgetary Control

6.1 It shall be the duty of every Cabinet Member to monitor the revenue and capital budget throughout each year and to ensure that those budgets are not exceeded.

- 6.2 Each Cabinet Member shall have authority, strictly within the overall revenue and capital budget, to agree virement up to £500,000 between any one budget head and another, or from one capital scheme to another, provided these are strictly within their Programme Area. Virement between Programme Areas may only take place with the consent of the respective Cabinet Members and shall be subject to report to the Cabinet.
- 6.3 Inclusion within an approved revenue budget provides authority for expenditure on those approved items, subject to any limitation expressed in Standing Orders, the budget or by the relevant Cabinet Member.
- 6.4 Any new proposal or variation which would materially affect the finances of the Council shall require approval by the Cabinet.
- 6.5 Each Director shall be responsible for monitoring the revenue and any capital budget relevant to his/her Directorate to ensure that such budgets are properly spent and not exceeded.
- 6.6 If it appears to a Director that his/her overall cash limited budget may be exceeded, he/she shall report the details as soon as practicable to the Chief Executive, the Director of Resources and to the Cabinet Member. The relevant Cabinet Member will then report on the matter to the Cabinet.
- 6.7 The Council will permit Directorates to carry forward managed underspends into the following financial year provided that all other budget targets have been met. The first call on any underspendings will be to offset any Directorate overspends.
- 6.8 Managed underspends carried forward will be part of the Directorate budget plan for the next financial year and must be used to fund one-off expenditure only. Carrying forward underspendings in order to ensure external funding is received is also allowed.
- 6.9 Windfall reductions in spend or additional income will be transferred into the Council's General Reserves at the end of the financial year.
- 6.10 Action plans must be put in place by each Directorate at any early stage in the financial year in order to manage overspendings (e.g. due to additional spending or below target income). Where appropriate the additional spending or below target income should be met by virements from other elements of the Directorate budgets. If such action plans are put into place at an early stage and properly adhered to there will be no carry forward of the overspendings into the following financial year.
- 6.11 Underspendings where any savings should not accrue to the Council (e.g. schools standards fund, schools sickness absence scheme) can be carried forward.

~~The Council will permit the carry forward of overspends and underspends of up to 2% by Service Directorate. In order to protect the Council's cash flow position, such cumulative overspend shall not at any time exceed 1% of the annual revenue budget. Any underspend within a Service Directorate shall similarly be carried forward to the next year's budget and any such underspend will be unlimited except where limit is imposed by the Cabinet. The limits on both carry forwards of overspends and underspends will be reviewed from time to time by the Cabinet with any change being subject to approval by the Council. Directorates and their respective Programme Area Cabinet Members will not be permitted to plan to overspend as part of the annual budgetary process. The Directorates are as follows:~~

~~Adult and Community Services~~
~~Children's Services~~
~~Corporate and Customer Services (i)~~
~~Environment (ii)~~
~~Resources.~~

- ~~(i) The Director of Adult and Community Services in carrying forward any overspends or underspends between social development and economic development is required to obtain the agreement of the Cabinet Member (Community Services) and Cabinet Member (Economic Development).~~
- ~~(ii) The budget of the Environment Directorate will include expenditure on the activities of the Planning Committee and the Regulatory Committee working in association with the Cabinet Members (Environment) and (Highways and Transportation).~~

~~6.9 Carry forwards within the corporate element of the Corporate Strategy and Finance Programme Area will be confined to the budget expenditure on Support Services (including the Chief Executive's area) and not the whole of the Corporate Strategy and Finance Programme Area. The carry forward of underspends and overspends within the Corporate Strategy and Finance Programme Area as a whole can only be authorised by the Chief Executive and the Leader of the Council.~~

7. Borrowing Approvals

7.1 The Director of Resources will report to Cabinet, on an annual basis, with recommendations to Council to determine the limits for the borrowing of monies.

8. Emergencies

8.1 Nothing in these standing orders shall prevent expenditure required to meet immediate needs caused by a sudden emergency to which Section 138 of the Local Government Act 1972 applies, provided that such expenditure shall be reported as soon as possible to the appropriate Cabinet Member and the Cabinet.

9. Financial Regulations

9.1 Financial Regulations shall be approved by the Cabinet. The Financial Regulations for schools with delegated budgets, as set out in the scheme for the Local Management of Schools, may make alternative arrangements in respect of schools with delegated budgets, provided that those arrangements follow the spirit of these Financial Standing Orders and Regulations.

9.2 The Director of Resources, shall as he feels appropriate, issue financial guidance for officers of the Council.

9.3 Where any financial figure or limit is specified in these Financial Standing Orders and Regulations, that figure is at 1st April, 2003 prices and shall be altered from 1st April in each year in line with the alteration in the Retail Price Index as determined by the Director of Resources.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE PROPOSED TERMS OF REFERENCE

PROPOSED TERMS OF REFERENCE	
Audit Activity	
	To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
	To consider summaries of specific internal audit reports as requested.
	To consider reports dealing with the management and performance of the providers of internal audit services.
	To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
8	To consider specific reports as agreed with the external auditor.
	To comment on the scope and depth of external audit work and to ensure it gives value for money.
	To liaise with the Audit Commission over the appointment of the Council's external auditor.
	To commission work from internal and external audit.
	Consider the terms of reference for Internal Audit.
	Consider the Internal Audit strategy.
	Consider the resourcing of Internal Audit.

Regulatory Framework	
	To maintain an overview of the Council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
	To review any issue referred to it by the Chief Executive or a Director, or any Council body.
	To monitor the effective development and operation of risk management and corporate governance in the Council.
	To monitor Council policies on 'Raising Concerns at Work' and the anti-fraud and anti-corruption strategy and the Council's complaints process.
	To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
	To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
	To consider the Council's compliance with its own and other published standards and controls.
Accounts	
	To review the annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
	To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.