

**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
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18th December, 2006

Dear Councillor,

**MEETING OF CABINET
 THURSDAY, 26TH OCTOBER, 2006 AT 2.00 P.M.
 THE COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD**

AGENDA (06/09)

**HEREFORDSHIRE COUNCIL - NOTICE UNDER REGULATION 15 OF THE LOCAL
 AUTHORITIES (EXECUTIVE ARRANGEMENTS((ACCESS TO INFORMATION) REGULATIONS
 2000 (AS AMENDED)**

Notice is hereby given that the following report contains a key decision. When the decision has been made, Members of the relevant Scrutiny Committee will be sent a copy of the decision notice and given the opportunity to call-in the decision.

Item No	Title	Portfolio Responsibility	Scrutiny Committee	Included in the Forward Plan Yes/No
6	Public Service Trust – Herefordshire	Corporate Strategy and Finance; and Social Care, Adults and Health	Strategic Monitoring	Yes

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. AUDIT OF THE LOCAL AREA AGREEMENT

To report the outcome from the recent Audit of the Herefordshire Local Area Agreement (LAA) undertaken by Audit Commission. *(Pages 1 - 4)*

4. MEDIUM TERM FINANCIAL MANAGEMENT STRATEGY

To approve the Medium-Term Financial Management Strategy (MTFMS), taking into consideration any comments from the Strategic Monitoring Committee meeting on 16th October, 2006. *(Pages 5 - 78)*

5. THREE YEAR PROPOSALS AND THE CORPORATE PLAN 2007/10

To seek the Council's approval for the draft Corporate Plan 2007-10 and steers for its completion, including in respect of proposals for additional budgets to achieve the Council's priorities, so as to provide the basis for the initial preparation of Directorate and Service plans for those years and the Annual Operating Plan for 2007-08. *(Pages 79 - 146)*

6. PUBLIC SERVICE TRUST

To consider further proposals for the establishment in principle of a Public Service Trust for Herefordshire designed to give effect to the Council's response to the West Midlands South Strategic Health Authority (SHA) consultations early in 2006 on the reconfiguration of Primary Care Trusts (PCTs) in the region. That consultation arose from the Department of Health's publication "Commissioning a Patient Led NHS". *(Pages 147 - 228)*

7. STRATEGIC MONITORING REPORT

To note the report of the Strategic Monitoring Committee to Council. *(Report to follow).*
(Pages 229 - 234)

Yours sincerely,



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

N.M. PRINGLE
CHIEF EXECUTIVE





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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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AUDIT OF THE LOCAL AREA AGREEMENT

PROGRAMME AREA RESPONSIBILITY CORPORATE STRATEGY AND FINANCE

CABINET

26TH OCTOBER, 2006

Wards Affected

County-wide

Purpose

To report the outcome from the recent Audit of the Herefordshire Local Area Agreement (LAA) undertaken by Audit Commission.

Key Decision

This is not a Key Decision.

Recommendation

THAT the Herefordshire Local Area Agreement (LAA) Audit Report be noted.

Reasons

1. The Audit Commission is undertaking high-level audits of each Local Authority holding a LAA. A number of Local Authorities with LAAs have already been audited, and the remainder will be audited over the coming months. It is expected that Audits will be taking place on a regular basis to ensure that financial, performance management and accountability structures and procedures are in place.
2. The Audit Commission discussed the remit of the Audit with Government Office West Midlands to ensure that the Audit complemented and did not duplicate the six-month Review of the Local Area Agreement. This was agreed in advance by Herefordshire Council and Government Office West Midlands.

Considerations

3. The objectives of the Audit were to focus on three main areas, those being: Governance arrangements, Financial Management arrangements and Performance Management systems. Each area had a number of key, high level questions that were to be addressed.
4. The approach of the Audit was to be at a high rather than a detailed day-to-day level. The focus of the Audit was on Herefordshire Council as the accountable body. However, it is also acknowledged that the Local Area Agreement was being undertaken in partnership with other organisations. This meant that the Auditor interviewed a number of officers from key partners, including the Commander of the Herefordshire Division of West Mercia Constabulary, the Chief Executive and

Further information on the subject of this report is available from
Jennifer Watkins, Herefordshire Partnership Manager, on 01432-260610

Chairman of the Performance Management Group at the Primary Care Trust, and a representative from the Voluntary Sector Assembly. The Auditor also interviewed officers and Councillors from Herefordshire Council including the Leader, the Chairman of the Strategic Monitoring Committee, the Chief Executive, Director of Corporate and Customer Services and the Herefordshire Partnership Manager.

5. The Report concluded that good progress is being made by the Council and its partners in addressing, to a greater or lesser extent, all of the issues in the three areas. The Auditor found no serious weaknesses or gaps in the arrangements being developed, and clear enthusiasm among partners to make the Local Area Agreement process work. There was an obvious commitment to continuing the good work achieved to date. There were, however a number of specific points where the Auditor felt that more work could be undertaken.
6. The recommendations in the audit report are to:
 - a. Clarify the relative roles and responsibilities for decision-making within the various executive and non-executive groupings both within the partnership as a whole, and within the individual partners' organisations.
 - b. Develop a programme of awareness raising for decision-makers in the key partner agencies around the key operational and strategic issues within each other's agency.
 - c. Further develop the partnership's approach to risk management so that risks for individual LAA outcomes, indicators and targets are identified, managed and reported on as part of the overall LPSA performance management framework.
 - d. Clarify and develop the role of Council members in further developing the LAA – this might include a description of their role in the LAA refresh at the end of the first year of the agreement.
 - e. Clarify and publicise the role and purpose of the Council's overview and scrutiny function in scrutinising performance against the full range of LAA targets.
 - f. Develop a clearer approach to engaging with the public around the LAA – both in reporting performance and in developing the broader issue of partnership working.
 - g. Develop a plan for increasing the involvement of the Voluntary Community Sector (VCS) in the LAA process – this should include:
 - Cascading information on the purpose and nature of partnership working within the County to front-line workers in the VCS.
 - Clarifying which of the specific targets within the LAA the VCS is being expected to contribute to deliver
 - Identifying any further resource implications for the VCS that may come with greater involvement in the LAA and partnership working.
 - h. Develop a formal process for increasing the amount of pooled money in the single pot. Included in this, should be consideration of the governance,

performance management and accounting issues around making collective decisions on how to allocate joint resources to meet collectively agreed outcomes.

- i. Ensure that pooled money is explicitly linked to LAA targets, and that decisions on the use of this money are made collectively and in line with a formally agreed process.
 - j. Set up processes within the partnership to quantify the increases in value for money and efficiency savings made via the single pot, and to agree how to distribute such savings.
 - k. Improve the data collection processes within the partnership by the collective use of a shared electronic database.
7. Herefordshire Council officers are now working with the Herefordshire Partnership Chief Executives' Group and Performance Management Group to incorporate these recommendations into the partnership action plans.
 8. Herefordshire has been offered a number of days support from the Audit Commission; this support is being focussed on ensuring that the new Herefordshire Partnership structure includes the relevant requirements and management systems for the Local Area Agreement in the future, incorporating the recommendations within the audit report.

Risk Management

Risks associated with the LAA are identified within the Corporate Risk Register. In addition, the Partnership is developing its own Risk Management procedures, based on those of the Council.

Consultees

None

Background Papers

Herefordshire LAA Audit Report

MEDIUM-TERM FINANCIAL MANAGEMENT STRATEGY

PORTFOLIO RESPONSIBILITY: CORPORATE FINANCE

CABINET

26TH OCTOBER, 2006

Wards Affected

County-wide

Purpose

To approve the Medium-Term Financial Management Strategy (MTFMS), taking into consideration any comments from the Strategic Monitoring Committee meeting on 16th October, 2006.

Key Decision

This is not a Key Decision

Recommendation

THAT Cabinet approves the attached Medium-Term Financial Management Strategy.

Reasons

Herefordshire Council is determined to provide a sound basis for sustainable improvements in services, better value for money and an improved quality of life for the people of Herefordshire.

Considerations

1. The Medium-Term Financial Management Strategy (MTFMS) provides the financial context for making sure our service improvement aspirations for the future are both affordable and sustainable. It will provide a framework for making sure our cash resources follow corporate priorities as reflected in our medium-term financial plans.
2. This final version of the MTFMS has not changed substantially from the draft document the Cabinet approved for consultation and the Strategic Monitoring Committee has previously reviewed.
3. The Strategic Monitoring Committee considered the MTFMS on 15th September (draft document) and 16th October (final document as attached). The Committee's views on the final document will be reported verbally at the Cabinet meeting. The MTFMS will be considered alongside the Directors' three-year service proposals as it sets the context for developing those proposals.
4. The MTFMS contains chapters covering the:
 - National policy context;

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

- National financial context;
 - Herefordshire's policy context;
 - Herefordshire's financial context;
 - Herefordshire's financial management strategy including;
 - i. Corporate financial objectives;
 - ii. Financial management strategy for the revenue account;
 - iii. Medium-Term Financial Resource Model (MTFRM);
 - iv. Financial management strategy for the capital investment;
 - v. Medium-Term Capital Plan;
 - vi. Efficiency Review & Value for Money;
 - vii. Treasury Management Strategy; and
 - viii. Key corporate and financial risks.
 - Decision-making, consultation, diversity & review.
5. The national policy context outlined in the MTFMS leads to the inevitable conclusion that local government's share of public spending is likely to contract over the medium-term as the Government prioritises health, education, home security and global security services.
 6. The impact this will have on future funding levels for local government is compounded by the fact that the national financial context suggests that the Government's public spending plans will contract.
 7. Herefordshire's policy and financial context is described to complete the background against which the MTFMS has been developed.
 8. The financial parameters contained in the guidelines the Directors were given for preparing their 3-year service proposals (see accompanying report on this agenda) reflect the conclusions that have been drawn from reviewing the evidence we have about what the future might hold. Because that future looks bleak, those guidelines are of necessity very tough but manageable in the overall context given past financial performance.
 9. Given the strict control on growth in future budgets, the MTFMS ensures there is a clear policy on general and specific reserves to ensure known financial risks not allowed for in the base budget are covered. The current policy of maintaining a minimum of £3m in general reserves has been maintained but supplemented by a policy of creating Specific Reserves to cover the key financial risks.
 10. The MTFMS also works towards ensuring there is a balanced budget position going forward by completing the work started as part of the 2006/07 budget setting process. It recognises there is more to do in terms of determining the future revenue

base budget requirement for social care services and this area features prominently on the list of 3-year service proposals.

11. The MTFRM identifies the likely level of resources for 2007/08 – 2010/11 given the planning assumptions identified in the MTFMS. The MTFRM indicates there will be financial capacity in 2007/08, no spare capacity in 2008/09 with only a slight improvement on this position in 2009/10 – 2010/11.
12. The MTFMS therefore sets aside some of the additional spare capacity in 2007/08 to ease the pressure identified in 2008/09, allow some additional funding for Invest to Save projects and provide a reserve in the event of slippage compared to the outline financial appraisal for Herefordshire Connects approved in April 2006.
13. The MTFMS allocates £1m from 2005/06 general reserves to fund genuine Invest to Save proposals – proposals that clearly demonstrate how they support corporate priorities, the pay back period, the improvement in performance that will be delivered and the financial resource that will be released as a result.
14. In addition to this sum, the prognosis for the four-year period covered by the MTFMS is as follows:
 - **2007/08** - approximately £3.6m available for future growth proposals ;
 - **2008/09** - approximately £3.9 available for future growth proposals;
 - **2009/10** - approximately £4.6m available for future growth proposals; and
 - **2010/11** - approximately £3.8m available for future growth proposals.
15. Invest to Mitigate future growth proposals also need to demonstrate how they support corporate priorities, the improvement in performance that will be delivered, how that will be monitored and quantify the extent to which the growth pressure has been contained.
16. The new Performance Improvement Cycle will ensure that the available resources are targeted at the Invest to Save / Invest to Mitigate proposals that do most to support key corporate priorities. CMB's initial 3-year service proposals have been developed within this framework and are outlined in the accompanying report on this agenda. Once approved, these will inform the Corporate Plan for 2007 – 10 which will ultimately be agreed by Council alongside the MTFMS. These two documents will provide the basis for developing detailed service and financial plans for 2007/08 in January / February prior to budget setting in March.
17. The draft MTFMS was available for comment over the summer holidays and the Head of Communications developed an active communication strategy to encourage discussion and debate. Full advantage of the opportunity to promote a greater shared understanding of the Council's financial position and the new general and financial management culture it is fostering was taken.
18. The MTFMS provides the financial context for the Council's corporate and service planning activities. Forecasting future financial resources is not an exact science given the numerous variables involved - the Council generates around £1bn of transactions across 800 separate service areas in a year. The MTFMS is however an important planning tool, ensuring that corporate aspirations are affordable in the

long-term and that resources are allocated to agreed corporate priorities in the pursuit of improved Value for Money.

Alternative Options

Stakeholders and partners were asked to identify alternative options during the consultation process. None have been identified to date.

Risk Management

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

Consultees

The following were consulted on the draft MTFMS:

- Corporate Management Board;
- Senior Management Team;
- Leadership Forum;
- Strategic Monitoring Committee;
- Strategic Partnership Board;
- Community Forum meetings in October; and
- Unison.

Background Papers

Background papers are available from the Resources Directorate on request.

Medium Term Financial Management Strategy (MTFMS)

Foreword by the Leader & Cabinet Member (Resources)

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

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

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

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

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

This version of the Medium Term Financial Management Strategy (MTFMS) has been updated in the light of consultation feedback since Cabinet approved the draft document in July. It aims to pull the strands together – many of which we have discussed in recent months as we have considered and approved the Herefordshire Community Strategy, the Council's Corporate Plan 2006 - 2009 and its Annual Operating Plan and budget for 2006/07 – making sense of them for Herefordshire.

Our MTFMS will provide the financial context for making sure our service improvement aspirations are affordable and sustainable into the future. It will also provide a framework for making sure our cash resources follow corporate priorities as reflected in our medium-term financial plans. We hope it provides a comprehensive view of the proposed way forward for Herefordshire Council's strategic financial management.

Cllr Roger Phillips
Leader of the Council

Cllr Mike Wilson
Cabinet Member (Resources)

Medium Term Financial Management Strategy (MTFMS)

Foreword by the Chief Executive & Director of Resources

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

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

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

The MTFMS will also help promote the change in Herefordshire's financial management culture that the Director of Resources has instigated since her arrival in November 2005.

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

Financial management isn't something that just accountants do. Quite simply, it is part of everyone's job and is a critical success factor for the Council.

Neil Pringle
Chief Executive

Sonia Rees
Director of Resources

Medium Term Financial Management Strategy (MTFMS)

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Medium Term Financial Management Strategy (MTFMS)

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Medium Term Financial Management Strategy (MTFMS)

1. Executive Summary

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

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

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

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

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

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

Medium Term Financial Management Strategy (MTFMS)

2. Introduction

2.1 Background

- 2.1.1 This is a comprehensive Medium-Term Financial Management Strategy (MTFMS) for Herefordshire covering the financial years 2007/08 to 2010/11.
- 2.1.2 The MTFMS sets out Herefordshire's key financial aims and objectives and how it intends to manage its financial affairs in order to maintain financial stability over what is expected to be a very challenging period for local government.
- 2.1.3 The development of the MTFMS forms part of Herefordshire's new integrated corporate, service and financial planning cycle. This cycle is designed to ensure that corporate and service plans are developed in the context of available resources and that those resources are allocated in line with corporate priorities.
- 2.1.4 The MTFMS will be reviewed annually at the start of the integrated financial and service planning cycle. Any material changes to the assumptions made will be reported in the routine Integrated Performance Reports produced for Cabinet at the end of months 4, 6, 8 and 10.

2.2 Aim

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

2.3 Purpose

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

2.4 Objectives

- 2.4.1 The objectives of the MTFMS are to:
- define the financial context for future service improvement decisions;

Medium Term Financial Management Strategy (MTFMS)

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

2.5 Coverage

2.5.1 The MTFMS contains:

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

2.6 Summary

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

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

Medium Term Financial Management Strategy (MTFMS)

3. National Policy Context

3.1 Introduction

- 3.1.1 Change in the public sector has been extensive in recent years and this trend is set to continue for the foreseeable future. It is important to set the MTFMS in the context of the changing policy context at national level so we have the financial capacity and flexibility to deal with the change as it happens.
- 3.1.2 Three key discussion papers on the future direction of local government and public services have been published in recent months that could have corporate implications for Herefordshire. These are:
- National Prosperity, Local Choice and Civic Engagement (Lyons Inquiry);
 - Closer to People and Places – a New Vision for Local Government (Local Government Association); and
 - The UK Government's Approach to Public Service Reform (Prime Minister's Strategy Unit).
- 3.1.3 A brief summary of these papers is provided below in sections 3.2 to 3.4 respectively.
- 3.1.4 A green or white paper is currently anticipated in October 2006 from the Secretary of State for Communities and Local Government on Local Government Review. A short assessment of what might emerge is given below in section 3.5.
- 3.1.5 Finally, this section of the MTFMS identifies the key national policies that are likely to impact on service delivery. These are listed in section 3.6.

3.2 National Prosperity, Local Choice and Civic Engagement

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

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

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

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

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

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- secure more fundamental improvements in public services and make better use of public money;
- improve the quality of life and economic performance of cities, towns and villages; and
- give people greater power and influence over their lives, their services and the future of the places where they live.

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

3.3.5 The LGA paper describes a new governance system that:

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

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

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

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

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3.4 The UK Government's Approach to Public Service Reform

- 3.4.1 The Prime Minister's Strategy Unit published a discussion paper on 6th June 2006 describing the government's proposed approach to public service reform. The paper is not, it says, intended to be the government's final word but to help improve understanding of the bigger picture on reform and stimulate further discussion.
- 3.4.2 The government recognises that public services in the UK, in common with many other countries, face major challenges from social, economic and technological changes and from major changes in public attitudes and expectations. It notes that other countries in Europe and elsewhere are pressing ahead with reform to deal with these challenges.
- 3.4.3 The discussion paper says that the government has substantially increased investment in public services since 1997, giving examples of improvements in education, health, crime reduction and other areas alongside an ambitious programme of reform.
- 3.4.4 But, the discussion paper goes on to explain, increased spending on its own is not enough to ensure improvements. The government believes that reform is needed to ensure that existing resources are used effectively and to ensure increased investment results in better services and improved outcomes.
- 3.4.5 The paper describes the government's vision as being one in which public services are:
- citizen-centred and responsive;
 - universal and accessible to all and (in the case of core public services such as schools and healthcare) free at the point of use;
 - efficient and effective, offering value for money for the tax-payer;
 - equitable, helping to reduce social exclusion and improve the life changes of the disadvantaged;
 - excellent (high quality); and
 - empowering and involving citizens.
- 3.4.6 The discussion paper then sets out how the government intends to approach the reform of public services. The reform will be driven by a combination of:
- pressure from government (top down performance management);
 - greater pressure from citizens (choice and voice);
 - greater competition and contestability in the provision of public services; and
 - measures to build the capability and capacity of civil and public servants and central and local government.
- 3.4.7 The government's intention is that these 4 elements will combine to create a self-improving system within which incentives for continuous

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improvement and innovation are embedded to provide better public services for all.

3.5 Local Government Review

3.5.1 The government's original intention prior to the Prime Minister's Cabinet reshuffle on 5th May 2006 was to publish a white paper on Local Government Review in the summer. As a result of that reshuffle, Ruth Kelly took on the newly created post of Community and Local Government Secretary.

3.5.2 The Prime Minister identified the following priorities for the new Department for Communities and Local Government (DCLG):

- developing the work started whilst at the Department for Education & Skills on social mobility and economic inclusion;
- developing the work started by the Office of the Deputy Prime Minister on local government reform by bringing forward a radical, devolutionary White Paper and subsequent Bill with more powers for local neighbourhoods and new models of accountability and leadership;
- working with Sir Michael Lyons to deliver a practical, workable solution for local government finance in the Comprehensive Spending Review for 2007 (CSR07);
- delivering the government's policy in response to the Barker review of housing supply;
- building on the work Kate Barker is currently doing on land use planning to identify further proposals for reform of the planning system; and
- producing an action plan to respond to the Women & Work Commission's recommendations on further measures for tackling gender inequality.

3.5.3 The Prime Minister asked the new Secretary of State to report her preliminary assessment of the key challenges across her Department, including the key milestones and risks in each area, by the end of June. He reminded Ms Kelly that her plans needed to be set in the context of lower growth in funding than in recent years, pointing out that the zero-based and efficiency reviews already underway in preparation for CSR07 would be a key critical input.

3.5.4 The current view is that the White Paper on Local Government Review due to be published in October 2006 would have a strong theme on localism. It is anticipated that the Secretary of State for Communities and Local Government will show a renewed interest in making the 2-tier system work in shire areas – if only because Her Majesty's Treasury was nervous about the cost of changing existing structures when the rate of growth in public spending needs to reduce.

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3.6 Other Government Policy Initiatives

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

Adult & Community Services

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

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

Children & Young People

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

- **Every Child Matters Change Programme** – will require extra effort to put reforms in place by 2008;
- **Youth Matters Change Programme** – will require strengthened links to Youth Council and new service approaches;
- **Education & Inspections Bill** – will require new relationships with schools;
- **Dedicated Schools Grant** – the precise details of how this new grant will operate and its impact on non-schools services are still emerging. The grant covers both individual schools budgets and support services provided for schools such as SEN support services giving schools much greater choice on how to procure such services. Over spends on DSG will be carried forward to count against the following year’s grant allocation. Under spends will have to be returned to the Department for Education & Skills. Efficiency gains within DSG whether through procurement savings, the Herefordshire Connects programme etc. can be kept within DSG

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and will be essential to help offset reductions in DSG from falling pupil numbers.

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

Corporate & Customer Services (including Human Resources)

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

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

Environment

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

- **Landfill Diversion** – targets increasingly more challenging requiring either increased resources and / or radical changes to service delivery;

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

Resources

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

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

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

3.7 Summary

3.7.1 The evidence is that radical public service reform is likely in the medium-term. It is clearly high on the government's agenda and that of the Local Government Association.

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

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

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

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4. National Financial Context

4.1 Introduction

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

4.2 National economy

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

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

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

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

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

4.3 Comprehensive Spending Review 2007

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

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

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

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

4.3.4 HM Treasury published a paper in late July 2006 entitled "Releasing the Resources to meet the challenges ahead: Value for Money in the 2007 Comprehensive Spending Review. This paper set out the scope of the "cross-cutting" themes that will be used to inform CSR07:

- Supporting housing growth;
- Supporting sub-national growth;
- Increasing fairness and social justice;
- Strengthening security; and
- Working with the third sector.

4.3.5 Sir David Varney is leading a review on transforming services as part of the Value for Money programme on behalf of HM Treasury. It is expected to report towards the end of 2006 with an announcement in the pre-budget report. The Varney Review will examine:

- the potential of electronic service delivery;
- raising the quality of service provided by call centres;
- identify opportunities for "one-stop shops"; and
- improve processes for handling identity.

4.3.6 The government has set some of its own departments very challenging cash limits ahead of CSR07 as part of its preparations for the spending review. This demonstrates the resolve at national level to extract more public service output and improved outcomes from fewer resources.

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4.3.7 The level of efficiency savings that local government has achieved will be a significant issue for CSR07 too. There is some concern that local government may be penalised for the success of delivering their efficiency savings targets in the current SR period a year early. Local government is likely to have limited success in resisting increases in these targets given this background. The HM Treasury's 'Releasing the Resources' document (paragraph 4.3.4 refers) talks in terms of potential savings of at least 2.5% being achievable.

4.3.8 There are clear messages in the preparatory material for CSR07 for local government as fiscal constraints at national level tighten. Real terms growth in public spending has averaged around 5% a year for the last 10 years and it cannot continue. On top of that, as we shall see below, the government's public spending priorities are in areas of the public sector other than local government, and local government has spending pressures of its own to deal with.

4.4 National Spending Priorities & Pressures

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

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

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

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

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

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- pensions; and
- transport.

- 4.4.4 The government is expected to assume 2% pay inflation per year for the period of CSR07. It is concerned about the increases in pay costs over the last 3 years revealed by the statutory expenditure returns the public sector is required to make each year. This is being investigated. Much of it can be explained by inaccurate completion of the returns, increases in pension costs, changes in the rules for accounting for pensions, cost of living awards and investment in new staff. However, a significant amount is unexplained and the inference is that the government's additional investment in public services has been spent on enhancing salaries. This is an area of spending the government is likely to keep under close scrutiny.
- 4.4.5 The government set some of its departments spending plans for 2008/09 to 2010/11 ahead of CSR07 (paragraph 4.3.3 refers). This included the Department for Work & Pensions (DWP). The DWP has already announced that their budget for providing Housing Benefit and Council Tax Benefit administration subsidy to local authorities be reduced by 5% in real terms over the period of the CSR07, mirroring the reduction in their Departmental Expenditure Limit imposed by the government.
- 4.4.6 The government has promised further change for Concessionary Fares with a new national scheme from 2008. It has promised to set aside £250m nationally in 2008/09 to pay for the new scheme. At present it is not certain how this funding will be allocated to local authorities or whether it will be sufficient to meet set-up costs. It is not clear how the ongoing costs of the new scheme will be funded either.
- 4.4.7 Local government also needs to consider how it maintains service improvement initiatives that the government currently supports by specific grant. Examples include Implementing E-government Grant (IEG) and Planning Delivery Grant (PDG) but there are many others including services already under pressure such as social care (e.g. transfer of Preserved Rights Grant into mainstream formula grant). This is an increasing problem as the percentage of funding that arrives as a specified rather than a general grant has grown to around 60% of the total following the introduction of Dedicated Schools Grant in April 2006.

4.5 Summary

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

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prioritise and propose innovative solutions to mitigate its spending pressures.

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5. Herefordshire's Policy Context

5.1 Introduction

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

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

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

5.2 Herefordshire Community Strategy

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

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

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

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

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

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

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

5.2.7 The HCS consists of:

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

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

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

5.3 Herefordshire Corporate Plan & Annual Operating Plan

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

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

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

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religion, disability, sex, sexual orientation, geographical location, income or age; and

- to develop its community leadership role, working with partners to deliver the Herefordshire Community Strategy, including the Local Area Agreement with government.

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

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

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

5.4 Herefordshire's Overall Performance Improvement Plan

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

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

5.4.3 The previously separate scores for Education and Children's Social Care have been replaced with an overall score of 2 for Children & Young People, with education services seen as good but social care judged to be inadequate, substantially owing to concerns about the Council's arrangements for safeguarding vulnerable children. Following

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a Department for Education & Skills (DfES) review in May 2006, safeguarding practice systems are now considered sound and to be resulting in improved outcomes for children.

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

5.5 Herefordshire's Business Transformation Programme

- 5.5.1 Herefordshire has embarked on a massive and ambitious programme of change to improve services and deliver the financial capacity needed invest in key priorities for the future.
- 5.5.2 The overall change programme is managed by a Business Transformation Board lead by the Chief Executive and including the Director of Corporate & Customer Services, the Director of Environment, the Director of Resources and the Change Manager. This Board is responsible for delivering the overall change programme within budget and on time, and for ensuring benefits are maximised and achieved.
- 5.5.3 The business transformation programme is complex and currently consists of 4 main inter-linking programmes, each managed by its own board arrangements in line with Prince 2 project management methodology. These 6 main programmes are the:
- 'Herefordshire Connects' programme;
 - Customer Services Strategy;
 - Children & Young People programme;
 - Adult & Community Services programme;
 - Pay & Workforce programme; and
 - 'The Big Move' – our office accommodation strategy.
- 5.5.4 'Herefordshire Connects' is the Council's strategic transformation programme. Approved in April 2006 and now in the early stages of procurement, it will address the service improvements (including those

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

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

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

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

5.5.12 The Council originally approved an Accommodation Strategy in May 2005. It approved an updated business case in May 2006 and put both the revenue and capital budget in place to implement the strategy. It became clear at the end of September 2006 that the full 2-phase plan for occupying Plough Lane with the option to extend the building was no longer available as the landlord had revised its plans for the site.

5.6 Summary

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

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

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

5.6.3 Herefordshire is about to enter perhaps the most challenging period it has faced since it came into being in 1998 with demands all round for improvement at a time when cash resources are likely to reduce in real terms. The financial settlement for local government in 2007/08 is likely to be the worst since 1997. Sound financial governance will be essential to ensure the Council's continued financial health.

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

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6. Herefordshire's Financial Context

6.1 Introduction

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

6.2 Relative Funding Position

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

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

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

6.3 Reserves

Revenue Reserves

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

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

(All figures £000k)

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

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

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

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

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

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

Capital Reserves

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

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

(All figures in £000k)

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

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

6.4 Trends in Outturn

Revenue Overview

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

(All figures in £000k.)

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

Notes

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

2 – no brackets means that there was actually a surplus on the revenue account of the year that was used to top the general contingency.

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

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

Directorate Revenue Outturns

- 6.4.3 The overview shows that the Council’s income exceeded its spending in each of the last 3 financial years. Overall financial performance has therefore been good but this masks the fact that a small number of key budgets have not performed so well.
- 6.4.4 Service area under spends in 2005/06 amounted to £3.72m. Every Directorate except Adult & Community Services was able to identify under spends compared to budget that more than matched their over spends.
- 6.4.5 The Adult & Community Services Directorate over spent by some £1.6m due to pressures in Adult Social Care services (Learning Disabilities, Mental Health & Physical Disabilities) and Homelessness services. Part of the over spend for the year was due to the budget deficit carried forward from 2004/05 being written off.
- 6.4.6 Whilst in overall terms the other Directorates were under spent compared to budget at the end of the financial year, their outturn position was a mix of under and over spends. There appears to be little pattern to the areas under spending from year to year as a basis for considering redirection of resources. Directorate budget management plans need to ensure budget is allocated accurately each year to avoid repeated under and over spends being reported simply because the budget isn’t in the right place.

Capital Outturn

- 6.4.7 The Council maintains as a minimum a full 3-year rolling capital programme that is fundamentally linked to the Council’s strategic plans and estimated sources of capital funding.
- 6.4.8 The following table compares the final capital budgets for the last 3 financial years to actual spend.

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(All figures in £000k)

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

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

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

6.5 Local Spending Pressures

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

6.5.2 The key concern is the Adult Social Care service budgets. The base budget funding position for these services in 2006/07 was enhanced with real terms growth for at least the 3rd successive year in a row. However, we recognise there is more we need to do. The forecast at month 4 of the 2006/07 financial year is that this budget will over spend by some £3.4m this year if the status quo in terms of service delivery arrangements is maintained.

6.5.3 The Children's Social Care budgets are of concern too. They were less over spent than anticipated in 2005/06 but were forecast to break even in the month 4 budget monitoring report for 2006/07.

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

6.5.5 A social care contingency fund of £1.3m was established for 2006/07 in the event that the Adult and Children's social care budgets over spent. This clearly will not be sufficient given current projections of a combined over spend of £3.4m.

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

6.6 Summary

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

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7. Financial Management Strategy

7.1 Introduction

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

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

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

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

7.2 Corporate Financial Objectives

7.2.1 Herefordshire's corporate financial management objectives are to:

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

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

7.3 Financial Management Strategy for the Revenue Account

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

Managing the General Fund Balance & Specific Reserves

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

7.3.3 Herefordshire's financial management strategy is to maintain Specific Reserves to deal with the key corporate financial risks reducing the need for a higher level of General Fund balances. This strategy will ensure there is complete transparency about what is and what is not resourced for corporate financial risks that, if realised, would affect the Council's financial standing. It represents an 'open-book' approach to accounting.

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

- to increase the social care contingency by £1.7m, topping it up to £3m given the current forecast for outturn for 2006/07 is for a £3.4m over spend;
- to increase the winter road maintenance Specific Reserve by £392k, topping it up to £500k;
- to increase the waste disposal Specific Reserve by £634k, topping it up to £2m;
- to incorporate the Initiatives Fund (£433k) in the Invest to Save Specific Reserve and top up by a further £639k so there is a total of £3m available for Invest to Save initiatives - £1.928m of which has already been earmarked for the Herefordshire Connects programme (see paragraphs 7.3.37 – 7.3.38);
- to create a Specific Reserve of £300k so there is some provision in event the contingent liabilities identified in the Statement of Accounts for 2005/06 are realised;
- to create a Specific Reserve of £200k to separate the remainder of the £250k reserve set up for the Children's Services Change Team from the General Fund balance; and
- to create a budget management Specific Reserve of £1.1m so that there is money set aside in the event that Directorate budgets (excluding schools and social care) are 1% over spent at outturn compared to their base budget.

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

7.3.6 The need for the range and level of Specific Reserves and the policy for minimum General Fund balances will be continually reviewed as part of the financial planning, monitoring and outturn processes. The strategy described here provides cover for the key corporate financial risks.

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Managing a balanced budget

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

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

- **Queenswood Park** – restore £25k base budget reduction in anticipation of a Cabinet decision to reverse its policy to introduce charges for parking: the shortfall will be met from balances in 2006/07 but will be included in the Medium-Term Financial Resource Model from 2007/08 onwards (reducing the General Fund balance for the year by a corresponding amount);
- **Procurement & Efficiency Review** – increase the staffing budget by £55k a year starting from 2007/08 to reflect the full-year cost of this new Key Manager post: the shortfall will be met from balances in 2006/07;
- **Herefordshire Matters** – correct base budget omission by adding £50k to base budget from 2007/08 onwards to support future publications: the shortfall in 2006/07 will be met from balances;
- **Chief Executive’s Development Fund** – add £150k to base budget from 2007/08 onwards: the shortfall in 2006/07 will be met from balances;
- **Housing Benefit & Council Tax Benefit (HB / CTB) Administration Subsidy** – reduce anticipated grant income by £150k a year starting 2007/08 to reflect the 5% real terms reduction announced by the DWP;
- **Service Level Agreements** – set aside £100k from 2007/08 onwards for allocation in the event the proposed review of support services to check we have sufficient capacity in key priority areas such as performance management and to improve recharging mechanisms leads to base budget pressures: any pressure in 2006/07 will be met from balances;
- **Whitecross PFI Scheme** – shortfall on amount included in Financial Resource Model for 2006/07 of £380k to be met from balances; and
- **ESG (Herefordshire) Ltd** – increase base budget provision by £225k a year from 2007/08 for 3 years to take total up to £350k so

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

7.3.9 The strategy for managing General Fund balances, Specific Reserves and for ensuring a balanced budget will increase the level of Specific Reserves held by £4.965m. There will be approximately £4.93m left in General Fund balances at the end of the 2006/07 financial year after allowing for budget carry forwards already approved and the measures proposed for delivering a better balanced budget. This represents a satisfactory level of General Fund balances, providing some headroom above the £3m minimum to provide cash flow cover and for unforeseen contingencies.

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

	£000	£000
General Fund balance on 1st April 2006		14,525
Less items in paragraph 7.3.4 – managing the General Fund balance and Specific Reserves		
Social care contingency	1,700	
Winter roads maintenance	392	
Waste disposal	634	
Invest to save	639	
Contingent liabilities	300	
Children's Services Change Team	200	
Budget management	1,100	
Sub Total		-4,965
Less items in paragraph 7.3.8 – managing a balanced budget		
Queenswood Park	25	
Procurement & Efficiency Review Manager	55	
Herefordshire Matters	50	
Chief Executive's Development Fund	150	
HB / CTB Administration Subsidy	150	
Service Level Agreements (up to)	100	
Whitecross PFI Scheme	380	
Sub Total		-910
Less other items		
Carry forward budgets from 2005/06	3,720	-3,720
Sub Total		
General Fund Balance on 31st March 2007		4,930

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Managing financial performance

- 7.3.11 Maintaining strong financial control is a prerequisite to achieving the Council's corporate priorities and the integrity of the MTFMS. Good systems and procedures are in place for reporting on financial performance as part of the Integrated Performance Reporting framework.
- 7.3.12 Non-financial information was incorporated into the routine bi-monthly financial performance reports that form part of the Integrated Performance Report in month 4 of 2006/07. This will help us track Value for Money improvements and also help highlight areas that are performing to the standard required and have spare financial capacity that could be reinvested in another corporate priority.
- 7.3.13 Routine budget monitoring reports will also be reviewed to ensure each Directorate can monitor both the 'controllable' elements of their budget as well as overall financial performance. The latter is important for external benchmarking activities to demonstrate Value for Money is being achieved.
- 7.3.14 Certain types of income and expenditure budgets are classified as 'non-controllable'. In the main, these are budgets that are allocated to Directorates on a recharge basis (e.g. support service recharges, insurances). The support service provider will exercise the budgetary control for these services.

Managing budget carry forwards

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

Managing Directorate base budgets

- 7.3.18 Base budget needs to be in the right place at Directorate level as well as the corporate level to support effective financial management and to avoid repeated over spends in one area being consistently offset by under spends in others.

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7.3.19 A virement process that allows the transfer of resources between budget headings is in place. This financial management strategy will actively encourage Directorates to use this facility to ensure there is an 'open book' approach to accounting at Directorate level, ensuring such virements support corporate priorities.

Managing growth and inflationary pressures

7.3.20 The government is planning on 2% pay inflation over the medium-term. This will be reflected in Herefordshire's MTFRM. Salary budgets and budgets linked to salary payments have been uplifted by this amount. The budgets for employers' superannuation contributions will be uplifted by the planned percentage increase for each year based on the latest actuarial advice. Indirect employee costs will not be uplifted for inflation.

7.3.21 The Medium-Term Financial Resource Model (MTFRM) at Appendix A shows the inflation on staff costs and income budget heads identified by the service accountants for the next 4 financial years. These figures are summarised in the table below:

INFLATION	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Staff and Pay	1,196	1,225	1,210	1,280
Income	(797)	(817)	(837)	(858)

7.3.22 Resources available are not sufficient to provide for growth and inflationary pressures in addition to those detailed above. However, as outlined in paragraph 6.4.1, the Council has consistently performed significantly better in financial terms than the budget plan, demonstrating there is financial capacity to deal with such pressures. The financial strategy for managing non-pay growth and inflation is for the Corporate Management Team to manage this pressure within existing resources. This is a tough but achievable challenge for CMB given past financial performance that is included in the 3-year planning guidance.

Managing income

7.3.23 Setting challenging but attainable income targets is an essential element of Herefordshire's MTFMS. To achieve corporate financial objectives, income targets included in approved budget plans need to be realistic. The current approach of assuming all fees and charges income will increase by the rate of inflation each year is not sustainable into the future for planning fees, car parking charges and investment property income.

7.3.24 Income budgets for these services will not be inflated (other than to reflect anticipated increases in demand for the service) if the Council has no plans to review the charges or there is no legal requirement to do so. Similarly, these income budgets will be revised downwards

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where there is clear non-financial information to evidence a decline in demand for the service.

7.3.25 The corollary to this new approach is that any surplus on the planning and car park income budgets will be treated as a corporate resource. Any under achievement, providing the Directorate has taken appropriate mitigating action, will be a corporate rather than a Directorate problem.

7.3.26 All other budgets will be increased by inflation and Directors will be expected to review all their fees & charges annually as part of the business planning cycle to ensure they comply with relevant corporate priorities and policies (e.g. diversity and social inclusion).

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

7.3.28 The MTFMS for income generation is therefore to:

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

Managing partnership resources

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

- the financial viability of partners before committing to an agreement;
- there is clarity of respective responsibilities and liabilities;
- the accounting arrangements are established in advance of operation;

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- the implications of terms and conditions on any associated funding are considered in advance of operation.

Managing staffing budgets

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

Managing external funding

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

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

Managing Developer Contributions

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

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

Managing increases in demand / volumes

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

7.3.35 Herefordshire will seek to discharge all its statutory responsibilities to service users. To achieve the corporate financial objectives that underpin the achievement of corporate priorities, service managers will

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actively seek to contain increases in demand or volume to mitigate the financial consequences.

Managing Invest to Save initiatives

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

7.3.37 Invest to Save projects may deliver base budget savings to improve Value for Money in the bidding service area. In such cases, there will be a requirement for the service area to make a permanent base budget reduction. Invest to Save projects may also be used to manage increasing demand or volumes so as to minimise the impact on the base budget. In these cases, the bidding service area will be required to show how existing performance standards will be at least maintained or even improved.

Managing Value Added Tax (VAT)

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

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

7.4 Medium-Term Financial Resource Model (MTFRM)

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

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

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- **Herefordshire Connects** – the MTFRM reflects the outline financial appraisal approved by Cabinet in April 2006 and will need to be updated as the programme develops and the financial appraisal is refined;
- **Accommodation Strategy** – the MTFRM reflects the latest financial assessment approved by Cabinet in May 2006;
- **Customer Services Strategy** – the MTFRM assumes a cost neutral position in line with the strategy agreed in August 2005;
- **Capital Investment** – the MTFRM reflects the revenue implications (cost of prudential borrowing) of the capital programme approved by Council in March 2006 plus slippage from 2005/06 approved by Cabinet in June 2006;
- **Whitecross PFI Scheme** – the MTFRM includes an additional £451k in 2007/08 only to meet the initial costs of this project;
- **Formula Grant** – the MTFRM reflects known transfers in or out of Formula Grant (e.g. Preserved Rights Grant being transferred in to Formula Grant without a corresponding increase), the indicative 2.4% increase for 2007/08 and a cash standstill in following years given the pessimistic view on the CSR07 for local government;
- **Dedicated Schools Grant** – the MTFRM reflects the indicative 4.3% increase for 2007/08 and assumes a 2% increase in following years;
- **Second Local Public Service Agreement (LPSA2)** – the MTFRM reflects the investment in LPSA2 approved by Cabinet and assumes receipt of 75% of the potential Reward Grant (i.e. £3.292m, 50% of which will be revenue and will be received in 2 equal instalments in 2008/09 and 2009/10);
- **Employers' superannuation costs** – the MTFRM includes increases in employers' contributions rates in line with latest actuarial advice. This does not allow for the fact that the 'Rule of 85' arrangements for deciding whether someone retiring before their 65th birthday should have their pension benefits reduced will not be removed until 31st March 2008 (previous expectation was that it would be removed on 1st October 2006). This change will delay the improvement in the pension funding position and may lead to further actuarial adjustment to recover the shortfall if significant;
- **Interest Rates** – the MTFRM reflects interest rate assumptions for investment income and new borrowing costs in line with the

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Treasury Management Strategy approved by Council in March 2006;

- **National Taxation** – the MTFRM assumes there will be no significant change to national taxation systems;
- **Local government finance system** – the MTFRM assumes the status quo with no change to the grant distribution system, Council Tax or National Non-Domestic Rates;
- **Housing Benefit / Council Tax Benefit Administration Subsidy** – the MTFRM reflects the implications of a 5% real terms cut in this subsidy each year starting from 2007/08;
- **Local Authority Business Growth Incentive Grant** – the MTFRM makes no assumptions about future grant income as it is very difficult to predict the amounts that may be involved and, as alternative arrangements are proposed to fund corporate economic development priorities upfront (e.g. supporting ESG (Herefordshire) Ltd), any income will be used to replenish reserves and balances;
- **Council Tax Income** – the MTFRM assumes 1% a year growth in the Council Tax base, 4.7% a year increases in Council Tax each year and a surplus on collection of £500k in 2007/08 reducing to £300k a year thereafter; and
- **Public Service Trust** – no allowance has been made for potential one-off costs associated with setting this organisation up or the cashable efficiency gains it will deliver as no Cabinet decisions have yet been taken.

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

(All figures in £'000s)

	2007/08	2008/09	2009/10	2010/11
Potential revenue capacity				
Base Budget –	6,590	2,440	4,585	3,780
Cumulative capacity –		9,030	13,615	17,395
Herefordshire Connects benefit realisation target:				
Base Budget –	5,800	4,800	800	350
Cumulative benefit -		10,600	11,400	11,750

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7.4.4 The above table shows quite clearly that the Herefordshire Connects programme will have a major role to play in releasing cash from business processes to reinvest in service and capital investment priorities. The emerging priorities identified by Directors in developing their 3-year service proposals (in no particular order) are as follows:

- Children & Young People;
- Schools;
- Adult Services;
- Homelessness;
- Edgar Street Grid;
- Rotherwas Futures;
- Accommodation Strategy;
- Waste & recycling;
- Herefordshire Connects; and
- Corporate capacity.

7.4.5 The MTFRM provides an indication of the likely level of available resources - given the assumptions identified in paragraph 7.4.2 - for re-investment in the emerging corporate priorities. Potential capacity within the revenue account is as follows:

	2007/08	2008/09	2009/10	2010/11
Potential revenue capacity				
Base Budget –	6,590	2,440	4,585	3,780
Cumulative capacity –		9,030	13,615	17,395

7.4.6 The above table demonstrates that we can afford to add approximately £6.59m to the base budget in 2007/08 given current planning assumptions, but that there will be a pinch-point in 2008/09 with only approximately £2.44m additional financial capacity likely to be available. Any additional growth will have to be managed within the overall resources available. There will also be a £1m Invest to Save pot available as outlined in paragraph 7.3.4. The model indicates there will be an improved position in 2009/10 and 2010/11 (up to an additional £4.58m and up to £3.78m respectively).

7.4.7 The MTFMS seeks to maximise the opportunity a higher level of financial capacity for one-off additions to the budget in 2007/08 presents to do two things:

- ensure there is some capacity for budget additions in 2008/09 where currently there is none; and
- cover the risk that the cashable benefits resulting from the Herefordshire Connects programme start to flow later than indicated by the outline financial appraisal for the programme agreed by Cabinet in April 2006.

7.4.8 The MTFMS assumes that the financial capacity of £6.59m indicated by the MTFRM in 2007/08 will be deployed as follows:

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- £1.5m to provide additional financial capacity in 2008/09;
- £1.5m to cover delays in the Herefordshire Connects benefits realisation programme; leaving
- £3.59m to provide financial capacity for base budget additions in 2007/08.

7.4.9 It is important to note that the minimum cashable savings anticipated from the Herefordshire Connects programme remains a minimum of £11.75m – benchmarking suggest this figure may prove over-conservative. The £1.5m set aside is intended only for smoothing timing differences over financial year-end. This cash will be released for investment in services when no longer required to provide cash flow cover for the Herefordshire Connects programme.

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

7.5 Financial Management Strategy for Capital Investment

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

7.5.2 Herefordshire only has £4.1m of unallocated useable capital receipts. There are only modest expectations for new capital receipts that haven't already been earmarked for approved capital investment plans. If we are successful in securing 75% of the potential Performance Reward Grant for LPSA2, then a further £1.646m of as yet unallocated capital grant will be available – half due in 2008/09 with the rest due in 2009/10.

7.5.3 The MTFRM for the revenue account reflects the new borrowing requirement implied by the Treasury Management Strategy (see section 7.8) to support the capital programme. It also reflects the new borrowing requirement identified in the outline financial appraisal for the Herefordshire Connects programme and the latest financial appraisal for the Accommodation Strategy.

7.5.4 Potential capacity in the revenue account to absorb the revenue implications of yet more borrowing is limited as can be seen from the table in paragraph 7.4.3. The problem is compounded by the fact that revenue cost of government infrastructure capital spending allocations (e.g. LTP) is no longer supported in full through Formula Grant. This funding used to be protected from the floors and ceilings arrangement within the grant distribution system but this is no longer the case with the distribution system introduced for 2006/07.

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7.5.5 This leaves limited capacity in the revenue account to accommodate new projects unless ongoing efficiency savings can match the additional borrowing costs. This is a problem because there are a number of projects that are likely to be a high priority for the Council such as:

- the Rotherwas Relief Road (approximately £6m funding shortfall assuming LTP is awarded);
- the Ross Flood Alleviation Scheme (although responsibility for this may pass to the Environment Agency);
- repairs, maintenance and enhancement of corporate assets such as property assets and ICT;
- investment in property assets needed to deliver the changes needed in adult social care; and
- ICT Strategy to support the Business Transformation programme.

7.5.6 The Council has an Asset Management Plan and Capital Strategy that has been given top marks by the Government Office for the West Midlands. These documents need fine-tuning to help address the impact of there being a scarcity of capital resources.

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

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

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

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

7.6 Medium-Term Capital Plan

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

7.6.2 The following table summarises the capital investment programme for 2006/07 approved by Council in March 2006 updated for slippage from 2005/06 and subsequent Cabinet decisions on the Accommodation Strategy and the Herefordshire Connects programme. The table sets out the updated position as reported in the 31 July 2006 capital monitoring statement.

Directorate	Total Budget	Funded by:				
		Direct Revenue Financing	Supported Capital Expenditure	Prudential Borrowing	Capital Receipts Reserve	Grants & Other
	£000	£000	£000	£000	£000	£000
A & CS	18,012	-	217	3,800	5,688	8,306
C & YP	11,544	96	2,459	2,000	2,715	4,274
C & CS	12,245	-	-	11,975	-	270
Environment	13,633	-	10,476	2,447	77	633
Resources	5,237	-	-	3,269	1,969	-
Total	60,671	96	13,152	23,491	10,449	13,483

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7.7 Efficiency Review & Value for Money

Efficiency Review

- 7.7.1 Herefordshire's strategy for securing efficiency gains is to seek continual improvement in the productivity of all our resources – people, land & property, ICT and cash. To us this means getting more from the same amount of resource or achieving the same results with less and targeting the capacity released at our highest priorities.
- 7.7.2 Our strategy is **not** to cut services but to keep improving those that matter most to our community. Our corporate plan for 2006 – 2009 sets some ambitious targets for service improvement that can only be achieved with a robust MTFMS and MTFRM in place.
- 7.7.3 We use the following mechanisms for identifying and delivering efficiency gains:
- the MTFMS and MTFRM supports our corporate priorities and included ongoing efficiency savings that will be delivered through the business transformation programme;
 - whenever there is staff turnover the opportunity is taken to review the provision of that service – this may include not replacing the member of staff, reallocating the duties or changing the way the service is provided;
 - service managers can transfer certain amounts and types of budget between items giving them flexibility to react to external changes and improve the delivery of services to their customers;
 - our annual Directorate plans set out the service changes that will be made in the coming year to achieve improved performance within budgetary constraints;
 - task and finish scrutiny teams carry out best value style review on service areas that the Council wishes to develop; this approach ensures that providing Value for Money is an integral part of every service review;
 - proposals to add expenditure to the based budget – revenue or capital – are management through an annual scheme selection and prioritisation process designed to ensure we invest our resources effectively in our highest priorities.
- 7.7.4 Herefordshire has a good track record for delivering on its 2.5% overall Gershon efficiency gains target as can be evidenced in its Annual Efficiency Statements. Assessment of the current policy and financial landscape at national level as outlined in the earlier sections of this document suggest that the current efficiency gain targets are likely to get more challenging in the near future.

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- 7.7.5 We think this will be coupled by an increased focus on procurement activities. As a result, Herefordshire will shortly be appointing to a new post of Procurement & Efficiency Review Manager. This post will be located in the Resources Directorate and will have a key role to play in embedding corporate procurement policies across the Council. The post holder will also be working alongside the Herefordshire Connects programme, supporting the procurement elements of the integrated back office work stream. The final aspect of this person's job will be in developing simple systems for reviewing and reporting on the Gershon efficiency agenda.
- 7.7.6 Given our pessimistic view of funding for local government funding over the period covered by CSR07, and the fact that the government has already moved to increase efficiency targets for some of its own departments, our plans are geared to delivering a significantly higher level of efficiency gain.
- 7.7.7 Our aim is to demonstrate if required cumulative cashable efficiency savings over the 4-year period covered by the MTFRM of £11.55m – that's 1.25% of the current baseline for the first year and 2.5% of the current baseline for the following 3 years. We will be able to achieve this through the Herefordshire Connects programme. It will deliver at least £11.75m of cashable efficiency gains in that 4-year period based on outline financial appraisal approved by Cabinet in April 2006.

Value for Money (VfM)

- 7.7.8 Herefordshire is committed to routinely using VfM information and benchmarking data to review and challenge VfM throughout services and corporately, supporting continuous service improvement and the drive for efficiencies. This is an integral component of the new Performance Improvement Cycle.
- 7.7.9 We support the drive for VfM through the following mechanisms:
- ensuring service managers deliver the outputs and outcomes agreed for their service area within budget – managing within budget is a key responsibility for all budget holders embedded in our staff review and development procedures;
 - establishing the corporate Procurement & Efficiency Review Manager post described above;
 - integrating corporate, service and financial planning processes;
 - planning over the medium-term as well as the short-term;
 - developing our routine financial performance monitoring reports for Cabinet to include VfM reviews;
 - benchmarking our costs and activities with other authorities;

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- through internal and external audit reviews; and
- through scrutiny reviews.

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

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

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

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

7.8 Treasury Management Strategy

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

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

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

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

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fixed to variable rate loan instruments, debt maturity profiles and rescheduling opportunities.

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

7.9 Key Corporate & Financial Risks

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

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

- 7.9.3 Corporate Management Board and Directorate Management Teams can demonstrate that their risk registers are regularly reviewed. Risks are regularly discussed in performance review meetings at all levels although at lower levels they might not be recognised as such.

- 7.9.4 The most recent update of the Corporate Risk Register (reviewed by Corporate Management Board in June 2006) is provided for information at Appendix D.

- 7.9.5 The assumptions underpinning the MTFMS and the MTFRM and Capital Investment Plan are identified in the relevant section of this document.

- 7.9.6 Council considered a full financial risk assessment of its budget plans for 2006/07 before setting its budgets and Council Tax for the year in March. This is included at Appendix E.

- 7.9.7 Many of the financial risks identified at that time have been addressed through the outturn process for 2005/06 or are addressed by the financial management strategies proposed in this paper, demonstrating risk management in practice. The financial risk assessment will continue to be reviewed as part of routine performance reporting arrangements and as part of the budget planning process.

7.10 Summary

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

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

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

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8. Decision Making, Consultation, Diversity & Review

8.1 Introduction

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

8.2 Decision Making & Scrutiny Process

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

8.2.2 A members' seminar was held the following week to brief all councillors on the MTFMS, the key role it has to play in the new fully integrated performance improvement cycle and the nature of the ground rules being used to develop service delivery proposals.

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

8.2.4 An updated MTFMS will be presented to the Strategic Monitoring Committee on 16th October 2006 so its comments are available to Cabinet when it approves the MTFMS on 26th October 2006. At both Strategic Monitoring Committee and Cabinet, the MTFMS will be considered alongside the emerging 3-year service proposals that will underpin the Corporate Plan for 2007 – 10.

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

8.2.6 The Strategic Monitoring Committee to meet and consider the proposals and give its views to Cabinet prior to corporate, service and

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financial plans being finalised. Briefings will be offered to Group Leaders and their groups.

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

8.3 Consultation & Communication

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

- 8.3.2 The communications strategy ensures two-way dialogue so the Cabinet is able to take the views of our customers, strategic partners, colleagues and trade unions (Unison) into account when it finalises the MTFMS on 26th October 2006.

8.4 Diversity & Equality

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

- 8.4.2 The MTFMS is designed to support key corporate priorities and indirectly supports diversity and equality work in other service areas. An impact assessment of the MTFMS was completed by August 2006 in line with the corporate requirement.

8.5 Reviewing the MTFMS

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

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

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

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

8.6 Summary

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

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9. Conclusions

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

Medium Term Financial Management Strategy (MTFMS)

APPENDIX A

<u>Medium-Term Financial Resource Model</u>	2007/2008 Budget £'000	2008/2009 Budget £'000	2009/2010 Budget £'000	2010/2011 Budget £'000
Base Budget	118,285	123,484	127,613	132,191
Inflation - Staff	1,196	1,225	1,210	1,280
Inflation - Income	(797)	(817)	(837)	(858)
	118,684	123,892	127,986	132,613
Other Items				
- Waste management - PFI Contract (net of £2m reserve)* <i>*additional £850k required in 2011/12 to restore net budget</i>	550	450	500	500
- Whitcross PFI requirement (net of schools contribution)	451	0	0	0
- Part transfer of Preserved Rights grant into FSS	0	1,891	0	0
MTFMS changes per para 7.3.8				
- Queenswood Park	25	0	0	0
- Procurement & Efficiency Staff	55	0	0	0
- Herefordshire Matters	50	0	0	0
- Chief Executives Development Fund	150	0	0	0
- HB & CT Benefit Administration	150	0	0	0
- Support Services Review	100	0	0	0
- ESG	225	0	0	(225)
MTFMS changes per para 7.4.2				
- Herefordshire Connects - Revenue Costs	0	1,866	(566)	(280)
- Herefordshire Connects - Revenue Savings	(5,800)	(4,800)	(800)	(350)
- Accommodation Strategy - costs as above	(88)	(64)	(253)	0
- LPSA 2 Reward grant - 75% of Revenue element	0	(823)	0	823
Capital Financing Costs				
- Herefordshire Connects	1,336	1,086	(82)	(82)
- Accommodation Strategy	146	254	492	(133)
- Repayment of LGR SCA	0	(453)	(334)	(230)
- Rotherwas Futures	0	0	134	114
- Existing SCE(R) & Prudential Borrowing	860	1,874	529	498
Capacity to achieve desired Tax increase	6,590	2,440	4,585	3,780
TOTAL BUDGET	123,484	127,613	132,191	137,028
Assumptions				
Council Tax increase	4.70%	4.70%	4.70%	4.70%
Assumed Pay and Price Increase:				
Employees	2.0%	2.0%	2.0%	2.0%
Employers pension contributions - additional on basic pay	0.6%	0.6%	0.5%	0.6%
Other Expenditure	0.0%	0.0%	0.0%	0.0%
Income (excluding Planning, Car Parking and Investment Property)	2.5%	2.5%	2.5%	2.5%
Assumed Formula Grant increase	2.4%	0.0%	0.0%	0.0%
Assumed Collection Fund Surplus (£'000)	500	300	300	300
Assumed Taxbase Increase	1.0%	1.0%	1.0%	1.0%
Dedicated Schools Grant b/fwd	78,151	81,511	83,142	84,805
Increase	3,360	1,630	1,663	1,696
Dedicated Schools Grant	81,511	83,142	84,805	86,501
DSG % increase	4.3%	2.0%	2.0%	2.0%

Medium Term Financial Management Strategy (MTFMS)

APPENDIX B

MEDIUM-TERM CAPITAL PLAN

	2006/07	2007/08	2008/09	2009/10
	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000
Children and Young People's Services	11,544	6,281	2,110	-
Resources	5,237	3,550	8,450	200
Corporate and Customer Services	12,245	11,903	1,500	-
Adult and Community Services	18,012	5,002	4,025	1,485
Environment Services	13,633	12,824	10,964	10,937
	60,671	39,560	27,049	12,622
Funded by:				
Supported Capital Expenditure (Revenue)	13,152	12,647	10,597	10,937
Prudential Code Borrowing	23,491	15,495	7,942	(1,300)
Unfunded	-	596	1,767	-
Capital Receipts Reserve	10,449	8,291	6,268	2,985
Revenue Contribution	96	-	-	-
Government Grants & Contributions	13,483	2,531	475	-
	60,671	39,560	27,049	12,622

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

Major schemes include:

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

Medium Term Financial Management Strategy (MTFMS)

APPENDIX C TREASURY MANAGEMENT STRATEGY 2006/07

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

Medium Term Financial Management Strategy (MTFMS)

APPENDIX D

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

Medium Term Financial Management Strategy (MTFMS)

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

Medium Term Financial Management Strategy (MTFMS)

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

Medium Term Financial Management Strategy (MTFMS)

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

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Medium Term Financial Management Strategy (MTFMS)

APPENDIX E

FINANCIAL RISK ASSESSMENT – MARCH 2006

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

Medium Term Financial Management Strategy (MTFMS)

APPENDIX F

COMMUNICATION PLAN

Audience	Messages	Channel
Citizens	<p>The council has strong financial management</p> <p>But like every other council, needs to take prudent steps ahead of significant pressures on funding</p> <p>Herefordshire is not a well-resourced council and is stretched to deliver services throughout a large, sparsely populated area.</p> <p>The council is committed to keeping council tax as low as possible while protecting the vulnerable</p> <p>The council will be entrepreneurial in generating income from property, assets and trading activities.</p>	<p><u>July 2006</u> Press release – promoting the medium term financial management strategy as it is endorsed by cabinet</p> <p><u>August 2005</u> Herefordshire Matters – report on budget out turn for 2005/06 and reinforce messages on financial management and challenge (allied to adult services pressures) Web site – the strategy posted on the council’s web site</p> <p>All subsequent communications – refer to key messages (avoid the media using the term ‘cash strapped’ or ‘financially troubled’).</p> <p><u>September 2006</u> Annual Review and Accounts (Summary) – promote financial stability but need to plan to address increasing demands</p> <p><u>October 2006</u> Community forums – financial strategy as an item</p> <p><u>November 2006</u> Herefordshire Matters – overview of the challenges the council needs to plan for financially – plus innovations for generating income</p> <p><u>March 2007</u> Council Tax Leaflet – outline pressures faced by the council</p>

Medium Term Financial Management Strategy (MTFMS)

<p>Managers</p>	<p>The council is entering its most challenging period and good financial governance, systems and practice is vital.</p> <p>Sound financial management is a non-negotiable for every manager, in every part of the council.</p> <p>The new financial culture is for everyone to strive to understand and support the council in facing up to new budgetary pressures.</p>	<p><u>July 2006</u> Leadership Forum – the financial non-negotiable to be presented and discussed by managers (as part of the eight non-negotiables)</p> <p><u>August 2006</u> Senior Management Team – presentation on the new medium term financial strategy and workshop to determine how to engage managers effectively</p> <p><u>September 2006</u> Intranet – financial guidance for managers to be produced and structured – promoted through First Press Online</p> <p><u>October 2006</u> Leadership Forum – to take managers through the new strategy and promote the new financial management culture for the authority – key managers to be given a high level understanding of the strategy and the financial challenges the council faces - link the strategy to the business transformation project</p>
<p>Employees</p>	<p>The council, like every other council, faces serious financial challenges for the future but does so from a position of strength and a track record of sound financial management.</p> <p>Service improvement aspirations have to be realistic</p>	<p><u>August 2006</u> First Press – key messages on the council’s finances to go to every employee through the news leaflet in payslips and more details in the electronic version</p> <p><u>September 2006</u> First Press – more detailed overview of financial challenges facing local government and the pressures on Herefordshire and how the strategy will address them</p> <p>Subsequent communications – the key messages about good financial management to be reinforced</p>

Medium Term Financial Management Strategy (MTFMS)

<p>Members</p>	<p>The council has strong financial management but like every other council, needs to take prudent steps ahead of significant pressures on funding</p> <p>The council is committed to keeping council tax as low as possible while protecting the vulnerable</p>	<p><u>July 2006</u> Cabinet – paper launched as discussion document</p> <p>Service update – overview of strategy to be included</p>
<p>Partners</p>	<p>The authority offers good value for money and manages its finances well.</p> <p>Financial planning is done in full consultation with key stakeholders.</p> <p>Its financial performance, administration, management and systems are sound.</p> <p>It has a healthy level of reserves and its balance sheet is strong.</p> <p>The council will verify that partner organisations are financially stable, that responsibilities and liabilities are clear and that accounting arrangements are established in advance of operation.</p>	<p><u>September 2006</u> Herefordshire Partnership – item on next board meeting</p> <p>Summary – overview of the strategy sent to all partner organisations with covering letter</p> <p>Workshop for partner organisations – outlining the wider economic environment, the challenges faced by the county and the council, and how the strategy addresses our ambitions for service improvement.</p> <p>New policies for working with partner organisations to be produced.</p> <p>Children and young people newsletter – article on the medium term financial strategy to be included</p> <p>Schools forum – item on financial management and how schools affected</p>

THREE-YEAR PROPOSALS AND THE CORPORATE PLAN 2007-10

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

26TH OCTOBER, 2006

Wards Affected

County-wide.

Purpose

To seek approval for the draft Corporate Plan 2007-10 to be used as the basis for the initial preparation of directorate and service plans.

Key Decision

This is not a key decision.

Recommendations

THAT

- a) the Corporate Plan be approved in draft form;
- b) the views of Cabinet are sought on the draft three-year proposals;
- c) the approved draft forms the basis for the initial preparation of directorate and service plans for 2007-10 and the Annual Operating Plan 2007-08; and
- d) approval for the finalised Corporate Plan be sought following agreement of the refreshed Local Area Agreement (LAA).

Reasons

Cabinet has approved the Council's Performance Improvement Cycle, including the production of a Corporate Plan setting out the Council's priorities and how they are to be achieved over the coming three years. The Corporate Plan cannot be finalised until the refreshed Local Area Agreement (LAA) has been negotiated. However, as the Corporate Plan is carried into effect through directorate and service plans, which also look forward three years, and through the Council's Annual Operating Plan, approval of a draft Corporate Plan is needed to provide the basis for the initial preparation of directorate and service plans and the Annual Operating Plan.

Considerations

1. A draft of the Corporate Plan 2007-10 is at Appendix 1.
2. It reflects Cabinet and Council decisions over the past year and has been prepared within the parameters of the new Medium-Term Financial Management Strategy

(MTFMS).

3. The draft Plan is based on the priorities of the Council as set out in the current Corporate Plan (2006-09), subject to two proposed changes:
 - (i) bringing together, as one priority, the previously separate priorities for raising educational attainment and for all other aspects of outcomes for children; this is in keeping with the integrated approach required by legislation and adopted by the Council and its partners in the *Children and Young People's Plan*, but with the revised wording ensuring that due emphasis is still given to the Council's commitment to raise educational attainment;
 - (ii) making explicit, as a priority in its own right, the Council's determination to ensure that the Council has the infrastructure needed for the county to have a successful economy

The proposed revised statement of the Council's priorities is at section 5 of the draft Plan.

4. The Performance Improvement Cycle, and therefore the Corporate Plan, is intended to drive improvements in services and efficiency by ensuring an integrated approach to corporate, service and financial planning. At the core is the development of three-year strategic budgets and service outputs and outcomes for 2007 to 2010.
5. The Budget for 2007-08 will be framed within the context of these three-year strategic decisions, having regard to the financial settlement from Government (which is expected in January 2007) and the resolution of current uncertainties and detailed planning.
6. On the basis of the Financial Resource Model in the MTFMS, the capacity for **cumulative** increased spending over the years of the Corporate Plan is :

2007-08 - £3.6 million

2008-09 - £3.9 million (i.e. £9.7 million above current budget)

2009-10 - £4.6 million (i.e. £13.6 million above current budget)
7. Coupled with the areas of risk and uncertainty identified in the MTFMS, this points to concentrating new investment on proposals that not only meet the Council's top priorities but which also either:
 - i. will reduce future expenditure (spend-to-save), or
 - ii. will mitigate the costs of inescapable future demands (spend-to-mitigate).
8. More than this, if there were to be a shortfall in available additional investment to achieve the objectives in paragraph 7, it would be necessary to consider whether other discretionary and lower-priority services should be reduced to bridge the gap.
9. On the basis of earlier decisions by Cabinet and Council, as reflected in the draft Corporate Plan, it is suggested that the Council's uppermost priorities are:
 - (i) to ensure that its arrangements for safeguarding children continue to be at

least adequate

- (ii) to maximise the independence, well-being and choice of vulnerable adults, in particular through meeting the growing need for social care with more efficient and effective services
 - (iii) to deliver major improvements in the infrastructure necessary for a successful and sustainable economy
 - (iv) to deliver improved and more efficient services to customers more generally through the *Herefordshire Connects* programme and good performance management across the Council
10. Although these are the Council's top priorities, there is also a requirement – whether arising from statute, from minimum thresholds for some services laid down by Government or the inspectorates, or from binding existing contracts – to maintain or, in some cases, improve a range of other services.
11. Within the baselines set out in the Finance Resource Model, Directors and the Head of Human Resources have developed their core proposals for the coming three years. Those baselines take account of the unavoidable requirements described in paragraph 10 and include allowances for staff pay of 2% per annum and for increased pension costs. With the exception of spend-to-save and spend-to-mitigate proposals, they have been required to meet all additional pressures within those baselines, with a view to securing the following **minimum** star ratings as used in the Audit Commission's Comprehensive Performance Assessment (which, taken together, would give the Council an overall 3* rating):
- (i) Corporate Assessment 3* (currently 3* protected rating from 2002, but with the underlying rating 2*)
 - (ii) Adult Social Care 2* (currently 0*)
 - (iii) Children and Young People 3* (currently 2*)
 - (iv) Environment 3* (currently 2*)
 - (v) Housing 4* (currently 4*)
 - (vi) Benefits 3* (currently 3*)
 - (vii) Culture: Libraries and Leisure 2* (currently 2*)
 - (viii) Use of Resources 3* (currently 3*)
12. The core proposals, prepared within the baselines, provide for substantial improvements in outputs and outcomes by 2009-10. These are reflected in the targets and actions in the draft Corporate Plan. Highlights include:
- Children and Young People** – further reductions in absences from schools, including by looked-after children; an increase in the percentage of breast-fed babies; increased family support; further improvements in GCSE results; and a reduction in the proportion of 16-18 year-olds not in education, employment or training
- Adult and Community Services** - an increase in the numbers of vulnerable people

helped to live at home; many more older people receiving Attendance Allowance and Pension Credit; nobody having to be housed in B&B or hostels; increased participation in sports and other recreational activities, including libraries, museums and galleries; and more people employed in high-technology and knowledge industries

Environment – an increase in the proportion of household waste re-cycled or composted, accompanied by a decrease in the amount of waste going to landfill; a higher proportion of land and streets meeting the cleanliness standard; fewer roads in an unacceptable condition; further reductions in the numbers of people killed or injured on the roads; and increased use of buses

Corporate and Customer Services – completing most of the new ICT network; achieving, across the whole Council, level 4 of the Local Authority Equality Standard (there are five levels; we are currently at Level 1); and doubling the number of press releases

Resources – reduction in the time taken to process benefits claims and changes; increase in claims calculated correctly; increase in the percentages of Council Tax and Business Rate collected; and a 4* Use of Resources rating

Human Resources – reduction in days lost to sickness to below the current national average for local authorities; more employees from ethnic minorities and with disabilities; 100% SRD completion; and Investor in People accreditation

13. The areas that should be considered for additional budget provision over the coming three years are set out as follows:
- (i) **Appendix 2** summarises spend-to-save proposals, for which **non-recurrent** budget provision would be required. These are aimed to improve services for vulnerable children and for older people. Were the comprehensive spend-to-mitigate proposal in respect of older people (Appendix 3) to go ahead, this more modest proposal would be subsumed as part of it
 - (ii) **Appendix 3** summarises spend-to-mitigate proposals, for which **recurrent** budget provision would be required. Again, these are to improve services for vulnerable children and for older people. By far the largest are comprehensive programmes to ensure that the Council is able to meet unavoidable future demand from older people and adults with learning difficulties with high-performing, more cost-effective services than currently
 - (iii) **Appendix 4** summarises other proposals that are not regarded by senior managers as deliverable within the baseline provision in the Finance Resource Model. These are all in Legal and Democratic Services. They include proposals to underpin major corporate projects, such as the Edgar Street Grid and Rotherwas Futures, and also to maintain current levels of support to committees
 - (iv) **Appendix 5** summarises proposals where the financial implications and affordability within the Finance Resource Model baselines are still under consideration
14. Decisions on these proposals will need to be reflected in the finalised Corporate Plan.

15. Strategic Monitoring Committee considered the three-year proposals at its meeting on 16 October 2006. Other than points of clarification, the Committee made no substantive comments.
16. The draft of the Corporate Plan indicates where targets and actions have yet to be confirmed. It is intended to complete most of these by mid November, alongside the initial preparation of directorate and service plans and the Council's Annual Operating Plan.
17. This will not be possible in respect of LAA targets and associated actions. This is because they are subject to review and renegotiation with Government and the Council's partners this autumn, with Government aiming that the refreshed LAA should be agreed before the end of January 2007.

Financial Implications

The draft Corporate Plan has been prepared within the parameters of the new MTFMS. The finalised plan, incorporating decisions on the three-year proposals, must be similarly affordable.

Alternative Options

Alternatives are exposed, as an intrinsic part of the corporate planning process, in the determination of the Council's priorities and the commitment of resources to achieve them

Risk Management

Section 6 of the Corporate Plan describes the strategic risks faced by the Council and how the Council intends to mitigate them

Consultees

Extensive consultation with the public and partner organisations on priorities was carried out during 2005 in the development of the new *Herefordshire Community Strategy*. In autumn 2006 the Council conducted its first annual public satisfaction survey. The results of these and other, more specific, consultations have been taken into account in the development of the draft Corporate Plan.

Background Papers

The Medium-Term Financial Management Strategy.

HEREFORDSHIRE COUNCIL

CORPORATE PLAN 2007 to 2010

Action for a better Herefordshire

"A place where people, business and an outstanding natural environment will together bring about sustainable prosperity and well-being for all."

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

Quality life in a quality county

DRAFT 13/10/06

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DRAFT 13/10/06

Foreword

In a fast-changing world of increasing economic competition, social change, greater diversity and increased public expectations, a successful future for Herefordshire will only be secured through an ambitious programme of continuous improvement.

The Council continues to lead that programme. Developed with the enthusiastic involvement of people and organisations across the county, the new *Herefordshire Community Strategy* sets out what we want to achieve through to 2020. Our *Local Area Agreement* with our partners and Government is the core of the action plan to turn this vision into reality.

We have again demonstrated over the past year our ability to do exactly that. We have **achieved** our top priority, ensuring that our arrangements for safeguarding children are sound. Our schools have delivered record GCSE results. We opened the Whitecross School and Specialist Sports College, one of the most eco-advanced in Europe. We helped many more vulnerable people to live at home, with our Signposting Scheme now having enabled older people to claim more than £9.5 million in additional benefits entitlements. We have reduced from 54 to 11 the number of families in bed and breakfast accommodation. We recycled more waste and sent less to landfill. We speeded up our planning decisions dramatically. These are just examples.

We are determined to drive an even faster pace of improvement. Resolved to keep Council Tax increases to the absolute minimum necessary, and with bleak prospects for increased Government grant, we have to create our own capacity to meet the huge challenges we face. Not the least of these are the inexorable rise in the number of older people and how to ensure that they are able to lead fulfilled lives as active members of their local communities; securing the economic infrastructure that will make the difference between a prosperous future and steady but certain decline – through ambitious projects such as the Edgar Street Grid and Rotherwas Futures; and the need to meet the public's expectations for better, more flexible services.

What will make all this possible is our comprehensive *Transformation Programme*. Over the next three years, this will revolutionise our services to customers, paying for the improvements through *Herefordshire Connects*, the rationalisation of our accommodation, and by a systematic approach to identifying future needs and how they can be met most cost-effectively, learning the lessons from the highest performing authorities elsewhere.

Together with the completion of the network of *Info. Shops* across the county, our new *Info. By Phone* service will provide fast and efficient one-stop services for all. We will modernise our approach to potentially vulnerable adults, with the emphasis firmly on prevention and on maximising independence. We will continue to improve the safety, opportunities and achievements of children and young people. In all that we do, we will work with the people of Herefordshire to ensure cleaner, safer and culturally richer communities, taking full advantage of the passion of those of us long-established in the county, as well as the energy of the diverse range of newcomers we welcome to join us in this common cause.

Councillor Roger Phillips

Leader of the Council

DRAFT 13/10/06

1.0 Introduction

1.1 The Council shares a vision for a better Herefordshire with a wide range of partner organisations in the private, public and voluntary sectors, and with those representing communities. It is of

Herefordshire as a place where people, business and an outstanding natural environment will together bring about sustainable prosperity and well-being for all.

1.2 Looking forward to 2020, the new *Herefordshire Community Strategy* sets out how we and our partners intend to turn this vision into reality. At its heart is our *Local Area Agreement* with the Government. Reviewed and refreshed this autumn, it establishes demanding targets to ensure the continued improvement of services and better outcomes for people, businesses and communities throughout the county for the next three years – 2007-10.

1.3 This, the Council's own Corporate Plan, says what we will do over the same three years to play our part in fulfilling the vision. It also sets out how we intend to carry on improving our efficiency and effectiveness, so that we deliver a fair deal for Council Tax-payers and make sure that our front-line services are as good as they can be.

1.4 This Corporate Plan:

- identifies the main challenges facing the county and the Council
- reviews what has been achieved since April 2005
- makes clear the Council's priorities for the future
- sets out the improvements in services and in efficiency and effectiveness which are planned
- identifies the main risks to the achievement of the Plan and how they will be managed
- shows how the Council's resources – human, financial, organisational and physical (including ICT) – will be deployed to bring about the planned improvements and manage the risks
- is the Council's strategic Best Value Performance Plan¹ and Overall Improvement Plan
- incorporates the objectives and performance measures for the *Local Area Agreement* (LAA)
- is the basis for leading and managing the Council's performance
- is the basis for the Council's Annual Operating Plan and individual directorate and service plans, and so for the performance objectives and targets of every team and every individual member of staff

1.5 Everything in the Plan is intended to help deliver the Council's commitment to:

- understand the needs and wishes of service users and Council Tax-payers, and do all we can to respond to them; so it takes into account the views expressed by the public in the drawing up of the new *Herefordshire Community Strategy*,

¹ Outturns and future targets for Best Value Performance Indicators will be reported by 30th June 2007, as an electronic link to the copy of this Plan on our website (www.herefordshire.gov.uk).

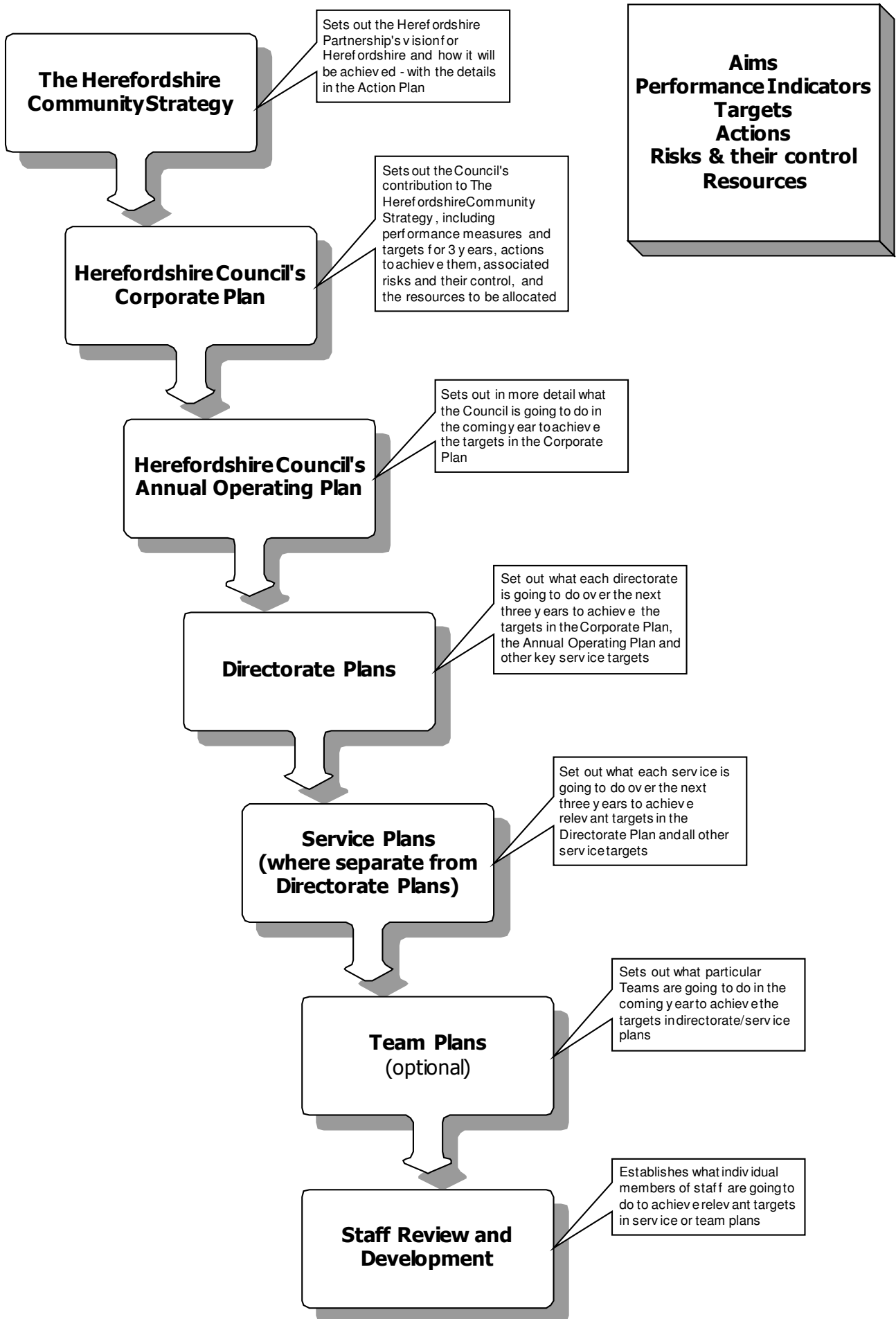
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the results of our first annual public satisfaction survey in autumn 2005 and those from the subsequent *Herefordshire Voice* citizen's panel survey

- community leadership and working in partnership with all sectors

and to the cross-cutting issues that require contributions from across the Council:

- diversity and equal opportunities for all
- thriving communities
- understanding and responding to the distinctive needs of rural areas
- safeguarding the environment
- better outcomes for children
- enabling older people to live fulfilled lives in their local communities
- sustainability



2.0 Setting the Scene

- 2.1 Herefordshire's population is about 178,800. The county is sparsely populated, with the fourth lowest county population density in England. Just below a third of the population lives in Hereford City, about a fifth in the market towns and almost half in rural areas.
- 2.2 Between 1991 and 2005 the population increased by 11.5%, entirely due to net inward migration into the county, mainly from neighbouring English counties and the South East. This rate of growth was faster than that experienced by the rest of the West Midlands (2.6%) and England and Wales (5.2%).
- 2.3 Recent population movements have seen a considerable exodus from urban areas, mostly to recognisable villages within the immediate catchment of the main towns. Herefordshire has become a popular destination for the retired, for holiday homes and second homes and, in some areas, for out-of-county commuting.
- 2.4 The county's population has a considerably older age profile than that for England and Wales. 23.4% of the population is over retirement age, compared with 18.7% nationally, and there are fewer persons of working age (58.3% compared with 62.0%). People are, on average, healthier than nationally and live longer.
- 2.5 By 2011 the population is expected to grow by 1.1%, which is about the same as nationally. However, the number of under 16s is expected to fall by 10.6% (national fall 2.7%); the number of working age residents to fall by 1.6% (2.6% growth nationally); and the number who are of retirement age and above to grow by 17.3% (10.4% nationally).
- 2.6 Most dramatically, the number of people aged 85 and over is expected to rise by a further 35.9%, to 5,980 residents, compared with a national increase of 19.4%.
- 2.7 Although the Government's 2004 Index of Multiple Deprivation ranks Herefordshire 192nd out of 354 local authorities, there are areas of poverty and deprivation within the county. Concentrations of the most deprived areas are within Hereford (South Wye and Central) and Leominster. Conversely, the least deprived areas are concentrated to the east of the county, in some of the fringes of Hereford and directly north and west of the city, and around Ross-on-Wye.
- 2.8 Average wages in the county are significantly below both the regional and national averages, with the gap having increased slightly in recent years. Average house prices are high compared with elsewhere in the region.
- 2.9 Unemployment in the county is low. Manufacturing provides 17% of employment, with service industries accounting for 77%; both agriculture and tourism are a more important source of jobs in the county than elsewhere in the West Midlands. Self-employment is more common in Herefordshire (nearly 13.7%) than in the rest of England and Wales (8.3%).

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- 2.10 Although Herefordshire performs well at GCSE level, there are relatively few people in the workforce with higher-level skills. There is limited higher education provision, and knowledge-based industries are under-represented in the county. There is net out-migration of young adults from the county, probably for the most part in search of wider opportunities for employment and higher education.
- 2.11 Experimental statistics (from ONS) suggest that, in 2003, 3.3% of the county's resident population was from ethnic minorities (5,900 people). This proportion is still very low by national (14.2%) and regional (15.0%) comparisons, but reflects growth of 22.9% in ethnic minority numbers since 2001, compared to just 1.1% in the total population. It is highly likely that numbers have increased further since the expansion of the European Union in May 2004; estimates suggest that in 2005 between 2,500 and 3,000 workers from new accession states were cleared to work in the county indefinitely.
- 2.12 The county also experiences a significant influx of temporary seasonal agricultural workers each year (around 3,000) – mainly over the summer months, with the majority from the Ukraine and Russia.

The public's views

- 2.13 The Council has a systematic programme for keeping up to date with the priorities of people in Herefordshire and what they think about the Council and the services it provides. Over the past year this has included the wide-ranging consultation that enabled the Council and its partner organisations to develop the *Herefordshire Community Strategy*, the first of the Council's annual satisfaction surveys and an initial follow-up survey of the members of the *Herefordshire Voice* citizen's panel to find out the underlying reasons for key areas of dissatisfaction. At the time of writing, the results of this last are still being analysed.
- 2.14 Taking together the results of the *Community Strategy* consultation and those from the annual satisfaction survey, the following issues emerge:
- perceived ease of access to most key local services has stayed at similar levels since 2003-04, but the public wants better information and access
 - although 80% of respondents are satisfied with their local community as a place to live, most quality of life aspects are perceived to have deteriorated; this is particularly marked in respect of traffic congestion, wages and the local cost of living
 - by contrast, anti-social behaviour is seen as less of a problem than in 2003-04, although the public wants further reductions in anti-social behaviour and crime
 - satisfaction with public transport information and local bus services has decreased
 - satisfaction with local recycling facilities has increased since 2003-04, but satisfaction with the kerbside recycling collection has decreased
 - a safeguarded and pleasant environment is important to people, with particular importance attached to flood prevention
 - satisfaction with sports and leisure facilities, parks and open spaces has remained steady, while satisfaction with other cultural and recreational services has decreased

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- considerable importance is attached to affordable housing and support to live independently
- this is also the case in respect of business diversification, enterprise, improved skills and training opportunities
- well over half of respondents feel they are kept well-informed by the Council, an increase compared with 2003-04; even so, people want more say in local issues and decision-making
- about half of respondents are satisfied with the way the Council runs things overall (a similar proportion to 2003-04), compared with under a quarter who are dissatisfied

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3.0 What the Council can do

- 3.1 The Council has a wide and growing range of powers and duties. These range from a general power to promote well-being to a host of specific legal obligations. These include such things as the provision of schools, the welfare of children and vulnerable adults, the safety of roads, waste collection and disposal, licensing and trading standards.
- 3.2 This means that the Council has limited or no discretion in some areas but more in others.
- 3.3 The Council has finite resources to deliver both its legal obligations and discretionary services. The financial context is therefore crucial. It is set out in detail in the Council's Medium-Term Financial Management Strategy ***[electronic link to be added]***

The Challenges

- 3.4 In 2006-07 the gap in the level of Government grant provided to the Council widened:
 - 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
- 3.5 Despite this, the Council's financial situation is sound, with a healthy level of reserves and a strong balance sheet.
- 3.6 Under the current Government settlement, the Council is scheduled to receive in 2007-08 an increase of 4% in Dedicated Schools Grant and 2.4% in Formula Grant. Government is expected to confirm the actual levels of grant for 2007-08 in January 2007. Whatever is made available for education, the amount for local authority schools will continue to be ring-fenced, so it cannot be used for other services.
- 3.7 It is therefore likely that budget pressures on schools can be contained within the grant funding much more easily than they can for other services, some of which are experiencing severe pressure.
- 3.8 These pressures are particularly intense on adult social care, including services for older people and adults with learning difficulties, evidenced by high levels of overspending in recent years. A comprehensive analysis of future needs and the cost-effective modern services needed to meet them shows that demand will continue to rise, year-upon-year for the foreseeable future, as the population ages. The Council has limited discretion in these areas.
- 3.9 Nor has the Council much room for manoeuvre in respect of the non-schools aspects of children's services. Its responsibilities for the welfare of children have grown as a result of the new Children Act. Although its arrangements for

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safeguarding vulnerable children are now judged to be adequate, the greatly increased number of referrals requires additional capacity to carry out assessments and deliver effective services. Other areas in need of continued improvement are services for children with learning difficulties and ensuring that all vulnerable young people make a successful transition to adult life.

3.10 Pressures are increasing in other areas too. For instance:

- spending has to continue to rise to meet Government targets for reducing waste
- there are rising costs nationally in a range of services, including street cleansing, tackling anti-social behaviour, housing, pensions and transport
- additional costs from new legislative and Government policy requirements, such as making local authorities solely responsible for the Coroners Service, that are not fully funded
- the proposals in the Government's Green Paper *Youth Matters* will place local authorities centre-stage for all youth services in their areas and the Government is proposing further extensions to concessionary fares in 2008; but in neither case is it clear whether the funding will be sufficient to meet the costs

3.11 In aggregate, these pressures will not be matched by increases in the Council's budget:

- looking beyond 2007-08, the next local government settlement will cover the three-year period 2008-09 to 2010-11, following HM Treasury's Comprehensive Spending Review 2007. Early indications are that this will include an even more incisive efficiency review and that resources will be focused on the Government's national priorities, such as education, health and security. This would mean that cash for local government services, other than schools, would be squeezed yet further
- one-off funding of major projects by the European Union and other external sources are coming to an end
- in view of the high number of people in the county on fixed and low incomes, and the Government's rules on capping, the Council cannot make up the deficit by increasing Council Tax to the levels that would be required
- whilst the Council will continue to borrow prudently, this will only be done where it would produce long-term affordable benefits.

3.12 The net result is that the Council faces significant budget pressures in 2007-08 and beyond. These can only be met by means of a radical transformation programme that both liberates cash for improvements in priority areas and delivers across the board improvements in the efficiency and effectiveness of customer services.

The Council's Response

3.13 The Council will continue to campaign, with other rural local authorities, for a fairer deal. Whatever the outcome, the Council will maintain its programme of decisive action to live within its means and ensure the affordability of this Corporate Plan.

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- 3.14 The motor for this is the Council's long-term *Business Transformation Programme*. Chaired by the Chief Executive, the *Programme's* Overall Project Board leads an ambitious change programme to improve customer services and deliver the financial capacity needed to invest in key priorities for the future. It consists of six main inter-linking projects, each managed by its own board. They are:
- The *Herefordshire Connects* Programme
 - The Customer Services Strategy
 - The Children and Young People's programme
 - *The Big Move*: our office accommodation strategy
 - Adult and Community Services Project
 - Pay and Workforce Development
- 3.15 The single most important element, on which all the others depend to a greater or lesser extent, is ***Herefordshire Connects***. Approved in April 2006 and led by a corporate Change Manager and Change Champions from each directorate, it is in the early stages of procurement. There are three key work-streams:
1. Integrated Customer Services – electronic records and document management system
 2. Integrated Support Services – finance, procurement, HR and asset management
 3. Corporate Performance Management – cross-council framework
- 3.16 This programme is aimed to release cash from business processes to reinvest in service and capital investment priorities, such as increasing demand for adult social care, improved children's service and essential economic infrastructure, such as *Rotherwas Futures*. The benefits realisation target is £11.75m by 2010.
- 3.17 The objectives and targets for the other *Business Transformation Programme* projects are included in the Action Plan in section 6 below. These are complemented by the Council's *Overall Performance Improvement Programme*, which is incorporated into the Action Plan.
- 3.18 On the basis of the benefits from the *Herefordshire Connects* programme and of modest assumptions about future Government grant and the level of Council Tax, the Council's capacity for cumulative increased spending over the period of the Corporate Plan is of the order of:
- | | |
|---------|----------------|
| 2007-08 | + £3.6 million |
| 2008-09 | + £3.9 million |
| 2009-10 | + £4.6 million |
- 3.19 To make the maximum impact in terms of sustainable service improvements, the Council will concentrate investment on meeting its top priorities in ways that will either reduce future expenditure or mitigate the costs of inescapable future demands.

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3.20 The Council's aspirations for improvement are that it should achieve, by no later than 2009-10, a level of performance equating to the following Comprehensive Performance Assessment star ratings:

Adult social care – at least ***[2* on the basis of approval of the purely social care elements of the proposals for modernised services; 3* if the full proposals, including the development of general community services, are approved]***

Benefits – at least 3*

Children and Young People – at least 3*

Corporate – at least 3*

Culture (Libraries and Leisure) – at least 2*

Environment – at least 3*

Housing – 4*

Use of Resources – 4*

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4.0 Performance April 2005 – September 2006

- 4.1 The Council is building its plan for the next three years on both a record of achievement and a good understanding of areas where it needs to improve.
- 4.2 The independent Audit Commission gives the Council a **Comprehensive Performance Assessment score of 3** (out of a possible 4) and adjudged us in 2005 to be **improving adequately** (fuller details are given below) **[To be updated, if necessary, in the light of the autumn 2006 Direction of Travel Assessment]**.
- 4.3 The Council's *Transformation Programme* and *Overall Performance Improvement Plan* are together designed to accelerate the Council's rate of improvement, so as to ensure that it achieves a high standard of efficiency and effectiveness in all that it does.
- 4.4 Major achievements already include:
- ensuring that our arrangements for safeguarding children social care are adequate, with excellent progress in the number of referrals of children in need (from 175 per 1,000 in March 2006 to 229 in August, against a target of 220)
 - good progress more generally with the implementation of the Joint Area Review Action Plan; for example, the 12-week target for occupational therapy is now being met, the Shadow Children and Young People's Board was set up at the end of 2005, and there is a comprehensive Forward Delivery Plan to deliver the improved outcomes required by the Children and Young People's Partnership Plan
 - completing a comprehensive assessment of future social care needs for older people and adults with learning difficulties, and of the better, more cost-effective services needed to meet them
 - the implementation, across the whole Council, of a comprehensive *Performance Improvement Cycle* that links the allocation of resources with the delivery of the Council's priorities
 - approving a change to the Constitution that will provide the necessary flexibility to ensure that the Council's political structures are aligned with the forward agenda
 - strengthening the scrutiny function in respect of both performance enhancement and policy development by means of a new Scrutiny Improvement Plan, including a programme of visits to look at best practice in other local authorities, and with a particular emphasis on improving Children's Services scrutiny
 - increasing the Council's capacity to deliver better services, particularly through the development of the *Herefordshire Connects* programme, accommodation rationalisation, and the completion of the county-

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wide *Info. Shop* network and the new *Info. by Phone* Service, which are on track for early 2007

4.3 Overall performance against Best Value Performance Indicators

Compared to the previous year, in 2005-06 the Council improved or maintained its performance against 59% of the indicators. This compares favourably with the 52% improved or maintained between 2004-05 and 2005-06.

4.4 Highlights of performance against the Council's priorities in 2005-06 and 2006-07

<p>Maximise the health, safety, economic wellbeing, achievements and contribution of every child</p>	<ul style="list-style-type: none"> - Although the average length of stay of all households who were unintentionally homeless and in priority need rose from 4 weeks at the end of 2004-05 to 10.65 weeks at the end of 2005-06, the number of families with children in B&B accommodation was reduced from 54 at the end of 2005 to 11 at the end of September 2006, with only 5 having been in B&B for six weeks or longer. - Prevention work is having a positive impact: homelessness applications and acceptances are down to record lows. - The Leominster Coningsby and Springfield children's centres were officially opened in May 2006, providing enhanced support to children and their families by bringing together under one roof different organisations that provide key services.
<p>Improve the achievement of pupils</p>	<ul style="list-style-type: none"> - 62.5% of pupils achieved five or more A*-C GCSE passes, a 5% increase on the 2005 results. - 94.1% of pupils gained at least five A*-G GCSE passes, a 1.6% improvement on 2005. - The % of young people leaving care with at least 1 A*-G GCSE pass or an NVQ rose from 65% in 2004 to 91.7% in 2005. - <i>[Highlights of SATs results to be added]</i> - Whitecross School and Specialist Sports College opened in June 2006. Many of its pupils helped design the school, which is one of the most eco-advanced in Europe.
<p>Enable vulnerable adults to live independently</p>	<ul style="list-style-type: none"> - The number of older people helped to live at home per 1,000-population aged 65 or rose from 60 to 82.9. - The success of the Signposting Scheme continues: with over 2,100 referrals in 2005-06, the total since 2002 is over 8,000 and the welfare rights element has helped people claim more than £9.5 million in additional benefits. - Per 1,000 population aged 18-64 in 2005-06, 4.8 with physical disabilities were helped to live at home in 2005-06 compared with 2.4 in 2004-05; 3.7 with mental health problems, compared with 1.3; and 2.5 with learning difficulties - The number of carers receiving a specific carers' service as a percentage of clients receiving community-based services rose in

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	2005-06 to 10%, against a target of 2%.
Protect the environment, by recycling waste and reducing carbon emissions	<ul style="list-style-type: none"> - The percentage of household waste that has been recycled continues to improve, rising to 24.07% in 2005-06, against 21.7% in 2004-05. - There was a reduction from 528 to 521.7 in the kilograms of waste collected per head, although the cost per household collection rose, as did disposal costs per tonne - The action plan developed to tackle the previous year's fall in the speed of determining planning applications has had an immediate impact: major applications determined within 13 weeks improved from 46% to 56%; minor applications determined within 8 weeks from 51% to 67%; and other applications from 64% to 78%.
Improve transport and the safety of roads	<ul style="list-style-type: none"> - Although the number of people killed or seriously injured in road accidents rose from 141 in 2003 to 147 in 2004, this compares very favourably with earlier years; and there was a significant fall from 783 to 732 in the number of people slightly injured.
Sustain vibrant and prosperous communities, providing more efficient, effective and customer-focused services and clean streets	<ul style="list-style-type: none"> - The number of people accepted as homeless and towards whom the council has a full statutory duty fell from 510 in 2004-05 to 416. Applications and acceptances are at record lows of, respectively, 59 and 29 in the first quarter of 2006-07. - The cleanliness of streets continues to improve, with a fall from 27% to 18% in the proportion of relevant land falling below an acceptable level. - Following development of the Museum and Learning Resource Centre, satisfaction levels are at over 90%. - The first phase of the major enhancement project to revitalise Hereford City Centre is well-advanced - Significant progress has been made with the Edgar Street Grid, with the appointment of a Chief Executive and the purchase by Advantage West Midlands of the trading site for the relocation of existing businesses
Promote diversity and community harmony and strive for equal opportunities	<ul style="list-style-type: none"> - The Council remains on course to meet its target of achieving Level 2 of the Local Authority Equality Standard in 2006-07: the three-year comprehensive programme of equality impact assessments has been completed, providing the basis for SMART action plans to be in place across the Council by March 2007 - Developed in partnership with West Mercia Police and Herefordshire Primary Care Trust, a migrant workers' web-site has been launched, the first of its kind in the UK - buildings open to the public meeting Disability Discrimination Act requirements increased by 14% to 45.9%.
Develop its community leadership role	<ul style="list-style-type: none"> - <i>[Latest position in respect of the proposed Public Service Trust/Children's Trust arrangements]</i> - Following its election, the <i>Herefordshire Youth Council</i> is now fully established and met for the first time in March 2006

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Secure significant efficiency savings	<ul style="list-style-type: none"> - The Council made total efficiency savings of £3.2 million in 2005-06, of which over £2.5 million were cash releasing.
Ensure that its essential assets are in the right condition for the long-term cost-effective delivery of services	<ul style="list-style-type: none"> - A score of 3 out of 4 was achieved for the Use of Resources in the 2005 Comprehensive Performance Assessment, meaning that the Council was performing well and consistently above the minimum requirements set by the Audit Commission. - The long-term Accommodation Strategy is under review in the light of continuing negotiations with the owners of the Plough Lane building but the implementation of immediate plans for rationalisation are going ahead.
Understand the needs and preferences of service users and Council Tax-payers	<ul style="list-style-type: none"> - Annual satisfaction surveys were introduced in autumn 2005. Overall satisfaction levels with the Council were broadly similar to those achieved in 2003. - Follow-up surveys with the <i>Herefordshire Voice</i> citizen's panel are being undertaken during 2006-07 to find out the reasons for dissatisfaction with some services, so as to provide the basis for targeted action
Recruit, retain and motivate high quality staff	<ul style="list-style-type: none"> - Sickness levels rose slightly in 2005-06 to 10.5 days per full-time equivalent employee. - Turnover in 2005-06 remained low at 7.73%, compared with the 16.55% average in comparator authorities. - The new Recruitment Centre has reduced the average time taken to recruit to 39 days, compared with the previous 72.
Embed corporate planning, performance management and project management systems	<p>the implementation, across the whole Council, of a comprehensive <i>Performance Improvement Cycle</i> that links directly, 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</p> <ul style="list-style-type: none"> - putting in place a linked network of performance improvement managers across the Council, with parallel action to strengthen substantially the performance management arrangements of <i>The Herefordshire Partnership</i>, including for the Local Area Agreement

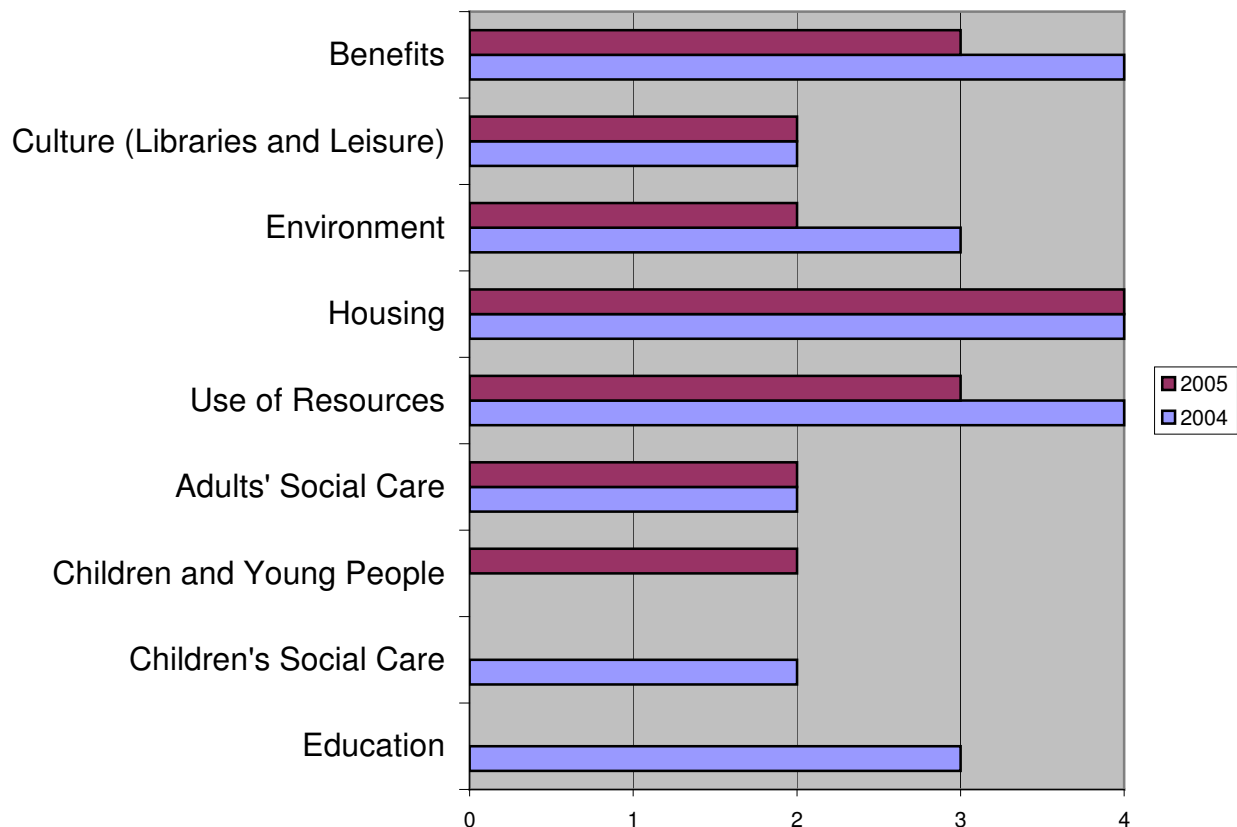
4.5 Comprehensive Performance Assessment (CPA)

The Audit Commission introduced revised and significantly more demanding CPA arrangements in 2005: *CPA – The Harder Test*. Under these arrangements, the Council was judged overall to have maintained its 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 previously separate scores for Education and Children's Social Care have been replaced with an overall score of 2 for Children and 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.

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Housing, Culture and Adult Social Care have maintained their service scores.



4.5 **Commission for Social Care Inspection (CSCI)** - CSCI assessed the Council as providing a 0 star service, serving some adults well, with uncertain capacity for improvement; and not serving children well, with poor capacity for improvement.

4.6 **Audit and Inspection Letter** - the Council's overall financial position was judged by its external auditors to be sound, although it faces the challenge of delivering substantial future efficiency savings. Systems of internal control were found to be adequate, with room for improvement by further developing risk management, the assurance framework and the role of the Audit Committee. They judged the Council's achievements and management arrangements for improving value for money to be good.

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5.0 The Council's Priorities

5.1 The Council's **top priorities** for the period of this Plan are:

- to **maximise the health, safety, economic well-being, achievements and contribution of every child**, including those with special needs and those in care, with special emphasis on sound arrangements for safeguarding vulnerable children and sustained improvements in educational attainment
- to **enable vulnerable adults to live independently** and, in particular, to **enable many more older people to continue to live in their own homes**
- to **secure the essential infrastructure for a successful economy**
- to **sustain thriving communities, including by securing more efficient, effective and customer-focused services, clean streets, tackling homelessness and effective emergency planning**
- to **protect the environment**, including by **producing much less waste, recycling much more of what remains** and significantly **reducing carbon emissions**
- to **improve transport and the safety of roads**, including further reductions in the numbers of people killed or seriously injured
- to **promote diversity and community harmony** and **strive for equal opportunities** for all the people of Herefordshire, regardless of race, religion, disability, sex, sexual orientation, geographical location, income or age
- to **give effective community leadership**, working with partners to deliver the *Herefordshire Community Strategy*, including the *Local Area Agreement*

5.2 To make these things possible, the Council's **organisational priorities** are:

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

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6.0 Identifying and Managing Risk

- 6.1 The Council is determined to make the most of opportunities and has a comprehensive approach to identifying and managing the risks it faces. The main risks to particular services and major projects, and how the Council intends to manage them, are identified in the Action Plan that follows in Section 7 below.
- 6.2 All risks are recorded and monitored by means of a corporate register. Details are included in the Annual Operating Plan and in directorate and service plans.

Overarching risks

- 6.3 A number of risks have the potential to affect the Council as a whole and to have direct or indirect impacts on all its services. These are **financial, reputational** and in respect of its **organisation, staff and systems**. These categories of risk often overlap and interact one upon the other.

Financial

- 6.4 The Council faces major risks in respect of the **level of resources** available to it to provide services, the maintenance of a **balanced budget** and the **effective and efficient use of resources**.
- 6.5 The UK Government is placing tight constraints on local authority spending generally, at the same time as requiring councils to take on additional responsibilities and setting more demanding service targets. These bear disproportionately on rural authorities because of the extra costs of providing services to sparse populations.
- 6.6 The impact falls especially hard on Herefordshire Council, as an authority that receives a much lower than average Government grant per head of population.
- 6.7 The Council will manage these risks by:
- continuing, in partnership with other rural authorities, to make the case to Government for a fairer deal
 - ensuring that, whatever the level of resources realistically likely to be available, its forward plans are affordable
 - rigorous and robust systems of internal control, including integrated in-year financial and performance monitoring and management, and a carefully targeted audit programme
 - delivering, primarily by means of the *Herefordshire Connects* programme, a major programme of efficiency savings that will exceed Government requirements
 - meeting its priorities in ways that will either reduce future expenditure or mitigate the costs of inescapable future demands, including the prudent use of reserves
 - getting better value from the goods and services the Council procures
 - rationalising the Council's accommodation and other property holdings, and lowering the costs of using them
 - where necessary, reducing lower priority services

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- and, generally, through the measures and controls set out in the Medium-Term Financial Strategy

Reputational

- 6.8 The Council must ensure that it has a good reputation with the people of Herefordshire, with partner organisations and with the UK Government. This is at risk in view of the financial and service challenges described above, as well as the ever-higher standards demanded by the Audit Commission and the other Government-led inspectorates.
- 6.9 The Council will manage these risks by:
- implementing its *Overall Performance Improvement Programme*, which takes account of the 2005 Corporate Performance Assessment and the first Joint Area Review of Services for Children and the Young People (the key elements are included in the Action Plan in Section 7 below). This will be further developed in the light of the Audit Commission's review of the operation of the Council's performance management arrangements, the report of which is expected in November 2006
 - continuing to give the highest priority to ensuring that its arrangements for safeguarding children are at least adequate, and over the medium-term much more than that
 - delivering full benefits from the *Business Transformation Programme*, in particular the savings and service improvement from the *Herefordshire Connects* programme
 - continuing the targeted improvement of individual services to achieve and maintain the highest possible Comprehensive Performance Assessment scores
 - under its *Communications Strategy*, explaining to the public and partner organisations, candidly and in plain English, the issues the Council faces
 - under its *Community Involvement Strategy*, consulting the public and partners fully about the major choices it has to make, taking their views into account before making them, and explaining the reasons for its decisions
 - intensifying its focus on serving its customers through its *Customer Services Strategy*. This includes testing, through annual surveys and the monitoring of complaints and compliments, levels of customer satisfaction with the Council as a whole and with individual services
 - ensuring effective emergency planning and business continuity to maintain essential services and protect the vulnerable
 - continuing to implement the Freedom of Information Act, at the same time as complying with data protection legislation
 - ensuring full compliance with all equalities legislation, in particular by ensuring that the results of its comprehensive programme of impact assessments are acted upon, and being well-prepared to meet the requirements of new legislation that is extending protection against unequal treatment on the grounds of gender, age, sexual orientation and religion or belief
 - working with other organisations to achieve common goals for the people of Herefordshire, particularly by means of giving effect to the new *Herefordshire Community Strategy* and the associated *Local Area Agreement* with Government

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- maintaining the highest standards of corporate governance, propriety, integrity and impartiality

Organisation, staff and systems

- 6.10 In support of these developments, the Council is implementing a major programme of organisational change and development, which involves working in new ways across traditional service boundaries within the Council and with our partners. This requires a more driven, corporate approach to securing change so as to deliver better services, meet new statutory and regulatory requirements, and improve efficiency.
- 6.11 Foundations have been laid to meet the challenges of *The Children Act* and *Every Child Matters*. Full, successful implementation will continue to require substantial cultural and organisational change within the Council and with partners. More rigorous and effective performance management is central to this, which is why the Council has engaged the Institute of Public Care to work with managers and staff in the development and operation of strengthened arrangements.
- 6.12 This is paralleled in its importance and magnitude by the need to secure new patterns of preventative, more flexible, value for money services to maximise the well-being, choice and independence of vulnerable adults
- 6.13 These and other challenges must be met at the same time as continuing to deliver to a high standard all essential services; and do so in some cases with fewer staff, working in new structures, new management relationships and streamlined business processes, with a consistently robust and effective approach to performance management. Above all, it must have a high quality, motivated workforce.
- 6.14 Underpinning the service and organisational improvements, there must be highly efficient and effective ICT. The Council's systems are undergoing major up-grading; this will continue to require significant investment over the coming years.
- 6.15 Organisational change and development of this scale and range is a huge challenge, with high inherent risks of failure.
- 6.16 The Council will manage these risks by means of:
- setting clear strategies, objectives, targets and timetables for all elements of change and improvement, taking into account their interactions one upon the other; this is provided for in the *Business Transformation Programme* and the *Overall Performance Improvement Programme*
 - having a designated lead Cabinet member and member of the Corporate Management Board for each area of change, objective and performance, including in respect of children's services and an Older People's Champion
 - PRINCE 2 project management, with each project led by the relevant member of the Corporate Management Board or Senior Management Team and overseen by the responsible Cabinet member
 - the operation of the *Performance Improvement Cycle*, which integrates corporate, service and financial planning and performance management

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- the operation of the Corporate Management Board, chaired by the Chief Executive. Its focus is on strategic issues, including the change agenda. Each member devotes at least 20 per cent of his or her time to explicitly corporate activities.
- driving strategic change into operational reality through the Senior Management Team, which comprises the Heads of Service
- devoting dedicated staff resources to drive the programme and to safeguard affected areas during the transition to fully operational new structures
- the *Pay and Workforce Strategy*, including support for staff and comprehensive training and development opportunities linked to the Council's objectives, underpinned by the Council's commitment to seek accreditation as an *Investor in People*
- a systematic programme for effective two-way communication with all staff, as part of the Council's *Communications Strategy*
- regular monitoring by the Corporate Management Board and Cabinet of the overall programme and the individual elements, leading to vigorous action wherever necessary
- regular reports to the Strategic Monitoring Committee and the relevant subject scrutiny committees

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7.0 The challenges and the Council's response: the Action Plan for 2007-10

- 7.1 The pages that follow set out, for each of the Council's priorities, what the Council aims to achieve over the coming three years and the key actions it intends to take to do so.
- 7.2 **Part One – *Making a reality of The Herefordshire Community Strategy*** – shows what the Council intends to do to fulfil the *Herefordshire Community Strategy*, including the *Local Area Agreement*.
- 7.3 **Part Two - *Organisational improvement*** – shows what the Council intends to do to the way it operates so as to deliver better, more cost-effective services to users and Council Tax-payers.
- 7.4 Many of the targets and actions contribute to more than one of the priorities. Where they are of particular significance to more than one they are repeated, but mostly they are described in relation to the priority to which they contribute most.
- 7.5 Where particular objectives and related targets and actions are led, not by the Council but by partner organisations, they are shown under the Council priority ***to give effective community leadership***, which begins on page 39
- 7.6 Except where otherwise indicated, the stated targets are to be achieved by the end of March 2010.
- 7.7 The Plan will be up-dated and rolled forward annually so that it always looks forward three years.
- 7.8 The details of what the Council will do in the first year of this Corporate Plan will be set out in its ***Annual Operating Plan 2007-08***.
- 7.9 To achieve the targets will require effective working across organisational boundaries: internally, between Cabinet members and between managers at all levels; and externally, between Council members and officers and their counterparts in partner organisations.
- 7.10 Information on the Council's budgets and income is given in Appendices 1 – 3.

[To be added]

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The Action Plan Part One: making a reality of *The Herefordshire Community Strategy*

Maximise the health, safety, economic well-being, achievements and contribution of every child, including those with special needs and those in care, with special emphasis on sound arrangements for safeguarding vulnerable children and sustained improvements in educational attainment

The challenges

The overall challenge is to deliver, with our partners and across the whole of the Council's activities, fully integrated and coherent services for children and young people, as required by *Every Child Matters* and the *Children Act*.

Within that framework, we must give the highest priority to ensuring that:

- the most vulnerable children and young people are safeguarded, and enjoy and achieve to their maximum potential
- there are high quality services and support that meet the needs of children and young people with learning difficulties
- there is adequate housing provision for single young people (including those leaving care) and families
- services are provided on the basis of a sound understanding of the needs and wishes of children, young people and their families
- the foundations are laid for all children to lead healthy and fulfilled lives
- the Council continues to work successfully with schools to raise the already impressive overall achievement of pupils across the county to even higher levels; and ensures that this extends to all Council maintained schools and all groups of pupils, with a particular emphasis on improving the achievements and life-chances of those suffering disadvantage

The Council's response

- ✓ Building on the work of the *Children and Young People's Partnership Board*, we will **establish**, with our partners, **a Children's Trust** to provide the basis for sustainable high quality services for children and young people ***[to be updated, as necessary, in the light of the discussions on the Pubic Service Trust]***
- ✓ We will complete, with our partners, the development and **successful implementation of the *Herefordshire Child Concern Model*** under the direction of the *Safeguarding Children Board* and the *Children and Young People's Partnership Board* **so as to ensure sound arrangements for safeguarding children**
- ✓ ***[percentage of children on the child protection register that are re-registrations – HCS PI]***

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- ✓ **[Provision of family support and percentage increase – LAA PI]**
- ✓ We will establish a Disability Taskforce and Development Plan to **deliver service improvements for children with learning difficulties and disabilities [to be updated]**
- ✓ By implementing our *Homelessness Strategy* and by securing, with partners, an increase in the supply of both temporary and settled housing, we aim to **eliminate the use of bed and breakfast accommodation for households with children**
- ✓ Through the implementation of our *Community Involvement Action Plan for Young People*, including the establishment of the *Herefordshire Youth Council* and the operation of the *Community Forums*, we will maintain an up-to-date understanding of the needs and wishes of children and young people. Key measures of our success will be to **increase from 19% to 30% the percentage of young people who feel that they can influence decisions affecting important local services**
- ✓ **[Percentage of 11-15 year-olds who say they have been bullied in the last twelve months]**
- ✓ We aim to **increase the number of accredited *Healthy Schools* from 51 in 2005/06 to 107 in 2009/10**
- ✓ By delivering Local Transport Plan safety schemes and through road safety instruction in schools, we aim to **limit to no more than 12 the number of under 16s killed or seriously injured annually in road accidents in the county** (a 50% reduction on the 1994-98 average)
- ✓ We aim to ensure that **at least 85% of 3 year olds have access to** a good quality free early years education place in the voluntary, private or maintained sectors
- ✓ **[Percentage of 16-18 year-olds not in education, employment or training – 4.8 % - LAA PI, plus mirror image HCS PI]**
- ✓ We aim to **increase from 12 to 46 by 2008 the number of young people engaged in education, training or employment at the age of 19 who had been looked after by the Council in their 17th year**
- ✓ By working with schools in partnership with the Learning and Skills Council (LSC) and further education colleges, to broaden the range and flexibility of the curriculum and available qualifications, including increased vocational options, we aim to **increase from 88% to 96.5% the proportion of pupils in schools maintained by the Council achieving 5 or more 5A* - G grades at GCSE, or the equivalent**
- ✓ We will work with schools to raise to even higher levels performance in the top GCSE grades, in particular **increasing from 58 % to 68% by 200809 the proportion of pupils in schools maintained by the Council achieving 5 A* - C GCSEs, or the equivalent, including English and Maths**

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- ✓ By working in partnership with schools to tackle disaffection by means of the Behaviour Support Plan and the Behaviour Support Policy produced by each school, we aim to **reduce school absences** as follows:
 - **in secondary schools maintained by the Council, from 7.2 % to 7% of half-day sessions**
 - **in primary schools maintained by the Council, from 5.1 % to 5% of half-day sessions**
 - **the number of children looked after by the Council continuously for at least 12 months, who missed at least 25 days of schooling during the previous school year, to fall from 14 to no more than 7 by 2007-08**
 - **reduce by an average of 4.25% over three years (ending academic year 2007/8) the number of half-day sessions (currently 839) missed due to authorised and unauthorised absence in primary schools by children looked after by Herefordshire**
 - **reduce by an average of 7% over three years (ending academic year 2007/8) the number of half-day sessions (currently 1,656) missed due to authorised and unauthorised absence in secondary schools by children looked after by Herefordshire**
- ✓ *[Measure of engagement in schools – HCS PI]*
- ✓ *[Increase in the number of 11-15 year-olds volunteering – HCS and LAA PI]*
- ✓ *[Net perceived improvement in adults' perception of activities for children – HCS and LAA PI]*

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Enabling vulnerable adults to live independently and, in particular, enabling many more older people to continue to live in their own homes

The challenges

Over the coming three years the big challenges are to:

- work with communities and partners to develop to the full the opportunities for the rapidly growing numbers of older people to have fulfilled lives and contribute to society
- as a crucial element of this, put in place more cost-effective social care services to improve the quality of life of older people, especially those over 80, and their carers
- put in place more cost-effective and flexible support, including social care, for other vulnerable adults (particularly those with physical disabilities, mental health problems or learning difficulties) and their carers
- in respect of all, maximise independence, well-being and choice
- continue to tackle homelessness successfully

The Council's response

[To be revised, as necessary, in the light of decisions on the proposals for modernised, high-performing social care and associated community services]

- ✓ By working with partners to reduce waiting times for assessment and care packages; mapping, co-ordinating and developing a range of rehabilitation, prevention and independent living services; establishing community wardens across the county; expanding the *Signposting Scheme*; piloting a local care sitter service; targeting further sites with Fire Service outreach workers; continuing the Trading Standards *Doorstep Crime Campaign*; and by increasing significantly the number of older people receiving direct payments to purchase social care, we aim to **increase the number of people of 65 or over helped to live at home per 1,000 population from 82.9 to 100**
- ✓ ***Independence and choice for older people and vulnerable adults (HCS PI)***
- ✓ By the same means, we aim to:
 - **reduce from 34,691 to 31,222 by 2007-08 the number of emergency unscheduled acute hospital bed-days in NHS hospitals occupied by a person aged 75 or more commissioned by Herefordshire Primary Care Trust**
 - **increase the satisfaction of people over 65 using home care services provided through Herefordshire Social Care or directly purchasing services using direct payments** (measured as a reduction

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of at least 10% in the gap between the proportion satisfied in 2006 and 100%, and the gap in 2009)

- ✓ By working with our partners, and following extensive consultation with older people and other interests, we aim to have in place by **[date to be confirmed]** a **comprehensive Older People's Strategy, with clear targets and actions to achieve them**
- ✓ Through the Joint Team with the Department of Work and Pensions (DWP) and implementation of the agreed plan to identify potential claimants, we aim to:
 - **increase the number of people in receipt of Pension Credit from 7,596 to 8,554**
 - **increase the number of people aged 60 or over in receipt of Council Tax benefit from 6,862 to 8,150**
 - **increase the number of people in receipt Attendance Allowance from 5,874 to 6,818**
- ✓ Working with partners to implement the *Physical Disability and Sensory Impairment Best Value Review Action Plan* and through the development of a new deaf-blind service, we aim to **increase the number of people with physical disabilities per 1,000 population aged 18-64 helped to live at home from 4.8 to 5.2**
- ✓ With partners, using improved assessment tools and providing improved advice and support, we aim to **increase the number of people with learning disabilities per 1,000 population aged 18-64 helped to live at home from 2.5 to 3.3**
- ✓ Working with our partners in a co-located joint service, with expanded early intervention, deliberate self-harm and carers' support services, we aim to **increase the number of people with mental health problems per 1,000 population aged 18-64 helped to live at home from 3.7 to 5.1**
- ✓ By implementing with our partners our *Homelessness Strategy Action Plan* and developing more affordable housing, we aim to **decrease from 490 to 140 the number of people accepted as homeless during a year in respect of whom the Council has a full statutory duty**

Securing the essential infrastructure for a successful economy

The challenges

The next three years are crucial in ensuring that Herefordshire has the right infrastructure to hold its own in the increasingly competitive UK and international economies.

The key ingredients are:

- a flexible, skilled workforce
- a good transport infrastructure
- a good supply of industrial and commercial sites
- incentives to help new businesses prosper and grow
- a focus on attracting and retaining knowledge and high-technology industries that offer better paid, high-value added employment

The Council's response

- ✓ Working with partners, we will implement the *Herefordshire Economic Development Strategy 2005 to 2025*, key elements of which follow
- ✓ ***[Edgar Street Grid and other elements of the £100 million plus regeneration programme for Hereford City – main elements/milestones to be added]***
- ✓ ***[Rotherwas Futures, including the relief road - main elements/milestones to be added, including link with South Wye regeneration/better wages]***
- ✓ Creation of *The Learning Village* in Hereford City
- ✓ Completion of *The Market Towns Initiative*
- ✓ ***[No. of VAT registered businesses and % change – HCS and LAA PI]***
- ✓ By establishing a new grant scheme to encourage employers and by running a support programme of seminars and events, we aim to **increase the number of people employed in technology and knowledge intensive industries from 9,339 to 10,697**
- ✓ Through these measures, we aim to **reduce the gap in average wage levels between Herefordshire and the rest of the West Midlands and nationally**
[Target for the improved ratio to be added: 2005 was 0.87:1; target for average wage levels in 2009-10 is £451.88]

Sustaining thriving communities, including by securing more efficient, effective and customer-focused services, clean streets, tackling homelessness and effective emergency planning

The challenges

The next three years require continued action across a wide range of complementary areas vital to the future of communities across the county:

- tackling the growing problems of affordable housing and continuing successfully to combat homelessness
- building on success in reducing the overall level of crime, with a particular drive to reduce the number of violent offences, crime related to the misuse of drugs and alcohol, and anti-social behaviour
- working in even more effective and focused partnerships across all sectors to maintain and improve community services, including the full modernisation of those provided directly by the Council to make them more cost-effective and user-friendly
- the fuller engagement of people of all ages, backgrounds and abilities in the life and development of their communities
- maintaining our successful partnerships to ensure that all people are safeguarded at times of emergency

The Council's response

- ✓ By implementing with our partners our *Homelessness Strategy Action Plan* and developing more affordable housing, we aim to **decrease from 490 to 140 the number of people accepted as homeless during a year in respect of whom the Council has a full statutory duty**
- ✓ ***[Increase housing supply in a sustainable way – new mandatory LAA PI]***
- ✓ **Decrease by 5% the proportion of people who think that the following things are a problem:**
 - speeding traffic
 - vandalism, graffiti and other deliberate damage to property or vehicles
 - people using drugs
 - people dealing drugs
 - people being drunk or rowdy in public places

[Targets yet to be set for subsequent years]

- ✓
- ✓ ***[Increase in the percentage of people who feel that people in their area treat them with respect and consideration – new mandatory LAA PI]***
- ✓ ***[Increase in the percentage of people who feel informed about what is being done to tackle anti-social behaviour in the local area – new mandatory LAA PI]***
- ✓ ***[Increase in the percentage of people who feel that parents in their local area are made to take responsibility for the behaviour of their children – new mandatory LAA PI]***
- ✓ Through a wide-ranging programme of actions, we aim **at least to maintain access to key local services, measured by the proportion of survey respondents who find it easy to access:**
 - a local shop: 86%
 - a supermarket: 79%
 - a shop selling fresh fruit and vegetables: 80%
 - a post office: 82%
 - a doctor: 77%
 - a local hospital: 56%
 - a green space: 81%
 - public transport: 75%
 - a chemist or pharmacy: 77%
 - a bank or cash point: 73%
 - a library: 69%
 - a sports or leisure centre: 66%
 - a cultural or recreational facility: 53%
 - a Council office: 60%

[Targets were to be reviewed in spring 2006, in the light of analysis of results from the late 2005 Annual Satisfaction Survey; not yet received]

- ✓ We aim to **increase the percentage of adults who use:**
 - **sports and leisure facilities at least once a month from 25% in 2005 to 30% in 2009**
 - **parks, open spaces, play areas and other recreational facilities at least once a month from 41% in 2005 to 46% in 2009**
 - **libraries at least once a month from 32% in 2005 to 34% in 2009**
 - **museums or galleries at least once every six months from 19% in 2005 to 21% in 2009**
 - **theatres or concert halls at least once every six months from 32% in 2005 to 36% in 2009**
- ✓ We aim **to increase the satisfaction of adult residents with their local community as a place to live from 80% to 88%**

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- ✓ We will also aim to **increase the adult public's perceptions of improvement in the quality of life in terms of each of the following:**

- **access to nature**
- **activities for teenagers**
- **affordable decent housing**
- **clean streets**
- **community activities**
- **cultural facilities**
- **education provision**
- **facilities for young children**
- **health services**
- **job prospects**
- **parks and open spaces**
- **public transport**
- **race relations**
- **road and pavement repairs**
- **shopping facilities**
- **sports and leisure facilities**
- **the level of crime**
- **the level of pollution**
- **the level of traffic congestion**
- **wage levels and the local cost of living**

[No proposed targets yet received]

- ✓ By implementing our *Community Involvement and Communications Action Plan*, enabling more communities to draw up their community/parish plans, making the best possible use of the county's *Community Fora*, capacity-building and training for community volunteers and agencies, and support for activities that enable communities to come together more we aim **by 2007-08 to:**
 - **increase the percentage of adult residents who feel they can influence decisions affecting their local community from 38% to 40%**
 - **increase the percentage of adult residents who feel the Council does enough to give them the opportunity to influence important decisions about local services from 23% in 2005 to 28% in 2009**
 - **increase the percentage of adult residents reporting that they have engaged in formal volunteering for an average of two or more hours a week from 19% to 24%**
- ✓ Working with our partners to deliver our annual programme of risk assessment, emergency planning and exercising, business continuity management within the Council, advice to businesses and other organisations, and effective communications with the community, we will **comply fully with the Civil Contingencies Act 2004**

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Protecting the environment, including by producing much less waste, recycling much more of what remains and significantly reducing carbon emissions

The challenge

Building on the strong foundations we have laid in recent years, over the next three years we must further improve our performance in respect of:

- safeguarding Herefordshire's beautiful countryside as a place where people can live, work and enjoy, and which continues to be a magnet for responsible tourism
- reducing waste and pollution across the county
- our direct contribution from the way we conduct our operations

and do so within tightly constrained resources.

The Council's response

- ✓ Adopt the Unitary Development Plan, providing consistent county-wide policies for environmental protection and sustainable development
- ✓ Through our maintenance of highway verges, school grounds, cemeteries, smallholdings, parks, open spaces and other landholdings, we aim **by 2009 to increase from 2.59% to 3.4% the proportion of Council-owned or managed land, without a nature conservation designation, that is managed for biodiversity**
- ✓ ***[Increase the percentage of land designated as a Site of Special Scientific Interest that is in a favourable or unfavourable but recovering position – HCS PI; baseline is 19%; target under consideration]***
- ✓ ***[Increase in the number of key species – HCS PI; baseline and target under consideration]***
- ✓ By increasing participation in the kerbside collection of recyclables, supporting new facilities for waste diversion and recycling and improving the performance of household waste sites, we aim to:
 - **reduce the amount of household waste collected per head in a year to 510 kilograms (compared to the baseline of 521.7 kilograms)**
 - **reduce from 75.93 % to 65% the proportion of household waste that is landfilled**
- ✓ ***[Environmental/climate change PI – HCS PI – measurement under consideration]***

- ✓ By working in partnership with other agencies and voluntary and community groups (including the provision of cleansing equipment for them to use), and by a targeted programme of deep cleansing and enforcement action, we aim:
 - to **reduce from 18% to 13% the proportion of streets and other public areas falling below an acceptable level (Grade B) for cleanliness**
 - to **increase from 90% to 95% by 2008-09 the percentage of abandoned vehicles removed within twenty-four hours of the point when the Council is legally entitled to do so**

[N.B. The new LAA is expected to replace the PI above with a new PI that combines this with a satisfaction PI that is being measured in the General Public Satisfaction Survey currently being carried out]

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Improving transport and the safety of roads, including further reductions in the numbers of people killed or seriously injured

The challenge

Over the coming three years we must:

- improve the condition of the roads for which the Council is responsible at a time when recurrent Government financial support for highways is set to fall
- build on our achievements by cutting road casualties even more
- continue to do all we can to promote sustainable transport that serves all the people of the county, including those who don't have a car

The Council's response

- ✓ By means of Local Transport Plan safety schemes, improving the condition of roads more generally and through road safety training in schools, we aim to **reduce from 141 to 116 the number of people killed or seriously injured in road traffic collisions in a year**
- ✓ Primarily by means of targeted bus subsidies, the provision of bus lanes and other public transport infrastructure, and by introducing park and ride facilities, we aim to:
 - **control the increase of annual average traffic volumes to no more than 8% compared with 2003-04**
 - **increase from 3,109,000 to 4,032,000 (nearly 30%) the number of passenger bus journeys a year**
- ✓ ***[Reduce the percentage of adults resident in Herefordshire that usually travel to work on their own by driving a car or van – HCS PI – baseline currently being established through the General Survey]***
- ✓ By providing improved cycleways, traffic and road safety schemes, the safer routes to schools programme, and highway and footway maintenance, we aim to increase the number of cyclists using public cycle parking facilities by 5% every two years and **increase by 18% the number of cycling trips in a year compared with 2003-04**
- ✓ ***[Increase the percentage of children walking or cycling to school – new mandatory LAA PI]***
- ✓ ***[Improve the public's perceptions of levels of traffic congestion – HCS & LAA PI – target to be set]***

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Promoting diversity and community harmony and striving for equal opportunities for all the people of Herefordshire, regardless of race, religion, disability, gender, sexual orientation, geographical location, income or age

The challenges

Over the next three years we must:

- accelerate our progress against the *Local Authority Equality Standard*
- meet existing and new statutory requirements to promote equality and eliminate discrimination in respect of race, disability and gender
- prepare effectively to meet new statutory requirements in respect of age, religion or belief, and sexual orientation
- continue the sound equal opportunities policies and practices the Council has established for the selection and development of its staff, and further increase the diversity of our workforce

The Council's response

- ✓ We will work with *The Herefordshire Equality Partnership*, implement fully our *Comprehensive Equality Policy Action Plan*, rolling it forward to meet new challenges and targets, and continue our comprehensive programme of elected member, staff and community awareness and development, so as to **attain Level 4 of the *Local Authority Equality Standard***
- ✓ On the basis of the completed initial programme of equality impact assessments, **we will ensure that improvement action plans are in place and implemented** as an integral part of service planning and performance management
- ✓ **We will ensure that the results of impact assessments are up-to-date and cover fully new statutory requirements**, with effective action planning and performance management to ensure that the results are acted upon
- ✓ In particular, we will keep up-to-date our statutory *Race Equality Scheme* and *Disability Scheme*
- ✓ In doing all this, **we will take account of the equalities implications of the results of our surveys that ask the public about ease of access to key services and factors affecting the quality of life** (for fuller details see the Action Plan for *Sustain thriving communities* beginning on page 31 above), **setting targets and actions accordingly**
- ✓ By reviewing the effectiveness of our recruitment activities and changing them where necessary, we aim that:
 - people from black and ethnic minorities should comprise at least 1.2% of our workforce, an increase from 0.37% in 2004-05

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- people from black and ethnic minorities should comprise at least 3% of the top 5% of wage earners in our workforce, an increase from 2.44% in 2004-05
- people with registered disabilities should comprise at least 1.35% of our workforce, compared to 0.42% in 2004-05

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Giving effective community leadership, working with partners to deliver *The Herefordshire Community Strategy*, including the *Local Area Agreement*

The challenges

The new *Herefordshire Community Strategy* to 2020 provides the foundations for an even more successful *Herefordshire Partnership*. This is buttressed by the LAA, which provides the core of the *Partnership Action Plan*, with clear targets and performance management arrangements to ensure delivery.

The challenge is to take full advantage of this unprecedented opportunity to improve significantly the quality of life of the county's whole population.

At the same time, the Council must continue to maintain confidence in local democracy.

The Council's response

The full details are set out in *The Herefordshire Plan 2006 to 2020*, and many of the key targets and actions are described in the earlier parts of this Action Plan. Crucial specific areas include the **implementation of:**

- ✓ Through the implementation of the *Herefordshire Community Safety and Drugs Partnership Strategy*, the *Hereford Against Night-Time Disorder Scheme*, and the work of the *Community Alcohol Service*, including the *Alcohol Referral Scheme*, we aim **by 2007-08 to:**
 - **decrease from 2,844 to 2,553 the number of violent crimes**
 - **decrease from 2,524 to 2,101 the number of criminal damage incidents**
 - **decrease by 5% the proportion of people who think that the following things are a problem:**
 - **speeding traffic**
 - **vandalism, graffiti and other deliberate damage to property or vehicles**
 - **people using drugs**
 - **people dealing drugs**
 - **people being drunk or rowdy in public places**

[Targets yet to be set for subsequent years]

- ✓ ***[Reduce the number of all recorded crimes from 12,034 to 10,229 by 2008-09 – HCS PI]***
- ✓ ***[Reduce the number of people under 25 who are victims of crime from 2,200 in 2004-05 to 2,068 in 2007-08 – HCS PI (targets yet to be set for subsequent years)]***

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- ✓ ***[British Crime Survey comparator crimes – LAA PI]***
- ✓ ***[% of young offenders re-offending – HCS and LAA PI]***
- ✓ ***[Measure of Priority and Prolific Offenders Scheme – LAA PI]***
- ✓ ***[No. of domestic burglaries per 1,000 households – LAA PI]***
- ✓ ***[No. of vehicle crimes per 1,000 population – LAA PI]***
- ✓ ***[No. of Class A drug supply offences brought to justice – LAA PI]***
- ✓ ***[No. of people in drug treatment – LAA PI]***
- ✓ ***[Measure of Drugs Intervention Programme – LAA PI]***
- ✓ ***[No. of calls to Herefordshire Women’s Aid helpline to increase from 594 in 2004-05 to 654 in 2007-08 – LAA PI]***
- ✓ ***[No. of reported incidents of domestic violence to increase from 414 in 2004-05 to 425 in 2007-08 – LAA PI]***
- ✓ ***[No. of arrests for domestic violence offences to increase from 92 in 2004-05 to 101 in 2007-08 – LAA PI]***
- [% of sanction detections for domestic violence - 55% in 2007/08 – LAA PI]***
- ✓ ***[Increase in the percentage of people who feel informed about what is being done to tackle anti-social behaviour in the local area – new mandatory LAA PI]***
- ✓ ***[Increase in the percentage of people who feel that parents in their local area are made to take responsibility for the behaviour of their children – new mandatory LAA PI]***
- ✓ **the new public health agenda *Choosing Health***
 - ***[mortality rate from cancer for people under 75 – HCS PI]***
 - ***[mortality rate from circulatory diseases for people under 75 – HCS PI]***
 - ***[no. of deaths per annum from chronic diseases – HCS and LAA PI]***
 - ***[mortality rate from accidents – HCS PI]***
 - ***[all causes standardised mortality rate for deprived areas of Herefordshire – HCS PI]***
 - ***[percentage of adults who smoke – HCS PI]***
 - ***[percentage of adults who consume more than the recommended intake of alcohol per week – HCS PI]***
 - ***[percentage of adults eating fewer than five portions of fruit and vegetables on a typical day – HCS PI]***
 - ***[percentage of adults undertaking thirty minutes or more of moderate physical activity at least five days per week – HCS PI]***

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- ✓ ***Every Child Matters and The Children Act***
- ✓ Working with our partners, particularly in the NHS and the community sector, to ensure that parents get the advice and support they need, we aim to:
 - **increase from 25.4% to 40% by 2008 the proportion of babies born in the South Wye area who are breastfeeding at six weeks [CP, LAA and LPSA2G target]**
 - **increase from 15.1 % to 30% by 2008 the proportion of babies born to teenage mothers in the county who are breastfeeding at six weeks [CP, LAA and LPSA2G target]**
 - **increase from 41.7% to [target to be agreed] by [time to be agreed] the percentage of all babies in the county breastfeeding at six weeks [HCS PI]**
- ✓ ***[Healthier lifestyles of 11-14 year-olds:***
 - ***reduction in percentage smoking***
 - ***increase in percentage participating in sport or other physical activities***
 - ***increase percentage of children walking or cycling to school – new mandatory LAA PI (check description and who leads)***
 - ***increase in percentage eating five portions of fruit and vegetables a day***
 - ***reduction in percentage obese***
 - ***reduction in alcohol consumption***
 - ***reduction in drug use]***

[HCS and LAA PIs]

- ✓ ***[Measure of sexually transmitted infections in young people – HCS PI]***
- ✓ The Older People's Strategy – Growing Older in Herefordshire
- ✓ The Civil Contingencies Act 2004
- ✓ Joint Municipal Waste Strategy for Herefordshire and Worcestershire
- ✓ Through the implementation of the *Herefordshire and Worcestershire Learning and Skills Council Local Strategic Plan*, we aim **by 2007-08 to increase the number of Herefordshire residents aged 19 and over achieving:**
 - **a Level 2 qualification, excluding manufacturing and engineering, from 1,738 to 1,872**

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- a Level 2 qualification in manufacturing and engineering from 35 to 57
- a Level 3 qualification, excluding manufacturing and engineering, from 825 to 878
- a Level 3 qualification in manufacturing and engineering from 26 to 44

[LSC yet to set targets for subsequent years]

- ✓ ***[Measure of basic skills – HCS PI]***
- ✓ ***[% of working age population qualified to at least Level 3 – HCS PI]***
- ✓ ***[% of working age population qualified to at least Level 4 – HCS PI]***

To maintain high-levels of public confidence in local democracy, the Council will:

- ✓ do all in its power to **meet its full statutory duties, including under the *Freedom of Information Act* and data protection legislation**
- ✓ overseen by its independently chaired *Standards Committee* and through the work of the *Monitoring Officer*, **uphold in its own affairs the highest standards of corporate governance, propriety, integrity and impartiality**
- ✓ working with the *Herefordshire Association of Local Councils*, **provide training and support to enable the county's town and parish councils to demonstrate best practice and be at the forefront of national developments**

The Action Plan Part Two - organisational improvement

Streamlining processes, assets and structures, and securing significant efficiency savings, so as to keep down Council Tax increases and invest in priority service improvements

The challenges

Over the next three years we must:

- make recurrent and cumulative cash-releasing savings of at least £11.75 million
- achieve these savings without detriment to our customers
- continue to modernise and improve the quality, accessibility and positive impact of our services on people's quality of life

The Council's response

- ✓ We will **implement the *Herefordshire Connects* programme** (for further details see paragraphs 3.15 and 3.16 on page 12)
- ✓ We will **rationalise our front and back office functions**
- ✓ Through e-procurement, benchmarking against other organisations, streamlining procedures and other initiatives, we will **continue to improve the value for money we get from procuring goods and services**
- ✓ We will **review our *Accommodation Strategy***, including the disposal of properties, the cessation of leases and the relocation of staff in the light of future needs for office accommodation.
- ✓ We will **invest to save in order to achieve recurrent savings**; in particular, we will **continue our comprehensive programme of investment in ICT and meet fully Government targets for e-government**

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Ensuring that essential assets, including schools, other buildings, roads and ICT, are in the right condition for the long-term cost-effective delivery of services, and ensure business continuity in the face of emergencies

The challenges

The Council must ensure that:

- despite the need for overall reductions in expenditure, it maintains a prudent programme for the renewal and maintenance of its key assets
- it has in place tried and tested plans and systems to maintain services in the event of disaster or other crises
- it raises its performance as regards the use of resources, including the achievement of best value for money, to an even higher level

The Council's response

- ✓ We will complete our new **ICT network** to make our operations more efficient and effective, with the network **available for at least 98.5% of the time**
- ✓ By disposing of some dilapidated property and bringing up to standard the buildings we retain following the completion of our *Accommodation Strategy*, we will **raise the proportion of the gross internal floor space in ODPM categories A and B to at least 90% by 2007-08**

[Target for 2009-10 to be added]

- ✓ By embedding our business continuity plans for all parts of the Council's activities and services through an annual programme of risk assessment and business continuity management, we will ensure that we **comply with the *Civil Contingencies Act 2004*, in particular so as to safeguard the most vulnerable people in the county**
- ✓ We will embed risk management across all aspects of the Council's work and take all other measures necessary to **raise our *Use of Resources* score from 3 to 4** (the highest possible) by 2010.

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Understanding the needs and preferences of service users and Council Tax-payers, and tailoring services accordingly

The challenges

As the Council strives to achieve more with less, makes big efficiency savings and concentrates resources on priority areas, it must be more than ever careful to root all that it does in a solid understanding of what the public and our customers need and want.

The Council's response

[To be reviewed and updated]

- ✓ Through our network of local *Info Shops*, the state-of-the-art *Info by phone* service and the full implementation of e-government, we will provide **better, faster and more responsive services to individual customers, with full corporate implementation by late 2007**
- ✓ By means of an action plan to define customer standards for individual services where they don't already exist, the embedding of our new customer relations management and complaints handling systems, a programme to continue encouraging customer feedback, and a rolling programme of training for complaints officers and other staff, we aim to **increase from 29 % to 50% the proportion of those making complaints who are satisfied with how their complaint has been handled**
- ✓ By implementing our *Community Involvement* and *Communications Strategy* action plans, giving effect to agreed parish plan aspirations, the implementation of changes following a review of the *Community Fora* and conducting annual customer satisfaction surveys, we aim to **increase from 11% to 30% the proportion of Herefordshire Voice respondents who feel that the Council does enough to give local people the opportunity to influence important decisions**
- ✓ Through these means and the service improvements described elsewhere in this Plan, and also by enabling more communities to draw up town and parish plans, building community and voluntary sector capacity and enabling more opportunities for people in communities to come together, we aim **to increase year-on-year the proportion of adults satisfied with their community as a place to live**

[Measurable target for 2009-10 to be agreed]

- ✓ Through the implementation of our *Community Involvement Action Plan for Young People*, including the establishment of the *Herefordshire Youth Council* and the operation of the *Community Fora*, we will maintain an up-to-date understanding of the needs and wishes of children and young people. A key measure of our success will be to **increase from 19% to 30% the percentage of young people who feel that the Council does enough to give young people the opportunity to influence important decisions**

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- ✓ Building on the good practice of our rolling programme of housing needs assessments across the county, we will extend this approach to other areas of the Council's work, **giving priority to understanding better the needs of the most vulnerable or disadvantaged people, including older people and those with disabilities or mental health problems**
- ✓ Continuing to operate our robust procedures for **complying with the *Freedom of Information Act* and data protection legislation.**

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Recruiting, retaining and motivating high quality staff, ensuring that they are trained and developed so as to maximise their ability and performance

The challenges

The Council has loyal and dedicated staff, committed to excellence in serving the people of Herefordshire. But the ever-rising expectations of the public and Government, the fresh challenges of a fast-moving world and the need to work in new ways with our partners to achieve more with less, can only be met if we continue to have the right managers and front-line staff with the right understanding, skills and motivation. These must, therefore, be continually updated and renewed.

Specific challenges are:

- Re-skilling for the new business process and behaviours required to deliver the *Herefordshire Connects* programme successfully
- as part of this, developing key skills in respect of effective planning and performance management to drive continuous improvement in standards of services across the Council
- continuing to roll-out the workforce strategy for social care to secure adequate recruitment and retention
- developing and implementing the workforce changes needed to deliver modernised, high-performing adult social care services
- to maximise productivity and contribute to the drive for big efficiency savings, we must reduce sickness absence and strike the right balance in staff turnover
- to make even more effective two-way communications between managers and staff at all levels.

The Council's response

- ✓ **Our *Pay and Workforce Strategy*** will continue to be the comprehensive response to these challenges; it **will be kept up-to-date to reflect changing needs**
- ✓ At the heart of the *Strategy* is our commitment to ***Investor in People* accreditation**, which we aim to **achieve for the whole Council by October 2007**
- ✓ We will **continue our comprehensive programme of staff training and development**, basing it on a sound understanding of current skills and future skills needs, identifying the need for NVQs and other formally accredited training, and linking core skills to pay and grading
- ✓ In particular, we will deepen and extend our programmes to **ensure that all managers are well-equipped to plan their services and manage performance effectively to deliver the Council's priorities**
- ✓ We will integrate this approach with the annual cycle of individual Staff Review and Development, with the intention of **raising from 76 % to 100% the putting into place and implementation of personal development plans**

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- ✓ By improved management of attendance, provision of timely management information, and the active engagement of Human Resources in recommending interventions and improvement, we aim to **reduce sickness absence from an average of 10.5 days per FTE in 2006 to 7 in 2008/09**
- ✓ Through better workforce planning, including the analysis of skills shortages and national trends, by promoting careers at the Council in schools, colleges, universities, and at national events, and by improving our recruitment and retention procedures, we aim to **maintain annual staff turnover at 9% [tbc]**
- ✓ We will pay **special attention to the recruitment and retention of staff in social care and other particularly sensitive areas of service delivery**
- ✓ We will continue to improve understanding and motivation throughout the organisation by **implementing our *Communications Strategy Action Plan***

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Embedding corporate planning, performance management and project management systems so as to continue to drive up service standards and efficiency

The challenges

The Audit Commission has confirmed that the Council has sound frameworks for planning and performance management, but also that they have not been operated to a consistent high standard across all departments.

Good progress has been made over the past year in developing even more robust systems and in laying the foundations for their consistently rigorous application across the Council. Rapid progress to implement fully and embed the improvements must be made early in the period of the Corporate Plan.

The Council's response

[To be updated in the light of the Audit Commission audit report on the operation of our performance management systems – expected November 2006]

- ✓ **Starting in 2007-08, we will begin the performance improvement cycle in April** to provide a sound basis for systematically achieving value for money across all services
- ✓ We will continue to develop performance management systems and tools **to facilitate much more effective challenge** and so bring greater rigour to the setting of targets and the identification of the necessary milestones, actions, risks and resources, so as to drive up performance
- ✓ We will **press ahead with the performance management improvements being developed for Children's Services** with the help of the Institute for Public Care; we will also consider their potential value for the Council more generally
- ✓ We will further **review and make more accessible performance reports to the Corporate Management Board, Cabinet, Strategic Monitoring Committee and subject scrutiny committees**, so as to promote more effective challenge and performance improvement
- ✓ We will put in place **a corporate ICT-based system to make much easier and faster the collection and analysis of all performance information for the Council and its strategic partners.**
- ✓ **Directorate and service plans will be quality-assured** to ensure that they are of the right standard and will enable the Council to deliver its priorities, including in respect of cross-cutting issues
- ✓ **Directors and Heads of Service will continue to be required to ensure that all Council-wide policies, strategies, programmes and procedures are delivered in their areas**

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- ✓ By means of our action plan to ensure robust auditable data, we aim to **retain the unqualified status of our Best Value Performance Plan** (which will be incorporated into this Corporate Plan by electronic link at the end of June) **and ensure that none of our individual performance indicators is qualified**
- ✓ The operation of **the whole Performance Management Framework will be audited as part of Internal Audit's annual review of the Council's key processes**, providing a sound basis for continuous improvement

[Add relevant items from the Scrutiny Improvement Programme]

Revenue Expenditure in 2007-10 is funded by

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Appendix 2

Proposed net revenue expenditure 2007-10

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Appendix 3

Proposed capital programme 2007 – 10

Glossary

The Herefordshire Community Strategy

The Community Strategy for Herefordshire. It sets out the vision, agreed by the Council and its partners following consultation with the public, for what the county should aspire to be by 2020, together with the objectives and targets to achieve it.

Local Area Agreement (LAA)

A three-year agreement with the Government to deliver, with the Council's partners, higher levels of performance than would otherwise have been achieved. This is facilitated by greater freedom and flexibility in the operation of Government rules, including the use of Government grants. It is the core of the action plan for the first three years of *The Herefordshire Community Strategy*.

Local Public Service Agreement (LPSA)

A three-year agreement with the Government to deliver higher levels of performance than would otherwise have achieved, in return for pump-priming additional finance to help achieve the enhanced targets and some relaxation in regulation. Achievement of the targets attracts substantial reward payments.

As from 2006-07, it has been subsumed within the LAA (see above).

Comprehensive Performance Assessment (CPA)

The assessment of a Council's current performance and its capacity to improve. It comprises four main components: self-assessment, corporate assessment by an external team, use of resources assessment by external auditors, and service assessment based on an analysis of recent service inspections, reviews and performance indicator results. It is overseen and managed by the independent Audit Commission.

Corporate Management Board (CMB)

The strategic management board of the Council, comprising the Chief Executive, Directors and the Head of Human Resources.

The Senior Management Team (SMT)

The operational management board of the Council, comprising Heads of Services.

Local Transport Plan (LTP)

A long-term strategy to develop an integrated and sustainable transport system for Herefordshire

Joined-Up Programme (JUP)

The complete programme of work undertaken by the Herefordshire Service Delivery Partnership (Herefordshire Council, Herefordshire Jarvis Services and Owen Williams) covering highways, property and related work

Appendix 2 - SPEND TO SAVE		EXPENDITURE REQUIRED £000			EXPECTED INCOME / BENEFITS £000		
		2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Safeguarding and assessment – commissioning professional foster support for children.	To purchase professional foster care within Herefordshire to halve the number of children, from 14 to 7, in 2008/09 who will be placed in independent foster care outside the county.	135	100	50	Cashable 0 Non cash 682	Cashable 200 Non cash 426	Cashable 200 Non cash 0
Community Development Workers for adult social care	<p>Population projections indicate an increase in numbers and in the proportion of older people in the population as a whole. A needs analysis carried out in 2006, indicates that, by 2011, there will be a 42.9% increase in the number of people aged 85 and over in Herefordshire. These significant demographic changes will place increasing pressure on health and social care to develop new models of care. The Community Development Workers will work within the community with local organisations to develop and promote a range of low-level support services. This could include services that promote intellectual and spiritual stimulation (arts projects, book clubs, cultural events), encourage companionship (lunch clubs, older people networks, befriending schemes) and promote health and well-being (exercise, healthy food schemes). The workers will explore opportunities for the use of community facilities such as libraries, clubs, pubs, leisure facilities. These services would reduce the need for admission to hospital and residential care and intensive domiciliary packages.</p> <p>Note – if the spend to mitigate proposal ‘Modernised, high-performing social care and community services for older people’ (see Appendix 2 below) is agreed and begins on time, this spend to save proposal will form part of that larger proposal.</p>	45	46	47	109	127	182

Appendix 2 - SPEND TO SAVE		EXPENDITURE REQUIRED £000			EXPECTED INCOME / BENEFITS £000		
		2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Independent Living Fund (ILF) worker (Adult Social Care)	<p>The ILF is a Government funded charity, which provides funding to severely disabled people to enable them to live independently. Individuals have to be in receipt of high rate Disability Living Allowance and receive care services from the LA of a weekly value of over £210. Any amount provided by ILF reduces the LA financial commitment by the equivalent amount. The maximum provided by ILF is £475 per week. Currently not all eligible service users are accessing ILF and alterations in care arrangements are not routinely reported to ILF. Employment of a specialist worker would maximise income against ILF by:</p> <ul style="list-style-type: none"> · increasing the number of people [figures to be inserted] applying for and receiving ILF contribution · ensure that any increases in care packages are shared by ILF · ensure notification to ILF of decreases in care packages is timely. 	25	25	25	35	35	35

Appendix 3 – SPEND TO MITIGATE		EXPENDITURE REQUIRED £000			EXPECTED INCOME/ BENEFITS £000		
		2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Modernised, high performing social care and community services for older people	Cost to the Council:						
	Additional costs if no increase in charges	2,040	1,894	1,894			
	Cumulative position	2,040	3,934	5,828			
	Additional costs with increase in charges	1,189	(245)	1,769			
	Cumulative position	1,189	944	2,713			
	Cumulative net cost of not increasing charges.	851	2,990	3,115			
<p>A major review has been undertaken of older people's future social care needs in Herefordshire and the services required to meet them. Needs are increasing as a result of the year-on-year substantial increase in the numbers of older people (which are particularly marked in the over 85s). If no changes are made to the current patterns of services and to the levels of charges to those who can afford to pay, it would (at over £3.5 million at 2005-06 prices) cost nearly twice as much extra a year to provide relatively poor services than it would to provide high-quality, more efficient services to the larger number of people who will need them. It also identifies a need for parallel investment to increase voluntary sector-led community services that will enable older people and family carers to lead fulfilled lives and, as a result, be much less likely to need expensive social care. Included in the costs is an initial investment of £500,000, which rises to £1,000,000 in 2008/09 and beyond, to develop a range of community services for older people.</p> <p>Even with this investment in non social care community services, the costs to the Council would be substantially lower - some £700k a year by 2010/11 - than continuing with the current pattern of services.</p> <p>The cost to the Council would increase to the extent that charges are not raised to levels in comparable areas for those who can afford to pay them.</p>							

Appendix 3 –SPEND TO MITIGATE (continued)		EXPENDITURE REQUIRED £000			EXPECTED INCOME/ BENEFITS £000		
		2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Modernised, high performing social care and community services for adults with learning difficulties (AWLD)	Cost to the Council:						
	Additional costs if no increase in charges	601	576	576			
	Cumulative position	601	1,177	1,753			
	Additional costs with increase in charges	469	125	562			
	Cumulative position	469	594	1,156			
	Cumulative net cost of not increasing charges.	132	583	597			
<p>A major review has been undertaken of AWLD's future social care needs in Herefordshire and the services required to meet them. Needs are increasing as a result of the year-on-year increase in the number of children with severe learning disabilities surviving into adulthood, and with AWLD more generally living much longer than in the past. If no changes are made to the current patterns of services and to the levels of charges to those who can afford to pay, it would (at nearly £1 million at 2005-06 prices) cost over five times as much extra a year to provide relatively poor services than it would to provide high-quality, more efficient services. It also identifies a need for parallel investment to increase access for AWLD to general community services so that they can lead fulfilled lives and, as a result, be much less likely to need expensive social care. Included in the costs is an initial investment of £250,000, which rises to £500,000 in 2008/09 and beyond, to improve access to community services for AWLDs.</p> <p>Even with this investment in non social care community services, the costs to the Council would be substantially lower - some £300k a year by 2010/11 - than continuing with the current pattern of services.</p> <p>The cost to the Council would increase to the extent that charges are not raised to levels in comparable areas for those who can afford to pay them.</p>							

Appendix 3 –SPEND TO MITIGATE (continued)					EXPENDITURE REQUIRED £000			EXPECTED INCOME/ BENEFITS £000		
					2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Integrated Services & inclusion for young people	This proposal intends to enable better outcomes for young people with disabilities who are leaving school and require ongoing support. The JAR said that present arrangements were deficient: this is therefore part of the JAR Improvement Plan. It provides for co-coordinating resources and creates more options for those young people thus reducing their support needs.				18	20	20	Cashable 0	Cashable 0	Cashable 0
								Non cash 15	Non cash 10	Non cash 5
	(A)	<u>Improved Performance</u>	<u>Planned 07/08</u>	<u>Proposed Improvement</u>	<u>Planned 08/09</u>	<u>Proposed Improvement</u>				
		Reduction in number of children having to become looked after	39	42	36	40				
	Improved outcomes for looked after children e.g.									
		Fewer days lost for education.	8	7	7	6				
		Improved results for 1 or more GCSE.	87.5%	90%	90%	92.5%				
		Increased % in EET.	99%	99.5%	99.5%	99.9%				
	Increase care leavers with appropriate accommodation.	100%	100%	100%	100%					

Appendix 3 –SPEND TO MITIGATE (continued)		EXPENDITURE REQUIRED £000			EXPECTED INCOME/ BENEFITS £000		
		2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Commissioning and Improvement in services for Children and Young People	This investment is required to establish a Data & Performance Unit within the Directorate, as a prerequisite to gaining improved service and higher standards, including through more effective scrutiny.	100	0	0	Cashable 0 Non cash 0	Cashable 0 Non cash 1190	Cashable 0 Non cash 238
Safeguarding and Assessment for children.	To fund additional social workers to bring provision in line with recommended standards, thereby ensuring improvements in quality of provision and reducing reputational risk. Number of assessments to be increased from 220 per 10,000 to 350 per 10,000 leading to a reduction of children on looked after register. Cashable saving from reduced need to use agency staff to carry our assessments.	300	300	0	Cashable 0 Non cash 408	Cashable 375 Non cash 408	Cashable 185 Non cash 0
Integrated services & inclusion – increasing family support	Increased family support to address issues at an early stage before they escalate into crises which require expensive intervention. 10% reduction in number of children having to be looked after. Additionally, proposal would help looked after children to lose fewer days schooling, as well as achieving a 2% increase in the proportion of those gaining 1 or more GCSEs.	228	0	0	Cashable 0 Non cash 187	Cashable 117.5 Non cash 277	Cashable 59 Non cash 0

Appendix 4 OTHER: new demands in Legal and Democratic Services

Other Budget Requirements not currently included in Financial Resources Model (FRM) within the Medium Term Financial Management Strategy (MTFMS) – Legal and Democratic							
		EXPENDITURE REQUIRED £000			EXPECTED INCOME/ BENEFITS £000		
		2007/08	2008/09	2009/10	2007/08	2008/09	2009/10
Democratic services	To make up shortfall in democratic services budget – if this is not made good, the Service will be able to support fewer meetings.	66	66	66			
Registrars	For new Registrars (made up of £188k for new posts plus 60k to 70k for weekend work)	250	250	250			
Coroners Bill	To meet the costs of the Coroners Bill - (50k for a new post plus £20k for admin plus a possible £200k for accommodation (though this might not be needed)) Note – not yet clear what the full effect of the Act will have as no clear guidance has been issued from Central Government	270	70	70			
Capacity	For an additional solicitor to enable the Council to deliver major projects such as Edgar Street Grid, Rotherwas Futures and two new schools.	50	50	50			
Rights of Way	To clear rights of way backlog.	30					

Appendix 5 – OTHER: potential additional items still under consideration

Other Budget Requirements not currently included in Financial Resources Model (FRM) within the Medium Term Financial Management Strategy (MTFMS)	
Rotherwas Futures	Additional corporate revenue implications over and above the costs for the additional solicitor post included in Appendix 3. Additional capital financing costs expected to come into effect from 2009/10.
Customer Services Strategy	The MTFRM assumes a cost neutral position in line with the strategy agreed in August 2005, on the basis of the transfer of posts into the Contact Centre.
Accommodation Strategy	The MTFRM reflects the latest financial assessment approved by Cabinet in May 2006
ICT projects	For example, making good the loss of external funding (£250k) to continue website development and securing full information security.

PUBLIC SERVICE TRUST - HEREFORDSHIRE

PORTFOLIO RESPONSIBILITIES: CORPORATE STRATEGY AND FINANCE; AND SOCIAL CARE (ADULTS) AND HEALTH

CABINET

26TH OCTOBER, 2006

Wards Affected

County-wide

Purpose

To consider further proposals for the establishment in principle of a Public Service Trust for Herefordshire designed to give effect to the Council's response to the West Midlands South Strategic Health Authority (SHA) consultations early in 2006 on the reconfiguration of Primary Care Trusts (PCTs) in the region. That consultation arose from the Department of Health's publication "Commissioning a Patient Led NHS".

Key Decision

This is a Key Decision because it is likely to be significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards. In total the proposal would involve the re-alignment through the Public Service Trust of expenditure in excess of the threshold of £500,000 although the report itself contains no proposals for the committing of further expenditure in excess of those totals.

It was included in the Forward Plan.

Financial Implications

The broad financial implications are set out at Paragraph 3 on page 2 of the attached report but one of the workstreams identified would be a much more detailed financial modelling of the proposal before a final decision was taken to proceed. There is a proposal to seek further funding for the period of transition.

Recommendations

THAT

- (a) the further proposals for the establishment of a local authority and primary care trust Public Service Trust be approved as a basis for continuing negotiation and further report to the Council and the Primary Care Trust;**
- (b) the continuing work be agreed with reference to the following principles:**
 - the development of the emerging picture in relation to the integration of services;**

Further information on the subject of this report is available from
N.M. Pringle, Chief Executive on (01432) 260044

- **the development of a governance and leadership framework;**
 - **the establishment of a joint Management Team for Children's Services;**
 - **the creation of the post of joint Director of Public Health;**
 - **the establishment of a joint Management Team for Adult Services and the adoption of a governance and leadership framework for this stage as set out in Appendix 3 of the report;**
 - **the development of a financial model for the PST which would take account of the financial issues described in paragraph 3 of the report; and**
 - **addressing the further implications for integration identified in summary in paragraph 15 of the report and developing the necessary workstreams in support of those processes; and**
- (c) **the Council and PCT jointly seek additional one-off funding to assist with the delivery of the initial phase of the proposal.**

Considerations

1. This is a complex issue involving major changes for both the Council and the PCT if it is to be effectively managed in the interests of the communities in Herefordshire. The Council, with the PCT, recognised the limited capacity they had available to build up a detailed model and commissioned Mr. Alan Curless of Alan Curless and Associates Limited to produce initially a Scoping Report and, on the basis of that Scoping Report, to produce within the guidelines set by the Council and PCT a detailed report for consideration by both organisations.
2. Unusually, therefore, attached to this report as Appendix 1 is the complete report produced jointly for the PCT and Council.
3. It is acknowledged that there is very significant further work to be undertaken by both the Council and the PCT in support of the initial work that has been undertaken. That work will have to be the subject of subsequent reports to both the Council and the PCT.
4. There is an aggressive timetable for delivery. The initial phase of the work needs to be available to deliver by 1st April, 2007 and the second phase, by 1st April, 2008. It will be particularly important to look at the respective financial implications of those two phases. Whilst the phasing is recommended, it is likely on initial outline costing that the first phase will not achieve cost savings and, indeed, on initial financial modelling will add cost which will have to be financed on a short-term basis.
5. It is emphasised that what is sought in terms of the key decision set out in this report is agreement to the broad principle of operating across the two phases described and very significant further work will be required to the detailed parts of the report. Where detail has been provided, it is intended as a basis for future discussion rather than for final decision.

Risk Management

The risk remains as set out in the report to Cabinet on 23rd February, 2006, namely that the formation of the Public Service Trust represented the best safeguard currently against the risk of loss of local Herefordshire decision making and accountability on health matters.

It is also important to recognise the need for appropriate joint project planning and management to ensure that the initial proposals for formation of the PST and the subsequent more ambitious proposals set out in the report are carried out in a way that minimised the risk to the stability of health and local authority functions across the County.

Alternative Options

In practical terms the alternative options were discounted when the Cabinet and subsequently Council adopted the response to the Strategic Health Authority set out in the Cabinet report of 23rd February, 2006.

The alternative would have been to have supported the formation of a larger PCT although even such an arrangement would have placed considerable pressure on the Council to work more closely with the PCT, particularly in relation to its commissioning role and across what would have been a much wider geographical area. It would also have involved some reconciliation of the priorities of the respective local strategic partnerships.

Consultees

There will be a need for consultation on the proposals which the Council and PCT now jointly make. It is important that that consultation is undertaken within the framework of the partnership which the Council and the PCT are intending to establish.

Appendices

There is a single appendix which is the report prepared by Alan Curless and Associates Limited covering the Governance and Leadership framework of the Public Service Trust in Herefordshire.

Background Papers

None identified.

ALAN CURLESS & ASSOCIATES LTD

PUBLIC SERVICE TRUST – HEREFORDSHIRE

**GOVERNANCE AND LEADERSHIP
FRAMEWORK**

24TH SEPTEMBER, 2006

(Revised – 16th October, 2006)

DISTRIBUTION

**HEREFORDSHIRE COUNCIL
HEREFORDSHIRE NHS PCT**

REPORT PREPARED BY ALAN CURLESS

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STRICTLY PRIVATE & CONFIDENTIAL

MEETING: COUNCIL AND PCT BOARD MEETINGS HEREFORDSHIRE
(POSSIBLE DRAFT WHICH CAN BE ADAPTED ACCORDINGLY)

MEETING

DATE: TBA

TITLE: LOCAL AUTHORITY AND PRIMARY CARE TRUST
PUBLIC SERVICE TRUST

LIST OF ATTACHMENTS

- Appendix 1 - Public Service Trust Cabinet Papers 23rd February 2006**
- Appendix 2 - Herefordshire Council & Herefordshire PCT Integration Vision**
- Appendix 3 - Governance and Structure Proposals**

DRAFT

1 THE ISSUE

- 1.1 This report updates the report to the Herefordshire Cabinet dated 23rd February 2006 (see appendix 1) and seeks endorsement of the next steps in progressing integration -

2 RECOMMENDATION

The Council is asked to:

Note the emerging picture of integrated services as set out in section 7.

Endorse the proposals set out in section 9.

Note the implications of taking forward the integration process set out in sections 3 and 15.

3 FINANCIAL IMPLICATIONS

The integration arrangements will have to deliver value for money in their final form.

Savings will be dependent on developing future joint management arrangements, which are effective and efficient. However, this cannot be done in isolation from work in the wider health community where there are opportunities, for example, to share commissioning functions and technical expertise across a number of PCTs.

- 3.2 The PCT is required to make 15% cost savings by the end of the financial year 2007/2008, which equals to £1m - of which £400k has already been saved. Three areas have been proposed:
- (1) Integration of management arrangements with the local authority
 - (2) Development of shared commissioning of significant health services with other PCTs
 - (3) Sharing of back office functions with either other PCTs or the local Authority
- 3.3 The Health Act (1999) freedoms and flexibilities will be used to create the legal basis of the PST i.e Section 31 pooled budgets and lead commissioning arrangements. As far as I am aware the Act is the only legal toolkit available to achieve the required merger. A detailed Section 31 agreement will need to be negotiated and agreed before further integration, in particular the pooling of budgets, can be undertaken, or operational responsibilities for staff and services integrated.
- 3.4 This will require senior management and project management time and some external legal input in order to validate the agreement. The senior management time will be identified through the prioritisation of workloads, and the project management and legal costs can be funded from an Integration Project budget.
- 3.5 If the steps recommended in section 9 of this report are supported and are successful, both the Council and the PCT will need to consider contributing additional resources in order to realise the work programme set out in paragraph 15.11. In particular, additional resources to undertake the detailed HR and financial tasks will be required as well as additional funding for staff workshops, legal advice and other expenditure.
- 3.6 The extent of funding will depend on the pace at which the Council and the PCT Board wish to take forward integration, bearing in mind that there are advantages, as recommended in this report, to take a measured approach and allowing time for evaluation of progress and risk. However, an indicative total sum of TBA for 2007/2008 would enable significant progress to be made on the detailed work required.
- 3.7 In view of the likely resource commitment there will only be limited progress towards integration until a budget allocation from both organisations financial plans becomes available.

4 CORPORATE IMPROVEMENT PRIORITIES

The vision and principles of the integration project are to achieve improvement in health and well-being and reduce inequalities in Herefordshire through:

- (1) Maintaining an individual and community focus and promoting community development through local partnerships;
- (2) Joint ownership of the learning, health and social care agenda for children and adults;
- (3) Promotion of health and well-being through integrated public health services;
- (4) Retaining and developing local accountability for services.

4.2 This vision is aligned to achieving the Council's priorities in relation to children and young people, older people and the well-being of people living in Herefordshire. The draft vision statement is attached at Appendix 2.

5 BACKGROUND

5.1 Reports were presented to the Cabinet on the 23rd February 2006 and to the PCT Board (Date Required) setting out how integration of health, social care and education services could improve services for local people; how some services were already integrated; and outlining progress and emerging proposals.

5.2 On 16th May 2006 the Secretary of State announced that there would continue to be a separate PCT for Herefordshire. The decision was subject to conditions, particularly that PCTs deliver their share of a 15% cost savings, strengthen commissioning and ensure robust management of financial balance and risk. In addition the West Midlands South Strategic Health Authority indicated that they wanted to see even stronger working relationships between Herefordshire Council & Herefordshire PCT

5.3 Unfortunately, because of the delay caused through waiting for the announcement, little progress was made between February and June 2006. In order to progress the plan Alan Curless was appointed as an external consultant to produce a scoping report and possible organisational structure proposals.

6 WHY IS GREATER INTEGRATION AND JOINT COMMISSIONING BEING PROPOSED?

6.1 As previously reported the objective is to achieve as full integration as possible in order to:-

1. Realise the benefits and savings of joint commissioning/strategic planning
2. Improve the understanding of customer needs
3. Separate the role of strategic commissioning and provision wherever possible
4. Develop greater expertise in commissioning
5. Develop new social enterprises
6. Strengthen the provider network

7. Reduce gaps in provider network
8. Improve quality of provider network
9. Improve value for money
10. Better links with other commissioning bodies

a. As a result of this the following benefits will be achieved:-

- Improved access to services through single points of entry
- Greater, and better informed choice to users, patients, carers and their families
- Improved quality of service delivery through co-ordinated services
- Reduced incidence of cancer, stroke, mental health and chronic disease
- Improved life chances of children
- Improved independence and employment of adults.

7 WHAT IS THE EMERGING PICTURE OF INTEGRATION?

7.1 Although further work is necessary and additional detailed reports will need to be presented to Council, the emerging picture suggests the following could be key elements of any arrangement:

- (1) The scope of integration in the short/medium term should cover Adults, Children and Public Health (which encompasses all of the PCT's business); and other areas which have a natural linkage with this agenda. All PST priorities will need to be balanced against overall resources. In the medium/long term all resources could be included in the PST arrangements.
- (2) The key governance arrangements in the short/medium term would be a Joint Board made up of representatives from the PCT and the Council which would be responsible for the delivery of policies and targets specified by both parent organisations in the Adult, Public Health and Children's services areas;
- (3) The integration arrangements would be enshrined in a set of Section 31 (Health Act 1999) agreements with a maximum pooling of resources (acknowledging that there are some aspects of the PCTs responsibilities and budget – for example commissioning acute hospital care – which could not be pooled but which nevertheless could be managed together).
- (4) Joint management arrangements should apply as far as possible
- (5) As far as possible staff would remain employed by their current authorities and retain their existing terms and conditions.

7.2 In progressing the arrangements, both authorities will need to ensure that their ultimate responsibilities and functions are safeguarded. Any potential conflicts of interest that emerge need to be recognised and provision made through protocols to address them.

8 REQUIREMENTS

8.1 Achieving full integration of services is clearly a medium/long term project and will be dependent on satisfactorily resolving a number of issues which includes:

- (1) cost of establishing such an organisation verses benefits that will accrue

- (2) employment issues regarding the compatibility of terms and conditions and the need to adhere to statutory guidance in establishing some of the senior management posts
 - (3) practicality and cost of integrating systems, including finance and IT
 - (4) assessment and evaluation of risks including possibility of withdrawing from the arrangement
- 8.2 These issues will need further detailed attention and work during the next months, but there are some specific steps that can now be taken to advance integration at relatively low risk.
- 8.3 If integration does not come to fruition, the main risks are SHA reaction, some loss of credibility for both organisations, the opportunity cost resulting from the investment to date in developing the proposals, and some loss of confidence of staff in their leadership. The steps proposed present no financial risk to the Council.
- 8.4 The only proposal which is permanent is that of establishing a Joint Director of Public Health, which is in line with national policy. Either authority can choose to withdraw from any of the other arrangements set out in Section 9 below.

9 **PROPOSED NEXT STEPS**

- 9.1 The CEO of Herefordshire Council and CEO Herefordshire Primary Care Trust are now seeking approval for the next steps as follows:
- (1) Begin the development of a governance and leadership framework for integration through:
 - a) Setting up the Public Service Trust Board in shadow form;
 - b) CEO of Herefordshire Council and CEO PCT becoming jointly responsible for ensuring cohesion between and across Children, Adults and Public Health functions
 - (2) Establishment of a joint Management Team for Children's Services accountable to the PST and the Herefordshire Council CEO.
 - (3) Creation of the post of Joint Director of Public Health
 - (4) Establishment of a joint Management Team for Adult Services led by the Director of Adult Services accountable to both the PCT CEO and the Herefordshire Council CEO
- 9.2 The governance and leadership framework for this stage is set out in Appendix 3

10 **THE PUBLIC SERVICE TRUST BOARD**

- 10.1 The PST Board would act as a forum for sharing and formulating views on the strategic direction of services. As a shadow Joint Board, it would have no formal decision making powers delegated to it, and key decisions would continue to be

made by the Council and the Primary Care Trust as appropriate.

10.2 Experiencing the work of the shadow Joint Board over the coming months would allow both authorities to explore how a fully constituted Joint Board with delegated powers would best function. In order to do this the shadow Board would:

- (1) begin to develop the future role of the Joint Board through:
 - a) making recommendations to the two authorities on the future strategic direction of the adults, children and public health service
 - b) agreeing priorities and performance measures for those services
 - c) monitoring performance on a regular basis and recommending corrective action where necessary
- (2) Assume the responsibilities of the Integration Programme Board for the oversight of the Integration Project
- (3) Develop recommendations on a formal constitution for the Joint Board for the consideration of the PCT Board and the Council.

10.3 The Joint Commissioning Board for Mental Health and Learning Difficulty services would continue in being whilst the shadow Board was in place, but the final recommendations on the Joint Board would set out what arrangements would be set in place at senior officer level to ensure a continuing means of focussing performance management attention on mental health and learning difficulties and the other workstream areas within the responsibility of the joint Board.

10.4 The membership of the shadow Joint Board would be as follows:

- The Leader of the Council
- Two Council Members
- The Chair of the PCT
- Two Non-Executive Members of the PCT
- One member of the General Practitioner Practice Based Commissioning Executive (this is an addition to my first recommendation in the Scoping Report)
- The Chief Executive of the Council
- The Chief Executive of the PCT
- The Chief Operating Officer (when appointed)

10.5 The costs of the shadow board would be shared equally between the Council and the PCT; the budget for the integration work would be managed by the Project Manager under the direction of the Chief Executive of the PCT and Chief Executive Herefordshire Council in consultation with the Integration Programme Steering Group and the shadow Joint Board.

11 **THE ROLE OF THE PCT CHIEF EXECUTIVE**

11.1 The PCT Chief Executive would be responsible for:

- (1) PCT functions

- (2) work with the Director of Adult Services and Health to create arrangements for Adult Services (see Section 12 below)
- (3) ensuring cohesion between and across Children, Adult and Public Health Functions

12 CHILDREN'S SERVICES

There is scope under the new arrangements for joint commissioning/strategic planning of adult/children's service which are fit for purpose. There is much to gain from a joint Management Team for Children's Services. Child protection may need to be delivered in house but this should be checked with Government Office. Most other provision can be delivered externally e.g through Social Enterprise.

13 JOINT DIRECTOR OF PUBLIC HEALTH

- 13.1 It is national policy that the effectiveness of public health should be reviewed by the PCT in association with the local authority and that the appointment of a joint Director of Public Health is considered as part of that review
- 13.2 The aim is to make sure that health works more closely with local government to ensure early support for prevention of risks to health and to bring public health resources to bear across the public sector as a whole.
- 13.3 The two Chief Executives have agreed that a joint appointment be made. A national template for the job description and person specification has been published by the Department of Health.
- 13.4 The post will be professionally responsible to the Chief Executive of the PCT and managerially responsible to the Chief Executive of the PCT and the Council.
- 13.5 The Primary Care Trust could fund the post until a full Partnership Agreement and pooling of funds for joint posts is in place, (a current agreement for part funding of this post has been agreed by Herefordshire Council)

14 JOINT MANAGEMENT TEAM FOR ADULT SERVICES

- 14.1 The commissioning of some adult services (services for people with mental health problems and for people with learning difficulties) have already been integrated.
- 14.2 Health and social care services also work closely together in other areas, for example those concerned with services for older people and people with physical or sensory impairment. There is close co-operation, for example, in co-ordinating the discharge of people from hospital and other urgent case issues, and in undertaking the strategic planning and development of services. However, these services are not integrated in the sense of having shared management and service delivery teams.
- 14.3 The two CEOs now recommend that management of Adult Services is further strengthened through the creation of a joint management team led by the Director of Adult Services. This will provide the opportunity to manage jointly the wider health and social care agenda whilst exploring the opportunities for establishing a permanent joint management structure which will focus on strategic commissioning and planning.

There may be opportunities for integrated provision through a different mechanism across health and social care e.g. social enterprise

- 14.4 However, budgets will continue to be managed separately at this stage in order to minimise the financial risk to both authorities until a full Section 31 Partnership Agreement is in place.

15 IMPLICATIONS

Timetable

- 15.1 Although these steps are relatively straightforward and incur little risk for either authority, further work will be needed to implement the proposals – for example to ensure that the individual officers directly affected are afforded proper consultation arrangements.

- 15.2 It is therefore anticipated that:

- (1) The Shadow Joint Board will be in place by December 2006
- (2) The Chief Executive of the PCT would assume a co-ordinating role for the Children, Adults and Public Health functions through the integrated management team when it is established. In the interim, the PCT Chief Executive will make links with the Local Authority management structures
- (3) Joint management arrangements for Children's Services could be in place Winter 2006/2007. The objective will be to establish a single reporting role to the shadow Joint Board.
- (4) The Joint Director of Public Health would establish as soon as possible utilising additional NHS funding for public health in 2007/08 to create the additional management capacity required to enable the Joint Director of Public Health to take on an extended role-currently the Choosing Health monies are fully committed within the LDP.
- (5) The joint management arrangements for Adult Services will be in place in Autumn this year. Integrated arrangements are already in existence for mental health and learning difficulty services; the objective will be to establish a single reporting role to the shadow Joint Board this year for all adult services and have the joint management of the Adult Service fully functional by April 2007

Staff

- 15.3 Although it is the intention that operational responsibilities for staff and services would be integrated, staff would remain employed by their current authorities and retain their existing terms and conditions.
- 15.4 As integration is progressed, there will be a need to ensure that human resources policies are aligned to ensure as much coherence and consistency as possible across integrated teams. In particular, as vacancies arise, it will be necessary to review them in order to consider the most appropriate route for recruitment in order to ensure equality of opportunity for candidates.

- 15.5 Both the PCT and the Council have significant direct service provision. The direction of travel set by the Government is that there should be a clear separation of commissioning and direct service provision.
- 15.6 The development of individual budgets in social care, and the promotion of the choice agenda in both health and education are encouraging both the PCT and the Local Authority to see the provision of services separately from commissioning (that is, strategic planning, service design and specification and procurement).
- 15.7 The corollary is that there is now a very important role in developing the commissioning function and ensuring any commissioning from either the PCT or the Local Authority is as open and transparent for direct provision as it is for provision secured from independent providers.

Wider role of the team

- 15.8 As a consequence of integration, members of the integrated management teams will assume wider responsibilities as individuals than they currently have within the separate health, social care and education services. Individual officers may become responsible for securing a range of health, social care, and education provision in their remit, including in some instances, services for people outside the Herefordshire area – but not direct provision unless there is no alternative.

Next stage of integration

- 15.9 A detailed Section 31 agreement (or other mechanism) will need to be negotiated and agreed before further integration, in particular the pooling of budgets, can be, undertaken or operational responsibilities for staff and services integrated.
- 15.10 This will require senior management and project management time and some external legal input in order to validate the agreement. The senior management time will be identified through the prioritisation of workloads, and the project management and legal costs can be funded from the proposed Integrated Project budget.
- 15.11 This will also require the development of a significant work programme covering:
- (1) Governance – including some separate functions of the PCT
 - (2) Human resources – mapping staff roles, pay and benefits, policies and procedures, health and safety
 - (3) Clinical governance and policies/procedures
 - (4) Estates and facilities management
 - (5) Business planning and performance management
 - (6) Communications and marketing
 - (7) Information Technology and Management Information service
 - (8) Finance and payroll services

(9) Organisational Development Work Groups

(10) Equality and diversity

15.12 The Integration Programme Steering Group will not only be taking forward the main workstreams but also considering how back office functions can be integrated. To support this, the integration Executive Team will need to develop project plans and scope the resources required, as set out in the Alan Curless Scoping Report.

16 RISK MANAGEMENT

16.1 A risk assessment related to the issue and recommendations will need to be undertaken, in compliance with the Council's/PCT decision making risk management guidance.

17 RATIONALE

17.1 The recommendations will enable the Council to develop detailed proposals for the integration of services in consultation with partners and stakeholders in Herefordshire.

18 OTHER OPTIONS CONSIDERED

18.1 None

19 CONSULTATION

19.1 [TO BE DRAFTED FOLLOWING DISCUSSIONS WITH COUNCIL, PCT TRADE UNIONS, SHA ETC]

20 ADVICE SOUGHT

20.1 This report has been drawn up by Alan Curless in consultation with the CEO Herefordshire Council and CEO Herefordshire PCT.

20.2 The Council's Monitoring Officer (Council Solicitor) and Section 151 Officer (Resources Director) have not had the opportunity to input to this report at this stage.

Contact person ALAN CURLESS INTERIM PROGRAMME LEADER 01989 564359

APPENDIX 1 Public Service Trust Cabinet Paper 23rd February 2006
2 Herefordshire Council and Herefordshire PCT Integration Version
3 Governance and Structure Proposals

PUBLIC SERVICE TRUST FOR HEREFORDSHIRE

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

23RD FEBRUARY, 2006.

Wards Affected

County-wide

Purpose

To consider proposal for a Public Service Trust for Herefordshire as a basis for further discussion if a Herefordshire Primary Care Trust continues as currently proposed in the consultation document

Key Decision

This is not a key decision because Council is not yet at the decision-making stage.

Recommendations

- THAT (a) the proposals for a Public Service Trust for Herefordshire be endorsed as a basis for further discussion with the Primary Care Trust, if a Herefordshire Primary Care Trust continues as currently proposed in the consultation document.**
- (b) a joint project steering group be established to develop detailed proposals for further consideration by Cabinet in the event that the proposal for a Herefordshire Primary Care Trust is supported by the Secretary of State for Health.**

Reasons

1. The West Midlands South Strategic Health Authority (SHA) is currently consulting on a reconfiguration of PCTs in the region, as a result of the Department of Health's "Commissioning a Patient-led NHS" proposals. These seek to establish larger PCTs with strengthened commissioning capacity, and to create a clear separation between provider and commissioning roles. The consultation includes a preferred option of retaining a Herefordshire PCT, but the SHA wishes to see how a relatively small stand-alone PCT can deliver the new requirements. Against this background, Council Officers and PCT Directors have considered the concept of a Public Service Trust (PST) for Herefordshire, aligning certain Council and PCT functions to create a larger Herefordshire entity with combined commissioning capacity. The SHA is interested to see further work on the PST.
2. These developments coincide with:
 - Restructuring of the Council's Children's Services and Adult and Community Services with separate commissioning and provider functions, and which is consistent with requirements on PCTs.
 - Increasing importance placed on the achievement of the objectives of the Herefordshire Partnership, and effective delivery of the Local Area Agreement.

Further information on the subject of this report is available from Stephanie Canham, Head of Social Care (Adults) on (01432) 260320

These factors make this a critical point at which to develop a Public Service Trust to build on the advantages of co-terminosity and joint work to date, with the added strength of providing a single vehicle to deliver on the Local Area Agreement and the Partnership's objectives.

3. On 8 March, SHA Directors will be meeting Council and PCT Officers to explore and test the fitness for purpose of PCT proposals, including the PST. After consultation ends on 22 March, the SHA will then be making recommendations about PCT configuration to the Department of Health.

Considerations

Progress to date

1. An initial proposal for a Public Service Trust for Herefordshire has already been submitted to the SHA with Herefordshire Council's "in principle" support. Since then, the Council's Corporate Management Board has considered further options for a PST, and Council Officers and PCT Directors have considered the proposals in more detail, as set out in this paper.

Policy Context

2. Recent central government policies relevant to this area all set a strong and increasing requirement for PCTs and Local Authorities to work in close partnership. These include children's Trust arrangements, the White Paper "Our Health, Our Care, Our Say, A New Direction for Community Service", Local Area Agreements and the emerging guidance on Local Strategic Partnerships. The Public Service Trust proposals here have been developed specifically to be an innovative and local solution to these policy drivers.
3. Children's Trusts are an important part of the Government's policy for improving Children's services. Children's Trusts are a requirement of Every Child Matters, the Children's Act 2004 and the National Service framework for Children, Young People and Maternity Services. Children's Trusts bring together all agencies and sectors that commission and deliver services for children and young people. They are based on common principles but there is no prescribed form and considerable local flexibility is encouraged to respond to local needs and opportunities. However, the DFES have provided a question and answer document on Children's Trust Governance, which provides useful guidance for establishing a local Children's Trust. This guidance indicates that Local Area Agreements and the Every Child Matters agenda should be mutually reinforcing. In Herefordshire the Children and Young People Partnership Board has agreed to develop into Children's Trust.
4. The new White Paper "Our Health, Our Care, Our Say: A New Direction for Community Services" (January 2006) sets many specific requirements for local authorities and PCTs to co-operate closely to support health and well-being. It anticipates more joint working in community needs analysis, commissioning and shared accountability arrangements. The White Paper tasks both organisations to take on a wider agenda covering community well-being, including services such as transport, leisure and housing as well as "traditional" health and care services.

Other key White Paper requirements for integrated working are:

- Joint strategic information pooling and needs assessments of the local

population.

- Possible joint appointments e.g. Director of Public Health (already applies) and Director of Adult Social Services.
- Public health resources integrated and brought to bear across the local public sector.
- Joint commissioning teams – working to new combined guidance from the Department of Health.
- National performance assessment regimes for PCTs and LAs to be merged, and to assess specifically the integration of commissioning.
- Aligned planning and budget cycles for the NHS and LAs from 2007/08
- A single complaints system for the NHS and Local Authorities.

All of this integrated activity is seen as taking place under the umbrella of the LSP as the “partnership of partnerships” and with the LAA as the framework for delivery. A Public Service Trust offers a real opportunity to step beyond current partnership working to a more radical and streamlined model in response to the White Paper.

5. The Herefordshire Local Area Agreement is currently under development and is one of 13 single pot agreements which are being negotiated for sign off in April 2006. The Local Area Agreement has four key themes which it is proposed will form the basis of the thematic groups supporting the revised Herefordshire Partnership structures. Following a comprehensive consultation process the Herefordshire Plan is being reviewed and new governance arrangements are being developed for the Herefordshire Partnership (Herefordshire’s LSP). The ODPM has also issued a consultation paper on LSPs entitled LSP “Shaping their Futures” which includes advice on the governance of LSPs. This paper proposes that LSPs should be the overarching partnership in a locality and that they should move from the role of advisory bodies to take on a more proactive role as commissioning bodies.
6. The Local Area Agreement process puts LSPs at the centre of negotiation, delivery and monitoring of the priority outcomes of a local area. It is proposed that the Herefordshire Partnership governance arrangements will be reconfigured around the four themes of the Local Area Agreement. The LSP guidance also suggests that Children’s Trusts should be the primary partnership vehicle for delivering the Children and Young People’s theme of the Local Area Agreement. The Public Service Trust proposal is based on the PST being fully embedded in the structures of the Local Strategic Partnership and LAA. It takes as the key content of the PST the “Children’s and Young Peoples” block (or theme) and the “Healthier Communities and Older People” block. Their inclusion would allow integrated working relationships between the Council and PCT within the single PST, and with potential at a later stage for considering further blocks for inclusion in the PST as the unit to drive and deliver implementation.

Local Context

7. Earlier papers to Cabinet about the PST have also highlighted:
 - The importance to local people of maintaining local accountability in the form of a Herefordshire PCT controlling local NHS resources, and of local unitary government.

- Past achievements of the Council and PCT in realising the benefits of co-terminosity. Besides joint structures and shared teams, some of the tangible examples include:
 - Jointly commissioning and funding a new Community and Social Care facility at Kington.
 - Joint development of the SHAPES programme offering exercise, lifestyle and rehabilitation programmes.
 - Integrated mental health, learning disabilities and other services.
 - Joint COMPACT with the voluntary sector.
 - Joint team working on public involvement for health and social care.
 - Primary care based/attached social workers.
 - Joint approach to emergency planning and health protection – tested to the limit by the Legionnaires outbreak.

Paragraph 12 sets out why the formation of a Public Service Trust can better meet the new and greater expectations of joint working, rather than simply continuing with current joint working arrangements.

The Public Service Trust **Role and Responsibility**

8. The Public Service Trust would bring together the Council's and PCT's broad commissioning (i.e. needs analysis, planning and contracting) into a single organisation to deliver the objectives of the LSP and LAA. It would not be a partnership forum, but a unit to implement actions, including the functions of:
 - Commissioning and planning, including recognition of locality needs.
 - Public health, and health protection/promotion.

In addition there is scope for the Council and the PCT to explore joint corporate arrangements for performance management and public and service user involvement/information in the wider context of the LSP.

A recent paper by the Local Government Association (“The future of health and adult social care – a partnership approach for well-being”) strongly supports the integration of these functions for Councils and PCTs.

The unit would take responsibility for all relevant aspects of these functions for the PCT and Local Authority in their entirety, to avoid duplicating skills and teams back in the “parent” PCT and LA. Accountability would rest in the PST Board, and from there back to the Council and to the PCT Board (paragraphs 13 to 15 and Appendix 1 describe governance arrangements).

The PST will be responsible initially for services and issues relating to the two LAA “blocks” of:

- Children and young peoples’ services
- Healthier communities and older people

These blocks do not operate in isolation and it will be essential to ensure there are appropriate links with a range of other services such as:

- Leisure, housing, transport and environmental services as they relate to the well-being and health of communities, and the LAA.

The Council will wish to ensure sufficient focus on these areas within the PST, especially in the light of the need to address performance and budget issues here. It will also be essential to sustain closer integration of children's social care with education services, and closer integration of adult social care with community services.

It is proposed that alongside work to establish a new PST, potential additional content is explored, to test whether additional LAA blocks, and broader PCT or Council functions might be added, to streamline functions and avoid wasteful duplication. This work will also need to consider implications for other LSP partners.

9. The proposed PST is a commissioning structure, and as such it would not be appropriate for service provision to be included, however the joint discussions have identified potential for more joint provision of service. The PCT is exploring options for the future of its own provider services, especially social enterprise models (NHS social interest “not for profit” companies) as described in the White Paper. It is proposed that future joint discussions explore whether PCT and relevant Council provider services could come together in a separate “Social Enterprise”, commissioned by and working with the PST as a means of delivering service change.

Over time, it is possible to envisage a scenario in which PCT provider services sat within a separate social enterprise model, allowing remaining “parent” PCT functions to be consolidated into the PST.

The PCT has had discussions with the SHA and other NHS mental health providers about forming a Foundation Trust for mental health. However, the Council would also be interested to explore if a joint provider service vehicle could provide an innovative means of delivering mental health and learning disability services with joint local management within the County.

The Vision of the PST

10. Our vision is that the PST will support and improve the health, well-being and prosperity of Herefordshire people. It will be more effective at delivering this agenda by bringing together the commissioning of a wide range of relevant services in one organisation, sharing resources and integrating our approach.

Benefits

11. A Public Service Trust should only be pursued if it offers clear benefits for the public, service users, patients and carers. Key benefits to be realised include:

- Creating a more effective force to sustain and develop a vibrant local economy, and deliver the targets of the LAA.
- Providing stronger commissioning of services for the public, by combining scarce commissioning capacity, with the aim of improved performance and better outcomes for individuals and communities.
- Providing stronger market management and more opportunity to develop innovative provision through joined-up commissioning.
- Opportunities for better value for money and cost savings by combining resources/sharing services (see paragraph 19).
- Creating a formal governance arrangement to deliver:
 - Children's Trust arrangements.
 - Public health joint programme.
 - Key parts of the LAA.
 - A mechanism for GP practice based commissioners to work with commissioners of broader services, beyond health. A HPST could, for example, develop annual accountability agreements with practice based commissioners including public health targets.
- A “rural proofed” solution to achieve viable services for relatively small rural populations, distant from other population centres, by combining LA and PCT commissioning requirement (e.g. Kington Court).
- Potential for an integrated team working on public engagement and information within the broader context of the LSP– more opportunity for the public to talk to and have a voice with joined-up local services, and to develop the links between public service information, public health requirements, and community development work.

Public Service Trust versus Partnership Working - Beyond Partnership Fora

12. In theory, at least some of the benefits listed above for the PST could be achieved simply by partnership working. However, experience strongly suggests that an integrated unit will be more effective, especially in:
- Potential for clearer and more targeted working, via work taking place in one unit, rather than requiring ongoing duplication between two organisations.
 - Stronger information pooling and needs assessment, leading to better understanding of overall priority issues. In turn this should lead to better services and improved health and well-being. The Director of Adult and Community Services, Director of Children's Services and Director of Public Health will be the key individuals in the PST tasked with this.
 - Being held accountable, via a single Chief Operating Officer and Board, for delivering change in a more focused and robust way than partnership fora tend to provide.
 - Providing a single commissioning focus which practice based commissioners can link with, over social care and various well-being related services, and which recognises locality needs.

- Opportunity to unify and clarify currently disparate Section 31 arrangements, and strengthen the resources needed to deliver the services including reviewing the financial and service risk sharing arrangements.

How will the PST deliver the benefits?

Governance Arrangements

13. The PST will be a unit consisting of integrated teams, accountable to a PST Board, which in turn has lines of accountability to the Council and PCT. It will be founded on the principles of joint appointments, co-location and a single set of objectives it must deliver. Although the PST is a technically “virtual” organisation rather than a statutory one, almost all individuals in the PST would have all their time allocated there, rather than being split between the PST and either the Council or PCT.
14. The PST governance model needs to be fully embedded in the decision-making and performance management structures of the Herefordshire Partnership and Herefordshire Local Area Agreement. This has been taken account of in these proposals. The new PST Board could subsume and replace the current Section 31 Boards, and could provide the overarching governance structure for Children's Trust arrangements. Resolving this detail features in the attached action plan (Appendix 2).
15. Three options for governance are set out in the appendix, with discussion of the pros and cons of each. Cabinet is asked to support Option 2, to be taken forward for more detailed working up.

Budgets

16. All relevant commissioning and public health budgets would be devolved to the PST, using Section 31 flexibilities. The PST Board would then be accountable to the Council and PCT for those budgets against the delivery of an agreed plan (see below). The PST should be well placed to take advantage of the aligned planning and budget cycle promised by central government for the NHS and LAs for 2007/08.

Accountabilities/Failure to Agree

17. The Public Service Trust Board will be accountable to the Council and PCT respectively for delivery of the PST's objectives, including financial balance and statutory responsibilities including the requirement not to act ultra vires. The seniority of membership of the PST Board is intended to support a high degree of devolved responsibility. Accountability mechanisms need to be developed in detail, but are likely to focus on the agreement with the PCT and Council of, a three-year plan combining the LAA and the Local Delivery Plan. The promised alignment of central planning cycles and commissioning guidance for Councils and PCTs should facilitate this.
18. Clear arrangements to deal with failures to agree are needed. Current Section 31 agreements provide a basis to build on, including an escalation/arbitration procedure involving the SHA and Council Chief Executives, and a protocol for dealing with financial problems which takes into account the organisations' proportional contributions.

Shared Services

19. The PST provides an opportunity for the wider Council and PCT to share back-office functions (whether outsourced or provided by one organisation for the other) to reduce costs and add value but it may well be more productive to consider these in the wider context of the LSP.

The following services are proposed for more detailed consideration:

- ICT
- Finance
- Human Resources
- Communications
- Legal Services
- Estates and facilities
- Transport
- Procurement
- Complaints
- Information/public involvement/public relations.

Shared services arrangements could offer benefits regardless of the progress of the PST, and it is therefore recommended that they be explored in any event.

The potential social enterprise organisation for provider services (see paragraph 9) might provide a base for local shared services.

Next Steps

20. The next key milestones are:
- 8 March 2006: Meeting of Council Officers and PCT with the SHA, to assess support for and fitness for purpose of the Public Service Trust.
 - April 2006: Decision regarding Herefordshire PCT Public Service Trust.
 - 1 October 2006: New PCT with affordable structure to be in place.
 - End 2008: All PCT management cost savings to be achieved.

Risk Management

Key issues are:

The formation of the Public Service Trust represents the best safeguard currently against the risk of loss of local Herefordshire decision-making and accountability on health matters.

Appropriate joint project planning and management will be essential to ensure the robust formation of the PST.

Consultees

Background Papers

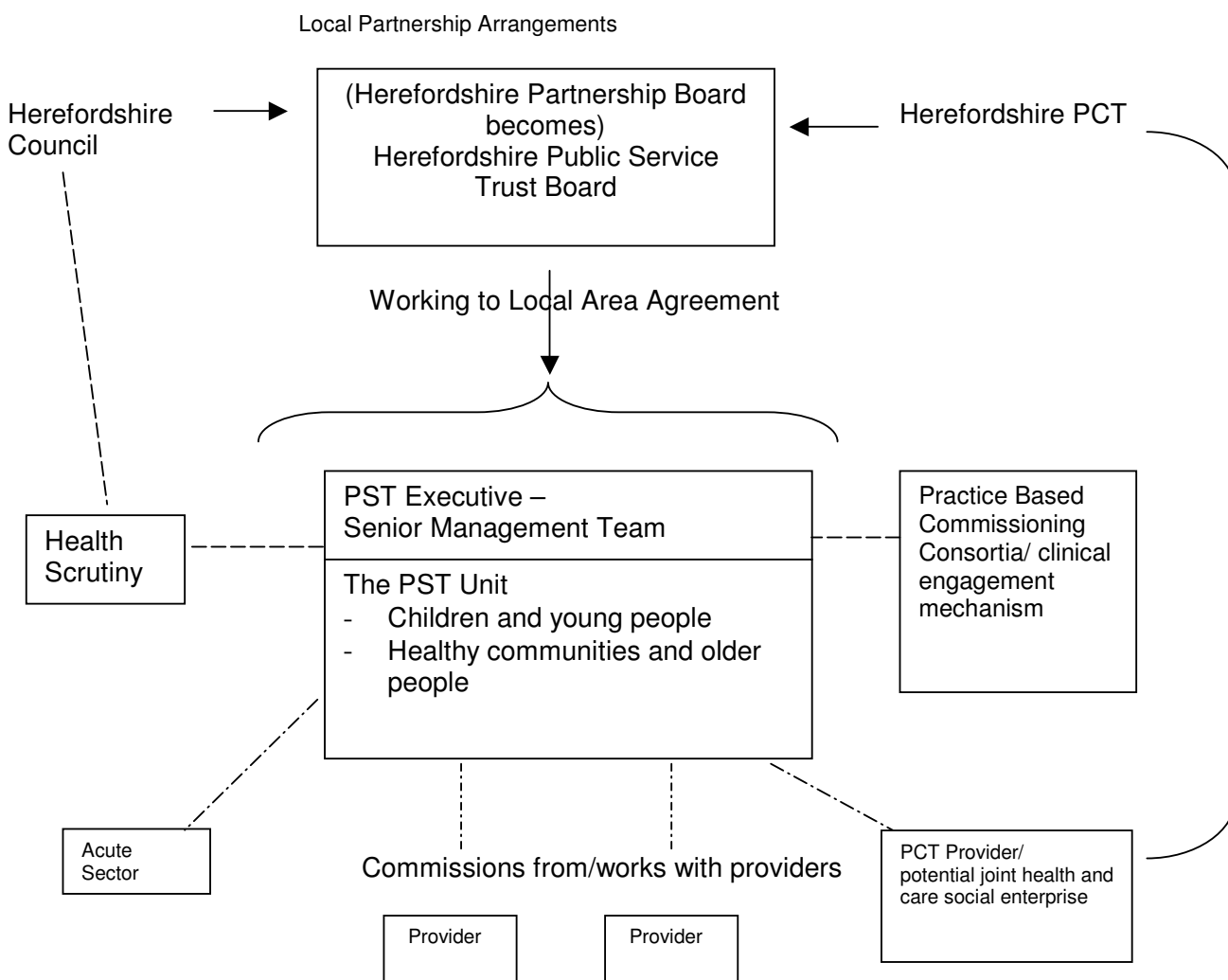
- Appendix 1 - Governance Options
Appendix 2 - Action Plan

PUBLIC SERVICE TRUST (PST)
THREE OPTIONS FOR GOVERNANCE

Three options are presented here, of which Option 2 is the recommended option.

Option 1

- Structure consistent with and under umbrella of, local partnership arrangements.
- The current Partnership Board in its entirety becomes the Board of the Public Service Trust, which then forms a separate organisation with a senior management team, and consists of unified, jointly appointed teams from Council and PCT.
- Accountability is from the Council and PCT to the Partnership (now Public Service Trust) Board i.e. as now.
- Overview and Scrutiny Committee scrutinizes the PST.
- Clinicians and practice based commissioners work with the PST (exact mechanisms to be identified).
- The PST commissions services from a range of providers. One option could be a new joint social enterprise organisation, including PCT provider services and social care provider services.
- The two Local Area Agreement “blocks” of children and young people, and healthy communities and older people, form the basis of the PST’s work.



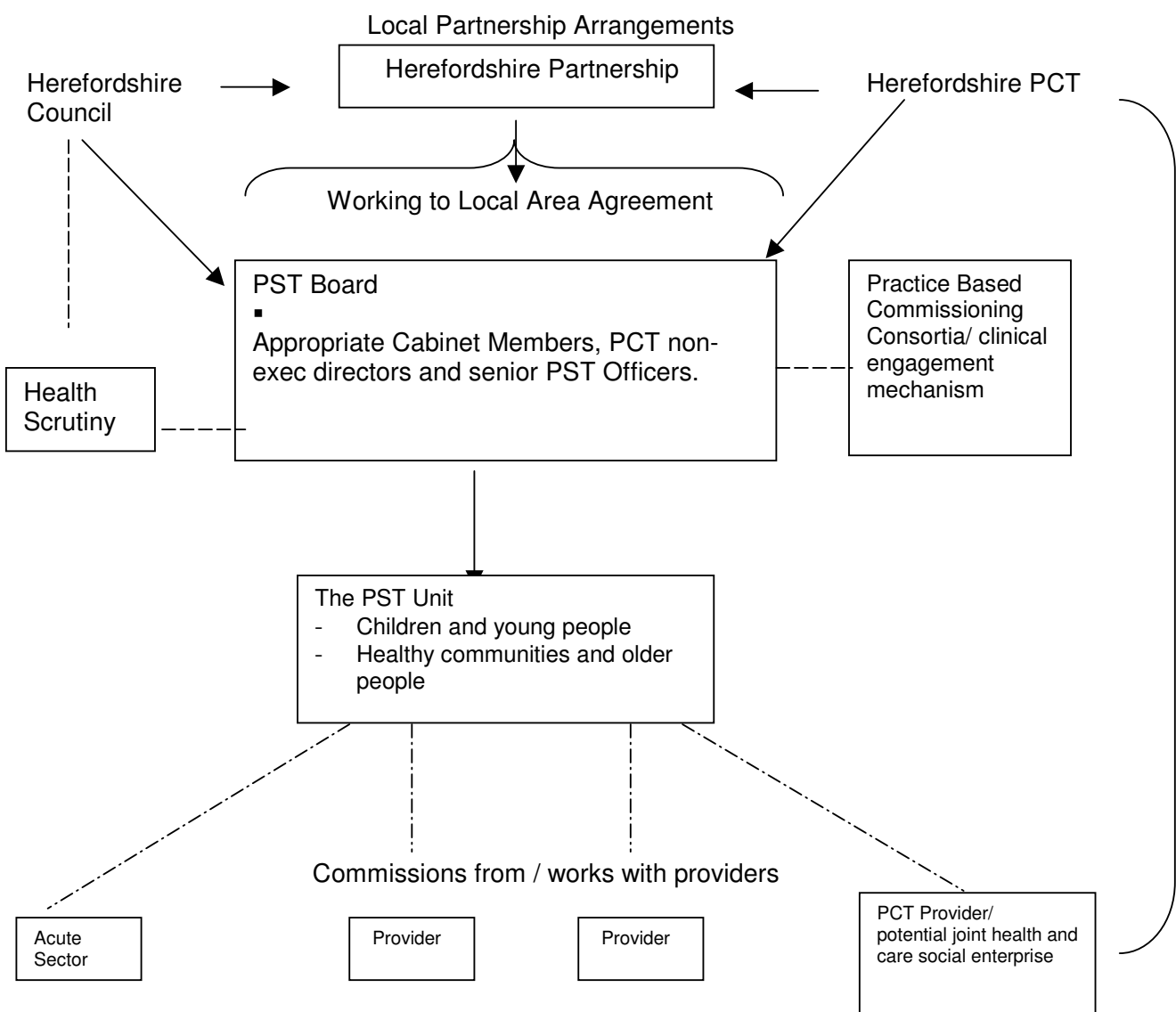
Pros and Cons

- Many organisations on the Partnership Board are not Herefordshire-coterminous.
- Some have lesser degrees of responsibility for the core remit of the PST.
- PST is likely to be more effective as a new organisation if focuses initially on key functions and therefore key stakeholders, and develops a longer-term plan for wider inclusion.
- Therefore this is not a preferred option.

Option 2

As per Option 1 but the key difference is that the PST now has its own Board drawn from the Council and PST, rather than the much wider Herefordshire Partnership Board acting as PST Board. However, the PST is still firmly embedded in Partnership arrangements. The Board consists of key elected members (Cabinet members for children and adults), Non Executive Directors and jointly appointed senior managers, including a Chief Operating Officer. Those senior managers lead jointly appointed, unified teams in the PST. Accountabilities are still from the PST Board to the Council and PCT.

Other points as in Option 1.



Pros and Cons

- Sufficient for governance but remains streamlined.
- Requires appropriate membership to reflect Children’s Trust requirements and subsume Section 31 Boards.
- Sufficient seniority to allow substantial delegation.
- Preferred option.

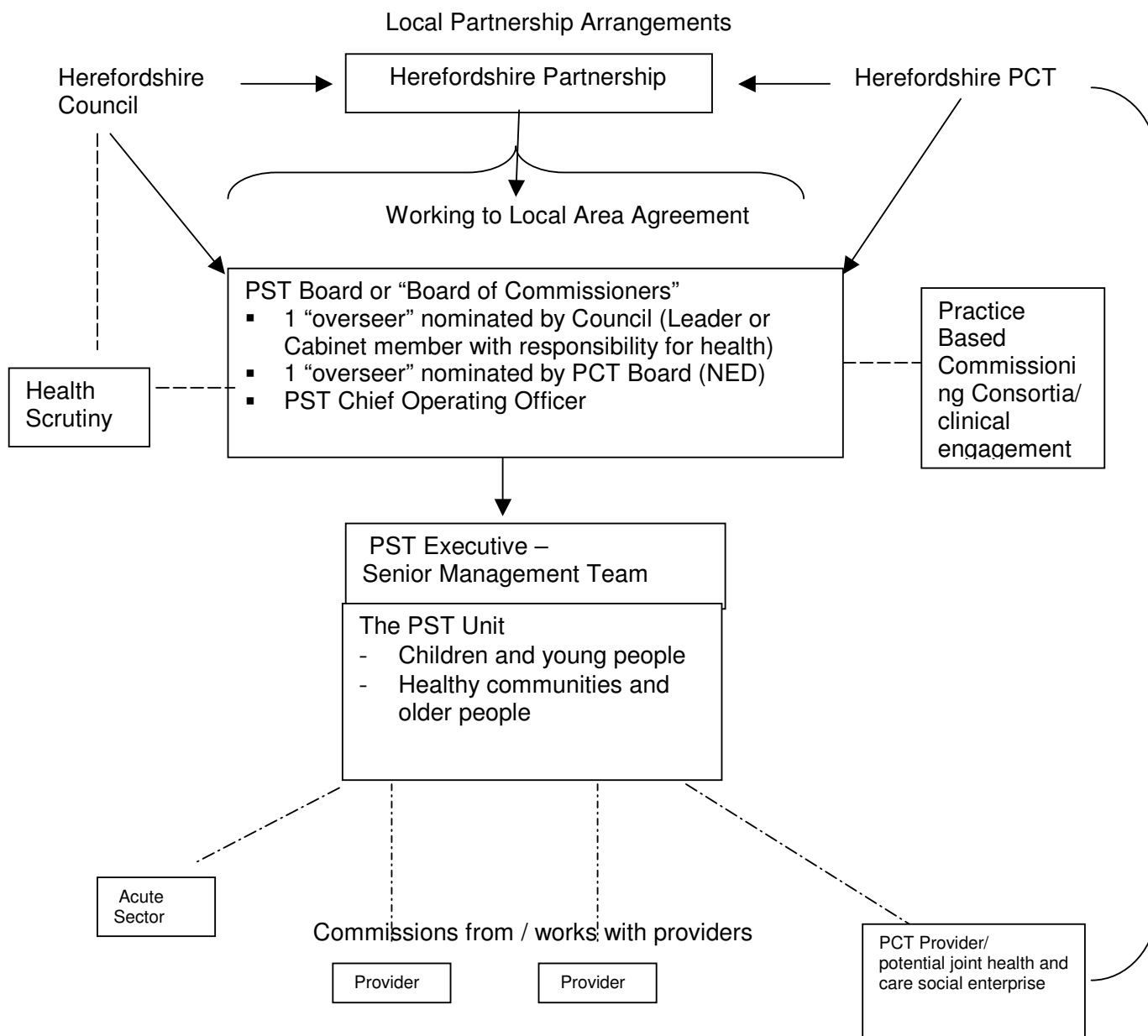
Option 3

As above but the PST Board or “Board of Commissioners” consists of a very streamlined structure of three individuals i.e.:

- One Council representative (e.g. Council Leader or Cabinet member with responsibility for health)
- One PCT representative (e.g. Chairman or other Non Executive Director)
- Jointly appointed Chief Operating Officer

The PST then has an Executive formed of senior, jointly appointed managers who lead unified, jointly appointed teams in the PST Unit.

Other points as in Options 1 and 2.



Pros and Cons

- Very streamlined but does Board offer enough governance assurance given numbers?
- Significant burden on small number of individuals. Concerns about realism especially if the individuals concerned were the Council Leader and PCT Chairman, with their other responsibilities.
- Could lead to additional recourse (and duplication) back to Council and PCT compared to Option 2.
- Therefore this is not a preferred option.

Action Plan for Implementing Herefordshire Public Service Trust

Key Area	Action	Timescale
ADDRESSING FUNDAMENTALS		
1. Adopt signals of commitment	Joint consideration of all related posts over £35k for joint appointment; jointly look for available co-locations	Immediate
2. Project arrangements	Establish Project Steering Group, project structure and project plan	March – April
3. Staff engagement	Develop structured plan, including regular briefings and inclusion in working groups	March
4. Stakeholder engagement	As for staff, with other LSP partners, practice based commissioners, clinicians, etc	March
5. Audit	Audit current work, including contracts, providers, work in progress, teams	March – April
6. Needs assessment	Work jointly on information sharing and needs assessment	March & ongoing
7. Self-assess capability	Agree and apply diagnostic tools/benchmarks to take stock	April
8. Shared services	Develop plan to review all relevant services/plan sharing	April
SHAPING THE NEW ORGANISATION		
9. Governance	Confirm detail of governance structures, including fit with Section 31s, Children's Trust arrangements and clinical engagement	March - April
10. Strategy	Set out and validate strategy assumptions – confirm strategy and key objectives	April - September
11. Information	Audit information availability and systems – plan integrated approach	April – September
12. Finance	Establish finance and budgetary systems	April - September
13. Performance management	Establish performance management systems	April – September
14. Accommodation	Identify preferred accommodation solution and explore options	April – September
MANAGING TRANSITION		
15. Posts	Identify and fill most senior posts	June – July
16. Transition	Establish a team to handle practicalities of transition	June – July
17. Practicalities	Handle staffing, location, set-up issues	June – September
BUILDING ORGANISATIONAL CAPACITY		
18. Board	Establish new Board and address board development needs	September
19. Management Team	Determine roles; confirm team structures; address development needs	September
20. Culture	Develop a structured development programme to promote integrated working from all staff. Ensure the culture supports this	October onwards
21. Stakeholders	Develop and review links – including clinical engagement and links to LSP partners	October onwards
22. Functions	Review and address development needs of key functions – commissioning, public health, etc	October onwards

Herefordshire PCT and Council Integration

The Vision

To help individuals achieve their potential and improve health, well-being and prosperity and reduce inequalities, in Herefordshire through:

- Maintaining and promoting community development whilst responding to individual needs
- Joint ownership of the health, social care and education agenda
- Achieving best outcomes for children and adults through integrated services
- Promotion of health and well-being through integrated public health service
- Retaining and developing local accountability for services
- Promote ways of working that recognise the contribution that the breadth of skills and talents that our workforce bring to delivering services

This will help to:

- Improve the health of everyone so that it is shown to be as good as it can be and to reduce the gap between those with better and poorer health in the community.
- Give children the help they need to do better in life than they ever thought they could
- Provide seamless service for adults and communities consistent with the principals of the White Paper “Our Health, Our Care, Our Say”.
- Support parents, carers and people in the community through the partnerships between the Council, the PCT, voluntary and private organisations and other stakeholders.
- Enhance local skills to enable disadvantaged groups such as the disabled to return to or be maintained in work.
- Underpin regeneration and employment through access to good under fives services, education, youth services, health, housing and social care services.

And specifically will deliver integrated services that have characteristics such as:

- Single points of access
- Unified care management
- Clear pathways to care

And which:

- Is responsive to individual needs
- Is founded on locality partnerships to facilitate the contribution of schools, GPs, the voluntary sector and other partners to develop community services
- Acknowledge the value that differing staffing perspectives bring and develop appropriate networks of support that both recognise difference and unify approaches.

And has:

- Strong links to other services such as leisure, housing, environment and transport.
- No unnecessary organisational and professional barriers to effective ways of working whilst maintaining and developing best practice initiatives which help deliver optimum service user outcomes.

Principles

To achieve the vision, the Council and the Primary Care Trust have agreed:

- To develop a Partnership Model of working, with the establishment of joint objectives, and single system of strategic planning, performance management and single management structure
- To focus on developing an integrated commissioning structure which will:
 - Promote participation of local people
 - Identify the strategic education, health and social needs of the people of Herefordshire
 - Develop strategic commissioning plans to meet those needs
 - Combine the resources to fund and secure the service
 - Performance manage the delivery of the service commissioned, in order to ensure that desired outcomes are achieved and to develop services to meet new needs as they are identified.
- To create integrated operational provider services which can respond to:
 - The development of individualised budgets
 - The promotion of extended services for children and local communities through local area partnerships
 - Contestability and plurality of provision
- To combine and develop the knowledge and skills of staff from both the Local Authority and Primary Care Trust, and partner agencies and providers to help support integrated service delivery, aligning policies and procedures so far as is possible whilst retaining contractual terms and conditions.

Public Service Trust for Herefordshire Governance and Leadership Framework

1 Background

An initial proposal for a Public Service Trust for Herefordshire has already been submitted to the Strategic Health Authority with Herefordshire Council's "in principle" support. The initial proposal considered three options:-

Option 1 – Herefordshire Partnership Board becomes Herefordshire Public Service Trust Board - Board too wide

Option 2 – Public Service Trust has its own Board drawn from the Council and PST - still embedded in Partnership arrangement

Option 3 – Public Service Trust Board or "Board of Commissioners" - very streamlined model but not enough governance assurance

When the initial proposal was considered Option 2 became the supported option.

- 1.1 A more detailed report was then considered by the Council's Corporate Management Board, PCT Board and PCT Directors. However, the next key milestones, identified in the report, were delayed pending the outcome of the review of PCTs. Once it had been agreed that the Herefordshire PCT would continue as a stand alone PCT the detail planning and development plan for establishing the PST could begin.
- 1.2 On 20th June 2006 Alan Curless was appointed as an outside consultant to produce an initial piece of scoping work. The object of the scoping work was to identify the challenges in setting up a Public Service Trust, to put the issues into a more ordered form; and to arrive at a measured conclusion as to what would be required to take the project to the end of Part 2 of the development, which would be an initial worked through proposal.

2 Scoping Report

The Scoping Report was completed in early August and contained the following sections:-

- Vision Statement
- Proposed Public Service Trust Governance arrangements
- Proposed Programme Board & Steering Committee, & Terms of Reference
- Detailed list of Key Issues & Challenges & Possible New Model
- Suggestions for the content of the Initial Proposal which would need to be approved by both Herefordshire Council & Herefordshire PCT before draft of Partnership Agreement
- Suggestions for the content of any Partnership Agreement for the new Public Service Trust

- 2.1 A meeting was then arranged between Neil Pringle CEO, Herefordshire Council, Paul Bates, CEO Herefordshire PCT and Alan Curless to discuss the findings and recommendations in the report.

It was agreed at the meeting that the scoping report had identified the potential to develop a more radical approach than the previously approved in “principle” Option 2. There were also concerns that the Option 2 model might not provide sufficient cost savings. Alan Curless was then asked to produce a new more ambitious model for the proposed Public Service Trust showing a revised integrated senior management team structure.

A copy of the proposed structure is attached at annex 1-1d.

- 2.2 Following receipt of the new proposed structure a meeting was arranged between Roger Philips, Leader of Herefordshire Council, Ted Wilmot, Current Chair Herefordshire PCT, Joanna Newton, Chair Designate Herefordshire PCT, Neil Pringle, CEO Herefordshire Council, Paul Bates, CEO Herefordshire PCT and Alan Curless.

The outcome of the meeting was as follows:-

- To accept the new proposed structure as a possible model
- To consider the implications of recent changes at Herefordshire PCT and the potential local authority elections in 2007
- To ask Alan Curless to propose a further possible management structure model that could be used as a stepping stone to the new model once the personnel and political changes have been resolved
- To ask Alan Curless to propose a list of criteria which should be used to consider any strategic options review
- To prepare a background paper which could be used for Herefordshire Cabinet and Council meetings, Herefordshire PCT, Board Meetings, Herefordshire Council and Herefordshire PCT Senior Management Meetings, Meetings with Government Office and Strategic Health Authority
- To inform the joint Senior Management Teams of the proposals on 26th September 2006
- To inform Government Office West Midlands and Strategic Health Authority of the proposals on 19th October 2006

All the above points have been actioned

A copy of the proposal criteria to be used for any strategic option review is at annex 2

A copy of the alternative proposed structure and individual portfolios are at annex 3-3a

A copy of a mini options appraisal is at annex 4

HEREFORDSHIRE PUBLIC SERVICE TRUST **PROPOSED SENIOR MANAGEMENT STRUCTURE**

1. Introduction

This paper considers some of the driving forces for change and explores the management structure arrangements which will ensure that the proposed Public Service Trust is fit for purpose.

2. Driving forces for change

- a) Restructuring of the Council's Children's Services and Adult and Community Services with separate commissioning and provider functions, and which is consistent with requirements on PCTs.
- b) Increasing importance placed on the achievement of the objectives of the Herefordshire Partnership, and effective delivery of the Local Area Agreement.
- c) The need to build on the advantages of co-terminosity and the joint work done to date .
- d) The added strength of providing a single vehicle to deliver on the Local Area Agreement and the Partnership objectives.
- e) Recent central government policies relevant to this area all set a strong and increasing requirement for PCTs and Local Authorities to work in close partnership. These include Children's Trust arrangements and the White Paper "Our Health, Our Care, Our Say, A New Direction for Community Service," Local Area Agreements and the emerging guidance on Local Strategic Partnerships.

The White Paper "Our Health, Our Care, Our Say," envisages a new strategic direction for the care and support services that people use in their local communities that:-

- puts people more in control of their own health and care - with their actions and choices driving improvement.
- enables and supports health, independence and well-being, building on the programme for health improvement set out in "Choosing Health."
- provides rapid and convenient access to high-quality, cost-effective care, meaning a shift in the balance of provision and how local services are provided.

The Public Service Trust proposals have been developed specifically to be an innovative and local solution to these drivers.

- f) Requirements in recent Government White Papers include the following:-
 - LA and PCT to take on a wider role of community well-being, including services such as transport, leisure and housing as well as traditional health and care services.
 - Joint strategic information pooling and needs assessments of the local population.
 - Possible joint appointments e.g. Director of Public Health (already agreed) and Director of Adult Social Services.
 - Public Health resources integrated and brought to bear across the public sector.
 - Joint commissioning teams – working to new combined guidance from the Department of Health.
 - National performance assessment regimes for PCTs and LAs to be merged, and to assess specifically the integration of commissioning.
 - Aligned planning and budget cycles for the NHS and LAs from 2007/2008.
 - A single complaints system for the NHS and LAs.

- g) Benefits for the public, service users, patients and carers include the following:-
- Improved access to services through a single point of entry.
 - Gives greater, and better informed choice to users, patients, carers and their families.
 - Improves quality of service delivery through co-ordinated services.
 - Improves the health and well-being of the public.
 - Provides a single assessment process for a wide range of services.
 - Creates a more effective force to sustain and develop a vibrant economy, and deliver the targets of the Local Area Agreement.
 - Provides stronger commissioning of services for the public, by combining scarce commissioning capacity, with the aim of improved performance and of better outcomes for individuals and communities.
 - Provides stronger market management and more opportunity to develop innovative provision through joined-up commissioning.
 - Opportunity for better value for money and cost savings by combining resources/sharing services e.g. ICT, Finance, Human Resources, Legal Services, Estates and Facilities, Transport, Communications, Market Research, Complaint Handling, Information Points and Procurement.
 - A “rural proofed” solution to achieve viable services for relatively small rural population, distant from other population centres, by combining LA and PCT commissioning requirement.
 - Potential for an integrated team, working on public engagement and information – more opportunity to talk to and have a voice with joined-up local services, and to develop the links between public service information, public health requirements, and community development work.
- h) Benefits and reasons for the LA and PCT to integrate:-
- Expectations from the Strategic Health Authority of closer working between LA and PCT.
 - Pressure on both Herefordshire Council and Herefordshire PCT regarding their long-term viability and autonomy because of their relatively small budgets compared with other areas.
 - PCTs are expected to separate their commissioning and provision roles to achieve better value for money and improve the offer.
 - PCT needs to reduce its management cost by 15% by end of 2007/2008. There are only three ways in which savings could be made:-
 - Integration of management arrangements with the Local Authority
 - Sharing back office functions with other PCTs or the Local Authority
 - Development of shared commissioning of significant health services with other PCTs
 - Eliminates duplication and overlap in areas such as public consultation and provision of information.
 - LA is always under pressure to reduce costs especially management costs. The new proposed structure should produce significant savings in management costs.
 - Integration of budgets, staff and other resources should result in real added value and better outcomes for customers.

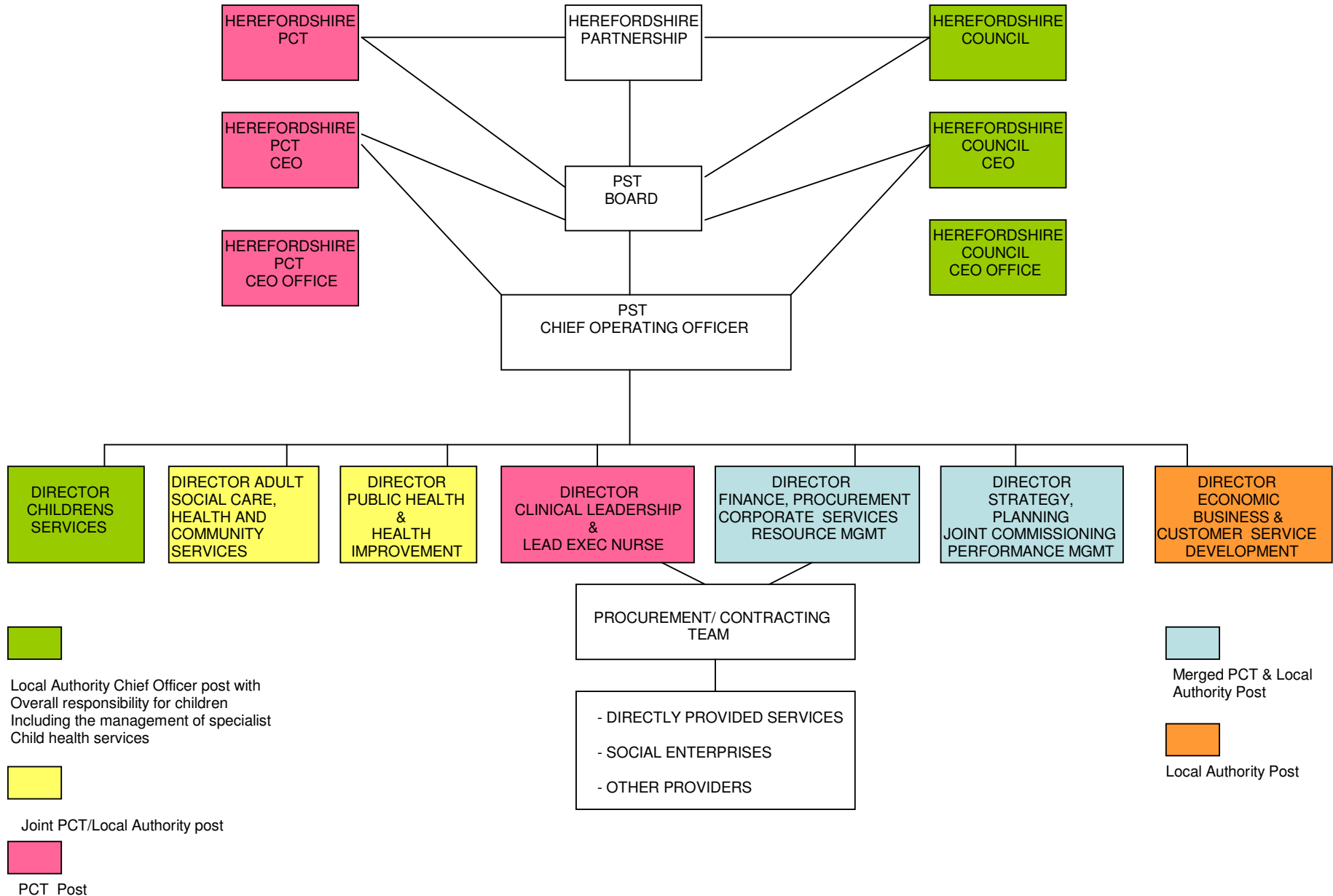
3. Establishing the proposed new management structure - see Annex 1a – 1d attached

The target date for full integration is April 2008.

Key to achieving the target date is as follows:-

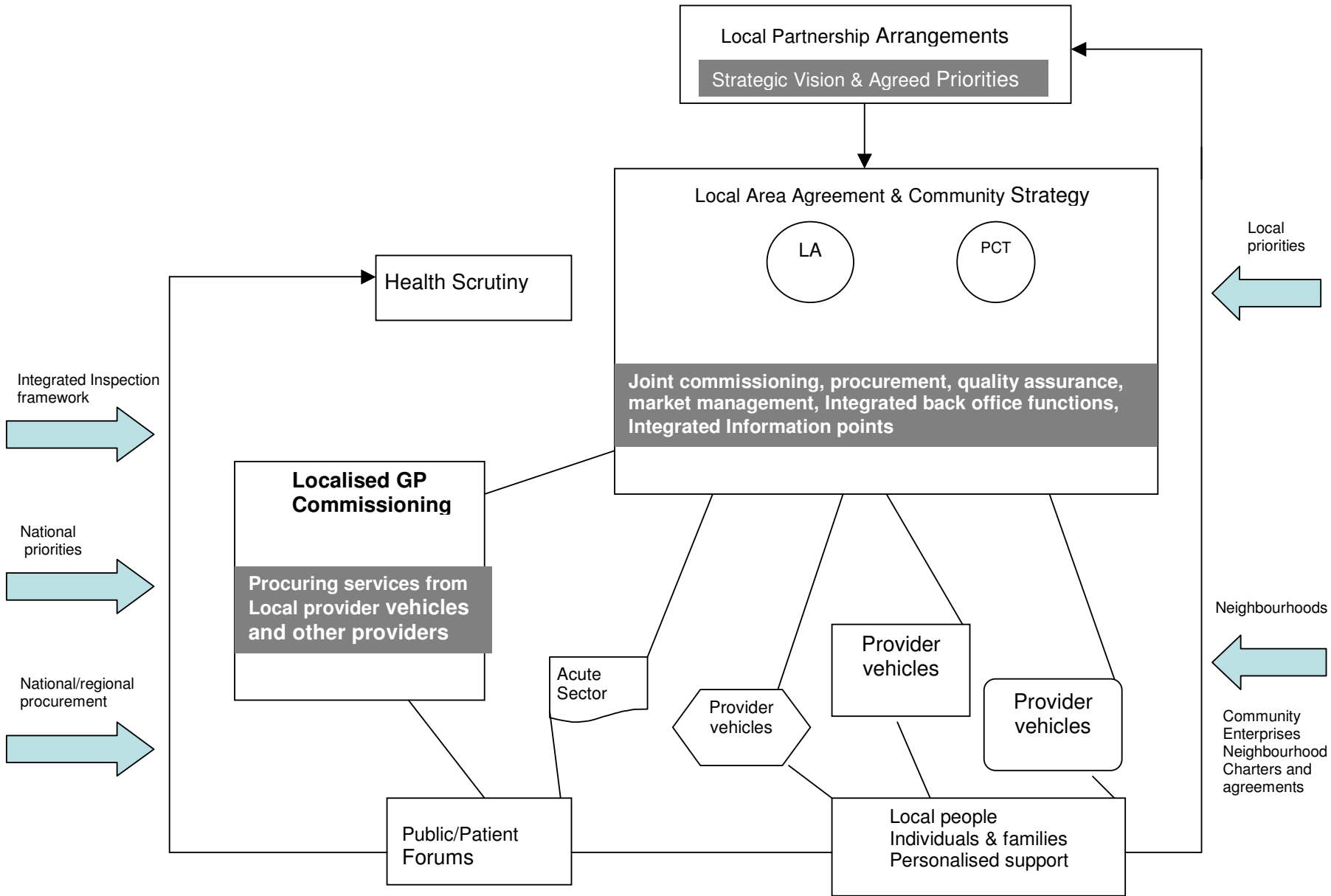
- Need to action the “Key Issues – Challenges and Urgent Decisions” by February 2007 - see section 5 of my Scoping Report.
- The target start date for change should be April 2007.
- Once having determined the estates position it will be important to encourage co-location as soon as possible.
- Need formal approval from Herefordshire Council, Herefordshire PCT Board, DCLG, Strategic Health Authority and Department of Health as soon as possible.
- The Director of Adult Social Care, Health and Community Services, needs to be agreed as a joint appointment as soon as possible.
- Need to ensure that the senior management team is fully committed to the proposed new management structure.
- A new Director of Public Health needs to be appointed urgently.
- Need urgent communications with partners and staff regarding our proposals.
- Need formal consultation with the public and stakeholders as soon as possible.
- We need to give priority to recruiting a Chief Operating Officer.
- The most difficult area to integrate is the merger of the Directors shown in the blue boxes on the structure chart i.e. Director Finance, Procurement, Corporate Services and Resource Management and the Director Strategy, Planning, Joint Commissioning and Performance Management. The mixture of staff with the right knowledge and skills will be crucial to its success.
- During the first year both the LA and PCT CEO’s will have a key role in supporting the Chief Operating Officer. During the early stages it would seem sensible for the Directors to be linked to the appropriate CEO.
- During the first year consideration should be given to establishing a Social Enterprise to take over some of the PST work e.g. Finance, HR, IT etc.
- During the first year there should be a thorough review of any direct provision and only continue where the PCT’s commissioning function shows that such a provision is best for patients and provides best value for money. Where there is a need to create any new vehicles for delivery of provider services, to ensure separation of commissioning and direct provision, the Social Enterprise route should be considered.
- In the short/medium term the new Chief Operating Officer could act as the Executive Director of Adult Social Care, Health and Community Services thus making further savings on the number of Director post.
- From April 2008 it should be possible to reduce further the size of the senior management team.
- Between April 2007 and March 2008 there is a need for a formal review of both the Herefordshire Council CEO and Herefordshire PCT CEO roles and the role of the Chief Operating Officer of the Public Service Trust. It should be possible to rationalise.

PROPOSED HEREFORDSHIRE INTEGRATED SENIOR MANAGEMENT STRUCTURE MEDIUM/LONG TERM



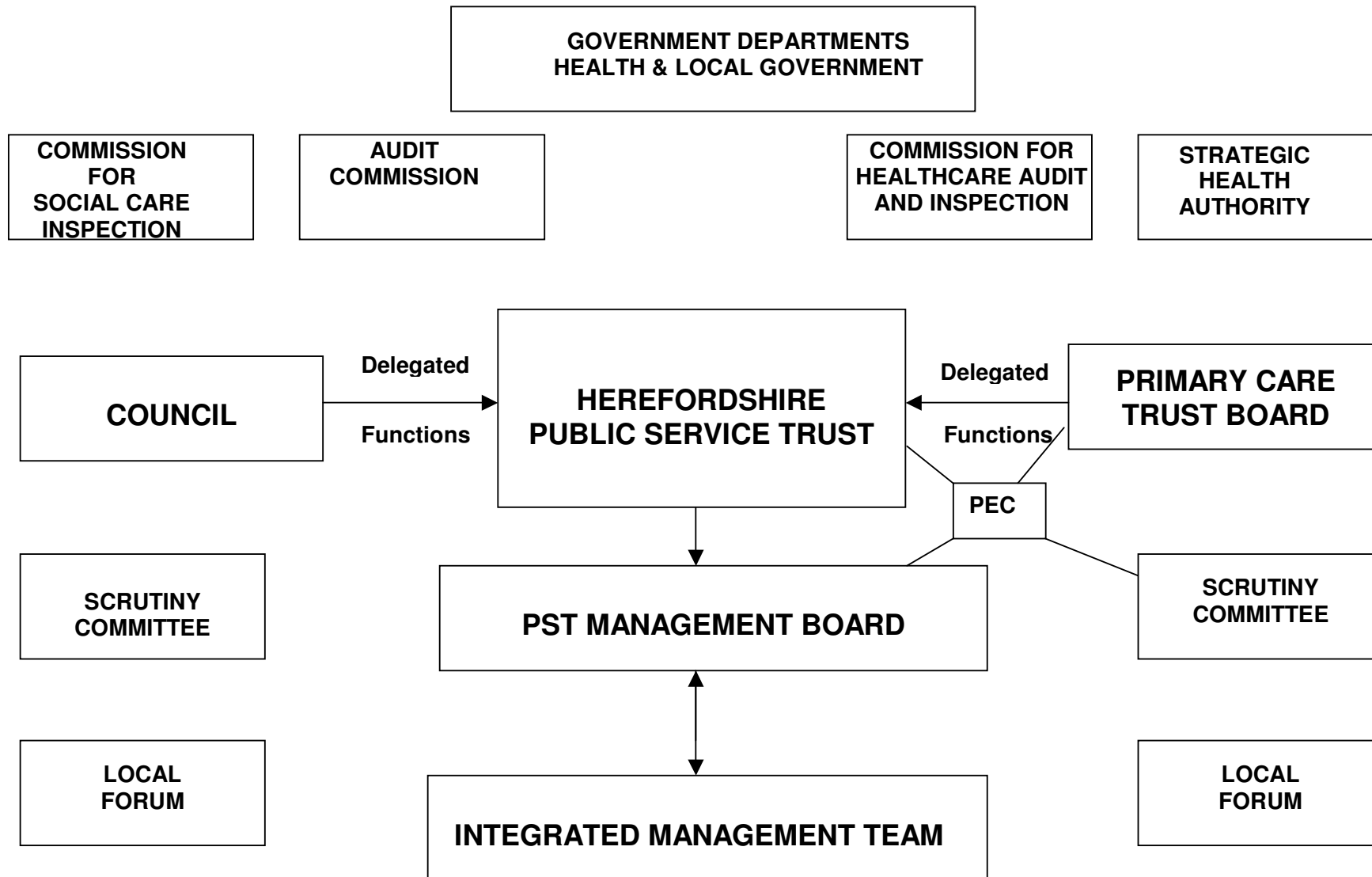
PARTNERSHIP APPROACH

Annex 1b

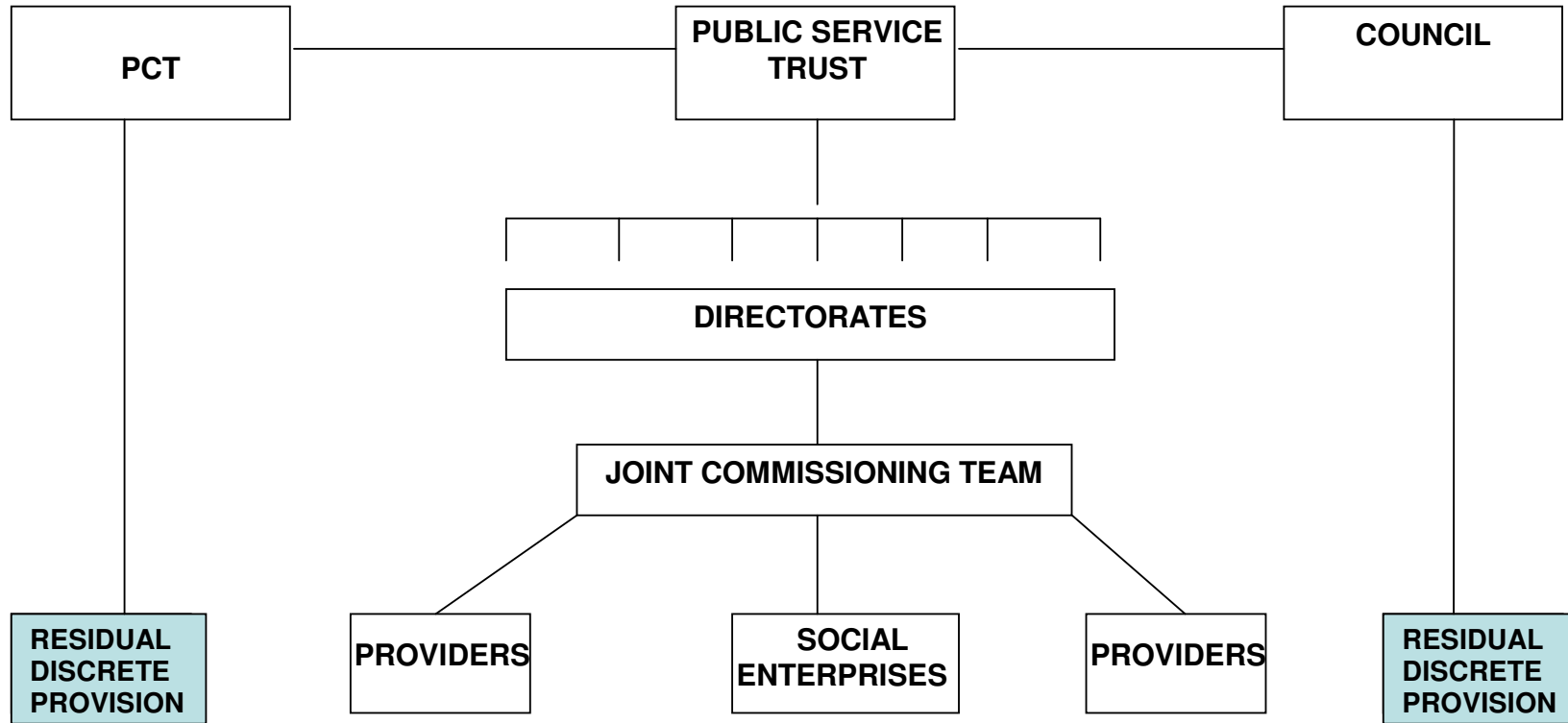


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OVERALL SCRUTINY



COMMISSIONING/ PROVIDER MODEL



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RESIDUAL DISCRETE PROVISION

- NO SUITABLE ALTERNATIVE
- LEGAL RESPONSIBILITY
- DISCRETE AND DISTANT
- WILL DIVEST ASAP
- EXCEPTION RATHER THAN THE RULE

Strategic Options Review Criteria

The Vision of the Public Service Trust

The vision is that the Public Service Trust will support and improve the health, well-being and prosperity of Herefordshire People. It will be more effective at delivering this agenda by bringing together the commissioning of a wide range of relevant services in one organisation, sharing resources and integrating the approach of the two principal organisations Herefordshire Council and Herefordshire PCT.

The objectives of the review are:-

- To identify the structural options, for Herefordshire Council and Herefordshire PCT through a Public Service Trust, for the future delivery of provision that best supports the delivery of the vision
- To review each of the potential options against the following 6 key criteria:-

Criterion 1 : To improve services to the customer

Criterion 2 : To improve utilisation of resources

Criterion 3 : To meet expectations of key stakeholders

Criterion 4 : To improve future viability of independent Herefordshire Public Sector Bodies

Criterion 5 : To satisfy Herefordshire Council and Herefordshire PCT Board Governance and Delivery Agenda

Criterion 6 : To raise the Herefordshire Profile at Regional and National Level

Issues to consider for each criterion:-

Criterion 1 : To improve services to the customer

- Single point of access to services
- Single assessment process and individual plans
- Better integration of services and greater coherence
- Local Social and Health Care Zones
- Separation of commissioning and procurement
- Less health inequalities
- Better communication with the public
- Putting people more in control of health and well-being
- Stronger focus on prevention
- Stronger Public Health Agenda
- Improved provision
- Single complaints system
- Meet community expectations
- Improved performance against targets
- Providing stronger market management and more opportunity to develop
- Innovative provision through joined-up commissioning
- Greater clinician involvement across a wider range of health and social care needs

Criterion 2 : To improve utilisation of resources

- Better value for money and cost savings
- Savings on management costs
- Better use of current estate and more co-location
- Providing stronger commissioning of services for the public, by combining scarce commissioning capacity, with the aim of improved performance and better outcomes for individuals and communities
- Improved and better co-ordinated research
- Improved public consultation process
- Improved performance management/performance assessment
- Better integration of all services e.g. Housing, Leisure, Transport
- Opportunity for shared back office functions
- Opportunity to review systems and improve
- Reduction in number of committees
- Major Human Resource Management opportunities

Criterion 3 : To meet expectations of key stakeholders

- Improve prospect of delivering Local Strategic Partnership plan and Herefordshire Partnership agenda
- Meet Strategic Health Authority agenda – status quo for Herefordshire PCT not acceptable because of size and scale of operation
- Supports Governments vision for closer working and integration of services
- Provides the Community Leadership role of local authority

- Separation of commissioning and procurement
- Provides further opportunities for the third sector
- Provides opportunities for other public sector bodies to integrate services and provision into the Public Service Trust
- Satisfies the community agenda – decision making taken more locally
- Improves Value for Money
 - Costs - Economy
 - Inputs and Outputs - Efficiency
 - Outcomes - Expectations

Criterion 4 : To Improve future viability of independent Herefordshire Public Sector

Bodies

- Economies of scale and rural factors requires a more imaginative solution to structures
- Pressure each year on local authority budget
- Need to reduce costs at Herefordshire PCT by 15%
- Expectations of Strategic Health Authority
- Need to avoid duplication and increase shared services
- Other public sector bodies able to join in and therefore, reduce costs
- Improves prospects of recruiting wider choice of senior managers
- A “rural proofed” solution to achieve viable services for relatively small rural populations, distant from other population centres, by combining LA and PCT commissioning requirement

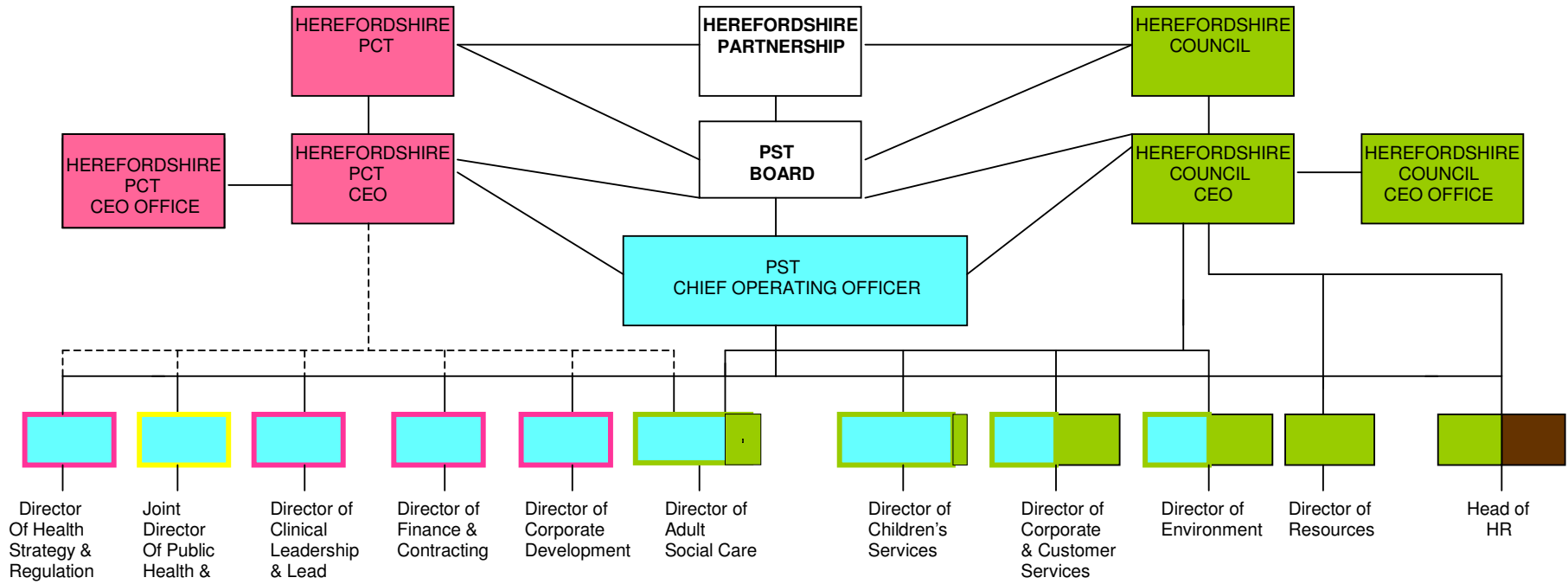
Criterion 5 : To Satisfy Herefordshire Council and Herefordshire PCT Board Governance and Delivery Agenda

- Creating a more effective force to sustain and develop a vibrant local economy, and deliver the targets of the LAA
- Difficulty in delivering the proposed structure
- Needs to take into account changes in the Herefordshire PCT Board and Senior Management Team
- Needs to take into account possible political changes within Herefordshire Council
- Need to ensure that good governance arrangements are in place to satisfy both parties
- Need to convince both parties of the customer benefits and the control of funds
- Potential press and external reaction to the proposal
- Potential Senior Management Team and staff reaction
- Creating a formal governance arrangement to deliver:-
 - Children’s Trust arrangements
 - Public Health joint programme
 - Key parts of the LAA
 - A mechanism for GP practice based commissioners to work with commissioners of broader services beyond health, a Herefordshire PST, could for example, develop annual accountability arrangements with practice based commissioners including public health targets

Criterion 6 : Raises the Herefordshire Profile at Regional and National level

- Benefits of a flagship project
- Potential to ask for greater flexibilities
- Potential to improve funding because new proposals are innovative
- Improves the prospect of recruiting wider range of senior managers because of the innovation
- Opportunity to build on current good practice and improve external assessment ratings

PROPOSED HEREFORDSHIRE INTEGRATED SENIOR MANAGEMENT STRUCTURE SHORT/MEDIUM TERM



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Funding Colour Codes

- PCT Funding
- Joint Funding
- LA Funding
- LA Funding

Accountability

- PST & PCT
- PST & LA

Joint Working
PCT/LA



If the newly appointed Director of Public Health has a clinical background, the clinical responsibility, listed under the Director of Clinical Leadership should transfer to the Director of Public Health

PUBLIC SERVICE TRUST

PROPOSED OUTLINE INDIVIDUAL DIRECTOR PORTFOLIOS

Director of Health & Strategy & Regulation



- Strategic Planning
- Regulation
- Local Delivery Plan
- Capacity Plan
- Market Management
- Primary Care Management
- Capacity Building
- Procurement of Specialised Services

Joint Director of Public Health & Health Improvements



- Promote, Protect & Improve Health
- Reduce Health Inequalities
- Manage Disease & Health Promotion Programmes
- Incident and Emergency Solutions
- Active Public Health Input to Various Groups
- Clinical Responsibility *

- If the newly appointed Director of Public Health has a clinical background the clinical responsibility, listed under the Director of Clinical Leadership should transfer to the Director of Public Health.

Director of Clinical Leadership & Lead Executive Nurse



- Executive Nurse & Lead Clinician
- Lead on Clinical Guidance
- Director of Infection Prevention and Control
- Clinical Lead Information Governance
- Lead on Clinical Development Projects
- Responsible Officer Controlled Drugs

Director of Finance & Contracting

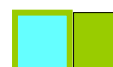


- Financial Governance
- Strategic Lead ICT
- Deliver Finance & Information Function
- Lead Procurement on NHS and some Non NHS Contracts
- Monitor Delivery of Contracts
- Information Governance
- Lead on development of Social Enterprises

Director of Corporate Development

- Public & Patient Engagement *
- Patient Standards
- PALS & Complaints Procedures
- Internal & External Communications *
- Governance & Risk Management
- PCT Board Secretary
- Equality & Diversity *
- Business Continuity *
- Human Resources *
- Facilities *
- Organisational Development *

* Opportunity to work more closely with Herefordshire Council and develop a common approach.

Director of Adult Social Care, Health and Community Services**Strategic Housing - LA**

Improve Housing Stock
Affordable Housing
Home Point
Homelessness
Housing Advice
Delivering "Supporting
Peoples Programme"

Adult Social Care - PST

Services to Support Vulnerable Adults
Adult Protection
Commissioning & Contracts (Social Care)
Learning Disabilities
Older People
People with Disabilities
Prevention Services
Lifelong Learning
Community Safety
Drugs Partnership
Community Leisure
Parks & Countryside
Cultural Services

Director Children's Services**Local Authority
Education**

School Improvements & Performance
 School Leadership & Management
 Assessment
 14 - 19 Education
 Newly Qualified Teachers
 School Admissions
 School Transport
 School Capital Programme
 Governors Services

NB Commissioning done through PST

**PST
Social Care**

Student & Parent Support & Special Needs
 Exclusions from School
 Health Promotion
 Herefordshire Learning Support Service
 Early Years & Child Care
 Children's Fund
 Children's Centres
 Safeguarding & Assessment
 Looked After Children
 After Care
 Adoption
 Fostering
 Specialist Child Health Services

Director Corporate and Customer Services**Local Authority**

Internal/External Communications
 Internal ICT
 Legal & Democratic Services
 Information Services
 Corporate Planning & Policy
 Community Legal Services
 Annual Report
 Equality & Diversity
 Continuous Performance Assessment
 Member Services
 Custodian Support Civic Buildings
 Monitoring Officer

PST

Emergency Planning & Civil Contingencies
 Customer Services
 Research & Public Surveys
 Performance Management
 Public Consultations
 Herefordshire Partnership Support Team
 Community Strategy Development
 Work with Market Towns

Director of Environment**Local Authority**

Street Cleansing
 Waste Management
 Traffic Management
 Planning Highways
 Trading Standards
 Animal Health
 Integrated Transport System

PST

Environmental Health
 Food Safety
 Pollution
 Bereavement Services

Director of Resources - Herefordshire Council



- Asset Management
- Benefits & Exchequer Services
- Financial Services
- Financial Governance

Head of Human Resources – Herefordshire Council



Local Authority

Employment Policy and Review
Employee Performance Advice
Coaching on HR Skills
Developing Pay and Reward
&
Recognition Structures
Equal Pay
Age Discrimination
HR Support for Schools
Occupational Health & Safety
Employee Relations
Resourcing to meet Service Delivery

Possible Shared Agenda with PCT

Workforce Planning & Development
Organisational Development
Leadership & Management Skills
Skills Development for Social Care Workforce

- Private, Voluntary, Independent
Career Development
Integrated Recruitment Opportunities
Training & Skills Development

OPTIONS APPRAISAL

This to be completed during the development stage for use by the PST Shadow Board

OPTIONS

OPTION 1 = STATUS QUO
OPTION 2 = FULL INTEGRATION OF COUNCIL & PCT (Annex 1)
OPTION 3 = PARTIAL INTEGRATION OF COUNCIL & PCT (Annex 3)

SCORING RANGE

MEETS FULLY = 10 POINTS
SUBSTANTIALLY MEETS = 7 POINTS
PARTIALLY MEETS = 3 POINTS
DOES NOT MEET = 0 POINTS

CRITERION

OPTION	1	2	3	4	5	6	TOTAL
1							
2							
3							

PST – PROPOSED KEY DATES

- | | | | |
|-----|---|---|-------------------------|
| 1) | Informal briefing of Council Cabinet and the four party leaders | - | 28-09-2006 |
| 2) | Detailed briefing of PCT Chair | - | w/c 2-10-2006 |
| 3) | Informal briefings of the following:- | - | w/c 9-10-2006 |
| | <ul style="list-style-type: none"> ▪ Health Scrutiny Committee Chair and other relevant Scrutiny Committee Chairs ▪ PCT Board Members including Herefordshire Council representatives | | |
| 4) | Copy of Scoping Report and the Governance and Leadership Framework report issued to the following:- | - | w/c 9-10-2006 |
| | <ul style="list-style-type: none"> ▪ PCT Board Members ▪ Cabinet Members ▪ GOWM and SHA | | |
| 5) | Meeting of both CEOs and Senior Management with Alan Curless. Feedback session | - | 10-10-2006
at 2:00pm |
| 6) | PCT Board Meeting
Seek agreement to proposal subject to approval of Partnership Agreement in February 2007 | - | 17-10-2006 |
| 7) | Prepare communications brief for managers, staff, press and general public | - | 18-10-2006 |
| 8) | Meeting with GOWM and SHA
Seek support for the proposal | - | 19-10-2006 |
| 9) | Herefordshire Council Cabinet Meeting
Seek agreement of proposal subject to approval of Partnership Agreement in February 2007.
Agree how full Council will be informed and involved in the process. | - | 26-10-2006 |
| 10) | Information meetings with Managers and staff
PCT and Council staff and newsletter | - | 27-10-2006 |
| 11) | Press release regarding PST proposals | - | 27-10-2006 |
| 12) | First meeting of the Programme Steering Group
Discuss terms of reference and action plan | - | w/c 30-10-2006 |

- | | | | |
|-----|--|---|----------------|
| 13) | Probably give presentation to full Herefordshire Council | - | w/c 6-11-2006 |
| 14) | PCT Strategic Board away day | - | 9-11-2006 |
| 15) | Consultation with Key Stakeholder Groups e.g.:- | - | w/c 13-11-2006 |
| | <ul style="list-style-type: none"> ▪ GPs ▪ The Alliance ▪ Herefordshire Partnership Members | | |

Full list to be agreed at Senior Management Meeting 10-10-2006

- | | | | |
|-----|--|---|----------------|
| 16) | First meeting of the various work groups to agree action programme and project plan and provide answers to questions identified in section 3 of The Scoping Report. Work groups as follows:- | - | w/c 20-11-2006 |
| | <ul style="list-style-type: none"> ▪ Governance ▪ Human Resources ▪ Clinical Governance ▪ Estates and Facilities Management ▪ Business Planning and Performance Management ▪ Communication, Marketing and PR ▪ Information Technology and Management Information Systems ▪ Organisational Development ▪ Finance | | |

Finance to provide a baseline of current costs, estimated costs of transition, potential cost savings, as a key part of the Partnership Agreement.

- | | | | |
|-----|--|---|----------------|
| 17) | Begin the three month public consultation | - | w/c 20-11-2006 |
| 18) | First meeting of the Shadow Joint Board. Approve Terms of Reference and future meetings. Check progress. Agree forward action plan. Agree transition costs and contribution from each party. Agree Job Description and salary for Chief Operating Officer. | | |
| 19) | Begin recruitment process for the appointment of the Chief Operating Officer | - | w/c 4-12-2006 |
| 20) | Feedback from the working groups on the questions listed in section 3 of the Scoping Report for inclusion in the Partnership Agreement | - | w/c 22-01-2007 |

- | | | | |
|-----|---|---|----------------|
| 21) | Partnership Agreement prepared as outlined in Section 7 of Scoping Report together with Financial Plan | - | w/c 19-02-2007 |
| 22) | Chief Operating Officer appointed at the latest | - | w/c 26-02-2007 |
| 23) | Herefordshire Cabinet, Herefordshire Council, Herefordshire PCT and PST Shadow Joint Board approve the Partnership Agreement, Financial Plan and costs of integration | - | w/c 05-03-2007 |
| 24) | Final approval by GOWM/SHA and Ministers as appropriate | - | w/c 12-03-2007 |
| 25) | Public Service Trust begins | - | w/c 2-04-2007 |

Revised 15/10/2006

ALAN CURLESS & ASSOCIATES LTD

STRICTLY PRIVATE

PUBLIC SERVICE TRUST – HEREFORDSHIRE

SCOPING REPORT

AUGUST 2006

DISTRIBUTION

**NEIL PRINGLE - CEO HEREFORDSHIRE COUNCIL
PAUL BATES - CEO HEREFORDSHIRE PCT**

REPORT PREPARED BY ALAN CURLESS

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1. INTRODUCTION

An initial proposal for a Public Service Trust for Herefordshire has already been submitted to the Strategic Health Authority with Herefordshire Council's "in principle" support. A more detailed report was then considered by the Council's Corporate Management Board, PCT Board and PCT Directors. However, the next key milestones, identified in the report, have been delayed pending the outcome of the review of PCTs. Now that it has been agreed that the Herefordshire PCT will continue as a stand alone PCT the detail planning and development phase for establishing the PST can begin.

Following my appointment, I was asked to complete an initial piece of scoping work. The object of the scoping work was to identify the challenges, to put the issues into a more ordered form; and to arrive at a measured conclusion as to what days would be required to take the project to the end of Part 2 of the development which would be an initial worked through proposal. During the scoping exercise the following people have been interviewed.

Neil Pringle	Herefordshire Council	Paul Bates	Herefordshire PCT
Jane Jones	— .. —	Simon Hairsnape	— .. —
Geoff Hughes	— .. —	Dr. Frances Howie	— .. —
Sue Fiennes	— .. —	Brian Hanford	— .. —
Jennifer Watkins	— .. —	Julie Thornby	— .. —
Stephanie Canham	— .. —	Trish Jay	— .. —
Sonia Rees	— .. —	John Chapman	Non-Executive
		Helen Horton	- The Alliance
Roger Phillips	Leader of the Council	Catherine Griffiths	- WM SHA
Olwyn Barnett	Herefordshire Councillor	Dr. Paul Downey	- Pendeen Surgery
Don Rule	Herefordshire Councillor	Staff in Ross-on-Wye Community Hospital	

Also telephone conversations with Government Office West Midlands.

Key Messages

- There was unanimous support for the setting up of a Public Service Trust.
- A start date of 1st April 2007 was feasible but only part of the vision could be achieved by the start date – therefore, need to prioritise.
- Some minor suspicions regarding motives were mentioned but nothing serious.
- We should start the process immediately.
- Partnership was very strong in Herefordshire and there are many examples of joint working in place. The overall view was "if it cannot work in Herefordshire it cannot work anywhere".
- Future budget pressures would force the need for more joint working.
- Both Herefordshire Council and Herefordshire PCT are relatively small organisations. Their future survival could depend on more integration.
- In the long term more organisations could be integrated into the Public Service Trust.
- Establishment of a Public Service Trust will be a flagship project and could enable additional pilot funding – as there will be an increase in costs in the short term.
- The initial proposal for a Public Service Trust was too limited in scope regarding integration.

2. THE VISION

The proposal to set up a Public Service Trust for Herefordshire encapsulates the government's vision of transforming the NHS“ from the national illness service it currently is into a truly national health service”, and is underpinned by the following three aims:-

- Lifelong health
- Fast, safe and effective service
- World class care

Much of the achievement in the delivery of this strategy over the next ten years will rely on good partnership working, especially the Herefordshire PCT, Herefordshire Council, public health and voluntary organisations working towards a single goal of improving the quality of life in Herefordshire.

There is an increasingly shared agenda about how the community leadership role of local authorities can be used to promote health and well-being. The Department of Health White Paper “Our Health, Our Care, Our Say,” provides a useful basis for dialogue about the most appropriate local governance systems for securing sustained re-alignment of the whole health and social care system towards prevention and empowerment.

Although successes in joint working between the NHS and Local Government can be readily identified, much of the evidence relates to improved processes rather than better outcomes for individuals and communities. More radical approaches which align and integrate decision making, resource allocation and accountability in the organisational mainstream are now required.

A fundamental shift to structures, systems and processes that promote well-being, social inclusion and regeneration needs to be at the heart of local governance arrangements. It is only Local Government that can bring together a well-being package of transport, housing, education, welfare to work, regeneration and all the other functions necessary for strong social care. Health is part of that package.

Reforms to health care are moving the NHS away from its traditional model of service provision towards a new vision for provision in the health and social care system. The provider ‘market’ will become increasingly plural and diverse. Different organisations will contribute their different strengths – public service values, strong governance and accountability from the public sector, commercial discipline and customer focus from the private sector and the unique strengths of the third sector embodied in its independence from government and shareholders, and its focus on service users and innovation to respond to their needs.

Providers will be more flexible, innovative and responsive to the changing needs of patients, service users and carers, and commissioners. As far as the individual service user is concerned, the quality of care will matter more than which organisation provides it. Standards will be assured through providers being subject to independent review and inspection. Increasingly, the focus of commissioning should be on achieving positive outcomes for service users as well as value for money for tax payers.

The balance of provision will shift. More care will be provided closer to home. Hospital services will increasingly be provided within communities. This will challenge the old distinctions between primary, community and secondary care, as well as health and social care. There will be new opportunities for innovative providers from any sector to meet the needs of users – competing as well as cooperating for the benefit of patients and users.

The Government's vision is of a new strategic direction for all the care and support services that people use in their communities and neighbourhoods. There are three simple themes, which people have identified as needs:-

- Putting people more in control of their own health
- Enabling and supporting health independence and well-being
- Rapid and convenient access to high quality, cost – effective care.

The vision for Herefordshire PCT is for a sustainable, dependable service, capable of delivering real and lasting improvements to peoples' health regardless of their location, age, ethnic origin or ability to pay. The goal is a society where there is less variation in life expectancy between rich and poor, where no-one is denied access to the services they need and where the elderly can live full lives in a place of their choosing. At the heart of these reforms is a commitment to shape services around the needs and expectations of patients.

Over the next six months a team of dedicated professionals will need to lead the transformation change programme to set up the infrastructure and embed a service culture throughout the key organisations. This is necessary in order to create the new structure for an effective delivery of services across Herefordshire Council and Herefordshire PCT, which incorporates the separation of commissioning and service delivery.

Following the proposed appointment of a Chief Operating Officer the new organisation will move from the planned opening in April 2007 through the full planned implementation to be completed by April 2008. Within 12 months a fully functioning Public Service Trust operation will be in place and will have the confidence of customers and stakeholders. It will take customer service, quality and efficiency to higher levels. In addition to this, the Chief Operating Officer will develop and implement strategies that deliver high quality, cost effective and value for money integrated services to the Herefordshire community and look for ways to continually improve performance, including the development of Social Enterprises where appropriate.

3. PUBLIC SERVICE TRUST - GOVERNANCE ARRANGEMENTS

Introduction

Good corporate governance will ensure the delivery of high quality, cost effective services, which embrace public trust and satisfaction with public bodies.

Good practice includes the following:-

- A shared understanding of the roles, responsibilities and accountabilities of each partner.
- A shared ownership of the vision and strategy.
- Reliable financial data, with clear responsibilities for determining the financial liabilities of each partner.
- Reliable performance management arrangements between individual organisations and the partnership.
- More structural and comprehensive reporting on performance and finance.
- Improved risk management process.
- Robust systems and processes which produce timely and appropriate information for decision makers.
- Evidence of the value for money of the partnership arrangement.
- An agreed exit strategy in the event of breakdown.

The elected members of the Herefordshire Council have a unique role in carrying out responsibilities for the overall balance of governance in the county of Herefordshire and being directly accountable to its citizens. As such their support to the Public Service Trust process is crucial to achieving success. There is also a key role for the Overview and Scrutiny Committee.

For the Public Service Trust, Herefordshire Council and Herefordshire PCT to be effective and agree local priorities that improves local services, all parties need to be clear what is expected of them and deliver relevant actions. Strong positive leadership from the local authority is crucial, clarity of role and effective leadership alone will not ensure clear and transparent lines of accountability. Clear accountability requires:-

- Mutual understanding and acceptable ways of working
- Internal performance management to check progress
- External scrutiny

Key Questions which need to be addressed as part of the overall governance arrangements are as follows:-

- 1) Rationale for the Trust
 - why should the Trust exist?
 - what are its agreed aims?
 - how will they be published?
 - is there a better way of serving the public?
 - How ambitious should the integration be?

- 2) Added value from the Trust
 - how will the Trust add value?
 - how will it demonstrate added value to the public?
 - how will it know whether funds are being well spent?
 - how will the public know that trust funds are being well spent?

- 3) Governance arrangements
 - who should be members of the Public Service Trust Board?
 - how will they be accountable to their respective sponsoring organisations?
 - how do the Trust's corporate governance arrangements link to those of individual partners?
 - are the governance arrangements for clinical governance explicit?
 - is there a clear link to the PCT's Professional Executive Committee and Practice Based Commissioning arrangements?
 - how will decisions be made?
 - how will decisions be recorded?
 - who makes sure they are acted on?
 - who scrutinises the decision?
 - to whom are they reported?

- 4) Performance Management
 - how will we know which Trust targets it is meeting and which it is failing to meet?
 - who manages and reports progress?

- 5) Financial Management
 - who provides the money and from which pot?
 - who decides how to spend it?
 - what happens if one partner is overspending?
 - how will underspend or overspend be dealt with?
 - can the money be reallocated?
 - what are the financial reporting arrangements?
 - what is the charging policy for services?

- 6) Risk Management
 - how will it know when things are going wrong?
 - who can take action when things are going wrong?
 - how will it resolve conflicts of interest?
 - are there clear protocols for managing conflict?
 - how is risk register determined and updated?

- 7) Termination Arrangements
 - what are the arrangements if the Trust comes to an end?
 - or one partner no longer wishes to be involved?
 - how would resources be allocated back to partners?

- 8) Serving the Public
 - how effective will the Trust communicate with the public?
 - how can the public ask service users to obtain redress when things go wrong?
 - is there a centralised complaints and suggestions process the public can use?

- 9) Accountability
 - what are the arrangements for annual reports and public meetings?
 - how will decisions be scrutinised?
 - what is the role of audit and inspection?
 - how will research and consultation be agreed and implemented?
 - what is the role of elected council members, cabinet, board directors in scrutinising the partnership?
 - how will decision making link back to the Herefordshire Partnership?
 - what will be the links with Strategic Health Authority and Government Office?
 - how will complaints and challenges from the Ombudsman be dealt with?
 - how can the general public be engaged in the process?

- 10) Joint Agreements
 - how much will each partner contribute?
 - how will they deal with unanticipated demands during the year?
 - how will underspends/overspends be dealt with at the end?
 - how will the funding and the targets be monitored and reported?
 - what are the service and staff management arrangements?
 - what are the insurance arrangements?
 - is there a dispute resolution in place?
 - what are the termination arrangements?
 - have all sections of the section 31 agreement been addressed and jointly agreed?

These key questions should be used as follows:-

- a) To be used by PCT Board Directors and Council Members to ensure that all the key questions have been answered as part of the overall Governance arrangements.
Answers to these questions should be covered in the final partnership agreement – see section 7

- b) To be used as a reference check list as part of the change process, to ensure the areas are understood as they are being developed.

4. INTEGRATION PROGRAMME DEVELOPMENT COMMITTEE STRUCTURE PROPOSALS DEVELOPMENT STAGE

1) The Integration Programme Board

Membership should be drawn from the sponsoring organisations and be a mixture of CEOs, Council Cabinet Members and PCT non-executive Board Members.

Responsibilities include the following:-

- approve the initial proposal and business case
- approve the project brief and agree statement of requirements
- approve the project brief
- agree the stakeholder list
- agree the scope of work statement
- agree the risk assessment
- agree membership of the Programme Steering Team
- agree the Programme Leader and Programme Administrator
- agree the reporting mechanism
- receive programme reports
- resolve key policy decisions
- agree funding and other resources
- provide clear guidance on responsibilities, authority and accountability
- respond rapidly to issues requiring high-level decisions
- sustain the priority of the project
- sustain the project direction to avoid “scope creep”
- ensure the work stays focused on strategic needs
- build a working relationship with the customer
- influence other stakeholders
- appoint the Chief Operating Officer

2) Programme Steering Group (PSG)

Membership should be drawn from the senior management of the sponsoring organisations, nominated by the Programme Board plus the programme leader –and therefore accountable to them for delivery. These senior managers each assume the role of sponsor for specific programmes and projects from the initial idea to completion. The sponsor is the primary driver of the activity because this person has ownership of the final benefits expected for the organisation. When the PSG approves a programme or project this person is clearly accountable to the senior management team to ensure that success is achieved.

The PSG must operate using the same methodology for programmes and projects as the team carrying out the work. This creates a common understanding of the processes involved and obliges everyone involved to work with the decision making and project management template. With an effective PSG a clear decision process exists on all aspects of programme and project work and everyone has a clear understanding to whom they are reporting. It also creates a clear sense of direction for all such activity in the organisation, which prioritises programmes and projects for the committed available resources.

The PSG must meet at regular intervals, probably every 2 weeks to review the status of all active programmes and projects, initiate new projects and decide prioritisation. The PSG will need to create and maintain a programme/project register that lists:-

- all ideas and opportunities currently under or awaiting investigation
- all active programmes and projects
- all recent programmes and projects that have been suspended, cancelled or completed.

The programme register is the key document for all PSG meetings as it lists all 'step change' activities that are active. It is important to define clearly what is and what is not a project. Failure to make this definition available could lead to the programme register becoming littered with too many activities that are no more than key stages of projects, or even just tasks.

Key Responsibilities of the Programme Steering Group

The Programme Steering Group brief will be as follows:-

Prepare project brief.

Prepare scope of work statement.

Complete comprehensive risk management strategy and risk assessment.

Agree project model e.g. PRINCE 2 and project control system.

Provide refresher or new training on project management.

Determine appropriate team building or other specialist training.

Plan the project and identify the key stages.

Agree a logic diagram.

Agree launch date for project.

Agree critical success factors.

Ensure effective communication especially with sponsoring organisations.

Agree meeting schedules.

Provide project status reports.

Agree how to manage project changes.

Agree project closure.

In order to complete these tasks the PSG will need to:-

- ensure that all opportunities for programmes and projects are reviewed using agreed tests and criteria to enable the 'GO/NO GO' decision.
- maintain a focus on customer and organisation needs.
- ensure that all programmes and projects approved are strictly focused on organisation needs and aligned to strategic objectives including Herefordshire Partnership objectives.
- ensure that environmental influences (internal and external) are taken into account.
- ensure that adequate resources are available for all approved active programmes and projects.
- ensure that adequate funding is available to support the list of active programmes and projects.
- provide strategic direction and active support to programme and project managers.
- assign a priority ranking to all active programmes and projects.
- make decisions concerning resource conflicts.
- monitor process procedures to ensure these are followed and maintained.
- ensure that risk assessment is regularly reviewed and risks are managed.

- ensure that all escalated issues are promptly resolved, with assigned action plans.
- make 'GO/NO GO' decisions at the programme and project process phase gates.
- selecting the project managers.
- approving the programme or project definition prior to PSG approval.
- sustaining the programme or project direction.
- ensuring that priorities are maintained for all their own organisations programmes or projects.
- having oversight of the process and procedures, to ensure they are followed and maintained also oversight of budget and controls.

The Executive PSG is the ultimate decision forum for all major problems, issues and cross functional decisions to remove obstacles to success. However, the PSG may on occasions need to refer a key policy decision to the Programme Board for a final decision.

The PSG does need to have a permanent PSG Administrator who co-ordinates the meetings and collects together the essential papers for the meeting. A PSG member should not fill this role. The Administrator would have many responsibilities including the following:-

- providing administrative support to the PSG.
- tracking compliance with projects process methodology.
- providing support and facilitation where appropriate.
- encouraging the spread of best practice.
- maintaining the programme register.
- encouraging effective communication.
- ensuring that all opportunities initiated adhere to agreed process.
- ensuring that PSG meetings are regular and effective.
- ensuring that PSG decisions are communicated.
- contribution to the drive for excellence.

3) The Programme Leader/Chief Operating Officer (when appointed)

Accountability to the sponsoring organisations for the work from the initial start date through to closure. The responsibility includes the following:-

- selecting the core team with the sponsors.
- maintain a close working relationship with the sponsors.
- work with Steering Team Members to select the project managers for the projects in the programme.
- identify and manage the stakeholders.
- defining the programme and receiving stakeholder approval.
- planning the programme and receiving stakeholder approval.
- identifying and managing the risks.
- need to understand the cultural differences between the two organisations and manage effectively the cultural change.
- securing and allocating resource commitments.
- monitoring and tracking the progress of the programme and projects in the programme

- supporting and guiding programme steering team and project managers of projects in the programme.
- resolve conflict and grievances promptly.
- approving the definition and planning of projects in the programme.
- solving the problems that interfere with progress.
- controlling costs.
- leading the programme team, team building.
- informing stakeholders of progress.
- delivering the programme deliverables and benefits on time.
- managing the performance of everyone involved.
- attend meetings of Programme Board, PCT Board, Council Meetings and The Alliance Board to provide regular updates.
- liaise closely with other key stakeholders e.g., Department of Health, Strategic Health Authority, Government Office West Midlands.
- try to secure additional funds to support innovative approach to partnership working.
- maintain contact with the press.
- maintain contact with community groups.
- help with the appointment of Chief Operating Officer for the new Public Service Trust. A list of key responsibilities for use in advertising the post is included in section 9 of this report.

4) The Project Managers

The project managers will be accountable not only to their own organisation (for stand alone projects) but also to the programme leader (for a project in the programme) for the project work from start to finish.

5) Functional Managers

The functional managers are key stakeholders and must have a clear understanding of the project's content, priority and strategic importance. Their responsibilities includes:-

- providing appropriate resources for projects.
- monitoring resource needs for all active projects.
- agreeing resource assignments.
- maintaining resource commitments.
- responding to technical problems.
- giving support and guidance to: planning, estimating and project control.
- planning resource utilisation.
- maintaining awareness of the status of supported projects.
- supervising the performance of resources.
- demonstrating concerns for the on-time completion of projects.

5. KEY ISSUES – CHALLENGES AND URGENT DECISIONS

GOVERNANCE

Urgent

- 1) Herefordshire Council and Herefordshire PCT to approve the initial proposal to establish a Public Service Trust in Herefordshire target date April 2007 subject to final approval of the Partnership Agreement – need to agree date and processes.
See Section 6 for proposed structure of initial proposal and Section 7 for details of the Partnership Agreement.
- 2) Agree Board and Committee Structure Proposals – Development Stage – See section 4
- 3) Agree membership of the shadow Public Service Trust Board – I suggest the following:-

Roger Phillips, Don Rule and Neil Pringle + one other - Herefordshire Council
Joanna Newton, Simon Hairsnape + two non-executive directors - Herefordshire PCT
Project Leader/Chief Operating Officer also to attend.
An early meeting should be arranged to discuss and agree a structure for the new organisation. This would provide an early opportunity to consider a range of options including radical solutions. Once agreed the new structure would need to be sold to both senior management teams before implementation.
- 4) Agree nominations from Herefordshire Council and PCT to the Programme Steering Group
- **I suggest 3 or 4 from each organisation.**
Involvement of the service users at the planning stage of the commissioning process are critical to its ultimate success and more work needs to be done on how to achieve this in the most inclusive way. This will need to recognise the bodies which the PCT is statutorily to involve i.e. the Patient and Public Involvement Forum (soon to be Links) and the Health Overview and Scrutiny Committee. The latest report from the Department of Health “No excuses. Embrace partnership now. Step towards change!” published on 11th July 2006 strongly supports involvement of the third sector in the planning process. The level of involvement should be agreed by the Public Service Trust Board.
- 5) Prepare Herefordshire PCT Board Members for the Board to Board meeting with the Strategic Health Authority in August 2006.
Establishment of a Public Service Trust in Herefordshire is being added to the proposed agenda.
- 6) Confirm with the new Strategic Health Authority that the setting up of a Public Service Trust is still a high priority.
Begin early negotiations between PCT, Council, Strategic Health Authority and Government Office for a single local programme agreement, performance assessment regime. To check what flexibilities could be made available. Also request funding to support development phase, as costs will increase in the short term.

- 7) The original proposal for a Public Service Trust indicated that all the funding blocks for Children and Young People and Healthier Communities and Older People would be allocated to the Public Service Trust. Budget issues include the following:-
- Details of budget allocation needs to be confirmed.
 - Are there any further budgets being made available e.g. Housing, Leisure, Transport and if so, how will the amount be determined?
 - Is all the PCT budget being allocated to the Public Service Trust?
- The opportunity to include all of the Children and Young People arrangements should be taken.
- 8) With regard to Commissioning and Provision of Services agree the following:-
- PST should be a Strategic Commissioning Body and only be involved in provision where it is legally necessary or there is no alternative.
 - Current provision within the PCT and Council could be transferred to new Social Enterprises or other providers as soon as possible. Where there are legal constraints these should be challenged with Government Office to see if a suitable alternative can be made.
- 9) There is some confusion on the establishment of a separate Children's Trust. The vast majority of people believe that the responsibility for the Children's Trust should be incorporated into the Public Service Trust to ensure better integration of services for the family and reduction in duplication. The Children and Young People's Partnership Board could continue as a committee of the Public Service Trust to address the Children's Trust issues.
- Legal advice and views from Government Office are recommended.
- 10) The review of mental health has been delayed. However, Herefordshire Council has expressed a preference for a county wide solution through a Herefordshire Mental Health Foundation Trust. The outcome could be a Herefordshire & Worcestershire solution or other model. An early decision on the implications and way forward will be needed as part of the Public Service Trust planning.
- 11) There are significant budgetary issues regarding the needs of those with learning disabilities. The Learning and Skills Council will need to become more involved in helping to find solutions. A working party needs to be established immediately to prepare an action plan for the way ahead within the context of a Public Service Trust – with a particular focus on the commissioning role. The LSC will need to consider if funds can be provided to the Public Service Trust.
- Integration of commissioning into the Public Service Trust will also have major benefits for the Public Health Agenda. Although there is an urgency to recruit the joint funded Director of Public Health, progress in this area should not be delayed because of recruitment difficulties.
- 12) Need for an audit of all committee activities as soon as possible so that they can be rationalised as part of the Public Service Trust agenda. For example the Public Health Department has input to over 50 groups and committees.

- 13) It would appear sensible to identify all current providers/contract holders relevant to the Public Service Trust. This could result in reducing the number of contracts, identify scope for new providers, establishing a provider network which could play a more useful role in the future.
- 14) Review all current plans and ensure consistency against the PST agenda e.g Council, PCT, LSP, LAA, C+YP Plan Performance Management to help with baselining.
- 15) Other issues and challenges for consideration:-
- role of Scrutiny Committee.
 - elected member exposure to the electorate.
 - merge Section 31 agreements on formation of Public Service Trust.
 - strengthen Section 31 arbitration/dispute resolution procedures in preparation for Public Service Trust.
 - begin to prepare list of benefits and targets for the Programme Steering Group up to 31/3/2007.
 - prepare timetable for key decision making, to meet Council and PCT Board agenda.
 - need to consider role of PEC in the PST
 - plan for termination of Healthcare Partnership.
 - consider implications of rural proofing.
 - consider strategies for dealing with migrant and seasonal workers and asylum seekers.
 - agree delegation of authority, accountability and responsibility.
 - begin to look at possible shared services in the following areas:-
 ICT, Finance, HR, Training, Facilities Management
 Public Relations, Legal, Transport, Audit
 Consultation with public, Information Services
 e.g. Financial Integration - Payroll and collecting income
 Property - Professional services & facilities management
 HR and Training - Transactional role
 IT - Integration
 - complete an audit of available accommodation for possible co-location
 - recruit for Public Service Trust Board and provide relevant training
 - identify and review best benchmark practice e.g. Somerset, Torbay, Knowsley
 - implications of Foundation Trust status for Herefordshire Acute Trust and Gloucestershire Acute Trust and development of Mental Health Trust.

RESEARCH AND NEEDS ASSESSMENT

Urgent

- Work jointly on information sharing and needs assessment
- Need to baseline current performance against agenda
- Map and influence totality of public expenditure
- Look at neighbourhood statistics, area profiles and quality of life indicators
- Analyse need and totality of resources
- Forecasting for next 5 – 10 years
- Evaluation of priorities

- Health input analysis
- Details of providers
- Budgets
- Details of stakeholders
- Mapping needs
- Health & Social Care Inequality Audit
- Review surveys
 - Look how these could be integrated e.g. common consultation
- Health Equality Audit
- Make use of Geographical Information Systems
- Provision of public health intelligence does not consistently drive commissioning agenda. Need for evidence base to inform service redesign and care pathways in order to achieve savings and provider choice in community based services
- Work towards one up front assessment for all services, this to include clinical advice where appropriate.

HUMAN RESOURCES

Urgent

- Develop structural plan, including regular briefings and inclusion in working groups
- Early communications with all staff regarding the Public Service Trust will be necessary to avoid rumour and speculation.
- Clarification on structure and implications vital as soon as possible
- Explanation about secondment process, impact on pay and pensions
- Need for joint workforce planning i.e. Council & PCT
- Joint appointment of the Director of Public Health and announcements of joint support for Director of Adult Social Services.
- Appointment of Project Leader – secondment or interim management leading up to March 2007
- Appointment of Chief Operating Officer and agreement on who will be the employing body
- Handle staffing, location, set-up issues
- Agree how vacant posts will be filled from now to start.
- Agree secondment of someone from The Alliance into the Public Service Trust

- Key areas of training and development

Change Management
 Project Management
 Contract Management
 Team Building

Risk Management
 Performance Management
 Partnership Working
 Common Purpose Programme

I suggest we use the Strategic Partnership Assessment Tool to start the effective partnership working process.

ORGANISATION DEVELOPMENT

- Deal with the cultural differences – this is critical to the project
 - Develop a structural development programme to promote integrated working and address highlighted issues:-
 - Target driven implications
 - Performance Management emphasis
 - Consultation with customers comparisons
 - Patient feedback/customer feedback
 - Lack of trust re motivation for change
 - Protection of professional reputation
- The Programme Steering Group and Programme Leader will need to set the standards, values and ethos for the PST and provide milestones to ensure progress in this critical area.

CONSULTATION

Urgent

- Early involvement of GPs to secure buy in to proposals
- Plan for public consultation – 3 months
- Involve community groups and patients consultation
- Identify and engage stakeholders – both organisations to prepare list
- Prepare strategies for dealing with the press
- Build on the Community Involvement Strategy – August 2006
 - Need to involve as many people as possible
 - Improve knowledge of needs – now and future
 - Make people aware of the idea of choice

BUDGETS AND FINANCE

Urgent

- Review budgets which will be put into Public Service Trust
- Reporting and accountability issues regarding integrated budgets – what flexibilities?
- Establish Finance and Budgeting systems
- Audit of current management/staff costs and head count
- Cost analysis for various services
- Different accounting arrangements needs to be changed
- Alignment of budget cycle
- Alignment of payment by results
- Implications of Comprehensive Spending Review on local budgets
- Implications of cuts in management costs e.g. PCT – 15% cuts
- 2006/2007 resources OK but 2007/2008 possible problems what are the likely issues?

- Difficult to obtain complete accuracy concerning separation of costs. How will these tensions be resolved?
- Performance management improvements on Section 31 agreement to ensure no overpayment
- Implications for audit
- How can added value be measured?
- Charging policy – need to consider the implications
- Need to determine one – off costs and the ongoing savings/benefits

SYSTEMS

Urgent

- Audit information availability and systems – plan integrated approval
- Integrate Performance Management Systems and Indicators
- Synchronise performance assessment systems
- Align planning and budget systems for 2007/2008
- Develop Project Management Tools e.g. PRINCE 2
 - Appoint someone to the Programme Steering Group with project management skills.
- Review Data Protection Issues
- What ICT systems underpin? What scope for integration? What are the costs of change? Impact on integrated notes system?
- Customer Service – One contact point
 - Face to Face, Phone and IT
 - One information point for both organisations.
- Consider implications of developing new providers e.g. integrated notes, data protection
- Linkages to the Herefordshire Connects Programme

FEATURES AND IDEAS FOR NEW STRUCTURE

This list includes a range of issues from high level strategic to operational issues. Although the PST will be a strategic commissioning and planning organisation it will need to ensure that some of the operational issues are addressed as part of the commissioning response

General

- Separation of commissioning and service provision for both organisations.
- Review of future shape of service provision and potential providers
- Establishment of a joint network of providers – provider forum
- Social Enterprise Fund to provide support for third sector suppliers wanting to enter market
- Need for new care pathways that provide alternatives to hospital care
- Better management of community hospital beds
- Better management of patient satisfaction
- More robust monitoring of Practice Based Commissioning

- Need for strategic marketing (identifying, developing and selling new activities to the public)
 - Need for 24 x 7 access to Community Equipment Scheme
 - Potential to reduce the number of contracts
 - Improve performance and better outcomes
 - Single assessment for all services leading to personalised plan and possible individual budget. Make full use of clinical support where appropriate.
 - Single information system
 - Single complaints system
 - Links to Herefordshire Council Leisure Department, Housing, Transport and Environmental Services as they relate to the wellbeing and health agenda and the LAA
- Commissioning body could be responsible for:-
- o Commissioning, Planning, Public Health, Needs Assessment, Health Protection/Promotion, Public Service User Development and Information, Performance Management, Quality Standards, Value for Money and Contract Management.
- Integrated team working on public engagement and information.

More opportunity for public to talk to and have a voice with joined-up services. Develop links between public services information, public health requirements and community development work.

POSSIBLE MODEL

We could continue with the current model of a range of providers across the county and outside the county. We could add to the number and range of providers e.g. new social enterprises, we could target quality improvements and performance management issues or we could go for a more radical approach. The more radical the approach, the greater the opportunity for efficiency savings and customer service improvements.

In recent months there have been strong messages from Government regarding the need for more local involvement and local solutions.

“There needs to be a shift of balance of power towards communities, neighbourhood arrangements, governance, individual voice and choice and partnership with the voluntary sector. Development of neighbourhood Charters and agreements. Personalised support plans/individual budgets.”

(Better Governance for Better Well Being)

“There is a shift of policy towards ‘sub-localities’ or neighbourhoods.”

(National Evaluation of LSPs)

“There is a need to improve accountability to local people.”

“There is a need for public involvement in health scrutiny.”

“Patient choice should be improved using redesigned community services.”

“Greater citizen engagement with the structures of local governance is essential, not simply desirable.”

Both the PCT and the Council currently operate a form of hub and spoke arrangement for their services but they are not coterminous for all activities. I believe there could be real value in having clearly defined Health and Social Care Zones. The model would need to be owned by any new provider organisation (Social Enterprise) and be GP Commissioners. There also needs to be consideration of integrated working models for the C + YP Services and links to Children’s Centres.

This issue could be left until later rather than assume it be part of the PST structure, which could be misleading in light of the commissioning/provision split.

The Local Health and Social Care Zones could help to identify local needs, determine local priorities, determine “cut off” to meet the budget. They could focus on local public health issues, and link to local schools. They could help develop personalised support plans and individual budgets. There could be local drop in centres for drugs and sexual health problems etc. Children development centres and health centres could also be established.

Each spoke could have its own Community Equipment Scheme operating 24 x 7.

Members of the local public could become more engaged in the governance and development of choices and locality budgets could be made available.

FINAL CONCLUSION

In the very short term the original proposal for the establishment of a Public Service Trust based around closer integration between the PCT and some Directorates of the Local Authority would provide a very useful foundation for the future.

However, there are good reasons for considering a more ambitious and more radical integration strategy for the following reasons:-

- Strong messages from Government on the integration agenda.
- Pressure on both Herefordshire Council and Herefordshire PCT regarding their long-term viability and autonomy because of their relatively small budgets compared with other areas.
- Critical mass of PCT and LA working together makes it much easier to widen the scope to other areas.
- Pressure on budgets for both LA and PCT make it essential to look at potential savings especially management/admin costs.
- Public and neighbourhoods will expect more joined up working at a local level – an integrated package from the various public sector bodies, quangos and third sector.
- Increased size should bring economies of scale.
- There are potentially large savings on communications, needs analysis. IT, recruitment and selection, workforce development etc.
- Streamlined decision making should result in better decision making.
- Better expertise in commissioning and procurement will provide better value for money across the partnerships.
- Greater clarity on the split between commissioning and direct service provision

- Improved access to services through a single point of entry.
- Opportunity for all the LA services to work in harmony with the health and well-being agenda, with a real opportunity to address public health issues and therefore, prevention of future health problems.
- Opportunity to consider if other public sector bodies/quangos are willing to integrate any of their programmes or services into the new PST.

Therefore, I support the proposal to go for full integration between the Local Authority and PCT and my proposed management structure is based on this proposition (See Governance and Leadership Framework report)

6. PREPARING THE INITIAL PROPOSAL

In order to prepare the initial proposal, the Programme Leader will need the support of a small team in order to collect the appropriate data. Any data collected at this stage is tentative because of the lack of detail. The aim is to put together only enough information to persuade key stakeholders and potential funders that the proposed new Public Service Trust is achievable and that it offers many benefits.

My suggested list of headings for the report is as follows:-

1. Opportunity statement – concise description of opportunity
2. Solution statement – concise statement of proposed solutions and list of deliverables e.g. governance arrangements and proposed structures
3. Explain how it aligns to current strategies
4. Details of organisational benefits – information statement, expected gain in working practices etc
5. Business benefits
6. Market analysis information – current and potential impact on current structure and organisation
7. Benchmark position
8. Financial summary – potential financial savings + budget requirements for the project
9. Technology – implications on IT systems
10. Resource requirements – numbers, preliminary assessment of people and skills, competency framework, recruitment of Chief Operating Officer
11. Expected constraints
12. Potential risks
13. Key milestones and dates
14. Legal – any legal implications
15. Key communication channels
16. Details of any outstanding issues

The whole proposal will need to be concise and focussed on factual data where possible – probably limited to 20 pages plus Annexes.

This needs to be completed by end of November 2006.

I believe it will take 25 days as Project Leader to deliver part 2 of the development and provide an initial worked-through proposal by the end of November 2006.

If the Initial Proposal is approved by both the Herefordshire Council and Herefordshire PCT, the information in the proposal will need to be included in the appropriate sections of the Partnership Agreement – See Section 7.

7. Partnership Agreement

Before the establishment of a Public Service Trust there is a need for a formal Partnership Agreement to be agreed and signed by both Herefordshire Council and Herefordshire PCT. This should be agreed and signed before the end of February 2007.

It is suggested that the following points be included in a partnership agreement:-

1. Purpose of the partnership

- Include background data on health and social care statistics
- Alignment to current strategies and policies

2. Aims and objectives of the partnership

- Details of organisational and business benefits

3. Partnership Governance

- Role of Council and Role of PCT Board
- Partnership Board Composition and Terms of Reference
- Partnership Management Board Composition and Terms of Reference
- Professional Executive Committee Composition and Terms of Reference
- Integrated Executive Team Composition and Terms of Reference
- Agree joint vision statement
- Accountability structure
- Delegated functions
- Wholly retained functions
- Hosting arrangements
- Reporting arrangements
- Relationship with Leisure, Housing, Environmental and Transport Services
- Agree definition of key decisions – How will they be decided?
- Implications for Children and Young People's Partnership Board

4. Financial Arrangements

- Governance
- Local Agreements
- Pooled funds
- Any special accountability arrangements
- Contribution calculations e.g. baseline funding
- Grants made available to either party as appropriate
- Agreeing Budget timetable – First year end of October 2006
- Underspend/Overspend e.g. who meets the cost
- Set up costs
- Funding for Integration Project Budget
- Agree Financial year for both organisations
- Agree Audit arrangements
- Agree VAT arrangements

5. Organisation and Structure

- Agree level of integration
- Agree key director roles
- Agree functions and services to be included/excluded
- Consider Health and Social Care Zones (local communities) i.e. how many (based on GP practices)

Agree services to be included/delivered in each zone e.g. Community Hospitals, Community Centres, Integrated Health and Social Care Teams, District Nurses, Social Workers, Community Care Workers, Occupational Therapist, Physiotherapist, Podiatrists, Care Co-ordinators, Housing and determine third sector involvement.

Some services to be provided on a Trust wide bases

Consider appointment of Community Partnership Managers.

6. Business Planning and Performance Management

- Links to all the local strategic plans
- Produce Annual Strategic Agreement – to include the following:-
 - Describe any agreed strategic changes in relation to provision of services
 - Set out agreed objective and targets
 - Indicate how partners anticipate that services will be affected by any growth or reduction in funding or other resources
 - Set out the changes that need to be made
 - Set out information requirements
 - Set out the partners financial contributions
 - Agree how changes can be made during the year
- Agree accounts and reporting procedures
- Agree links with Scrutiny Committee
- Policy on VAT
- Agree performance management framework

7. Information Technology and Management Information Systems

- Audit and agree systems
- Common information point
- Information sharing protocol – comply with legislation
- Freedom of information and confidentiality
- Health and Social Care records to one location
- Complete thorough needs assessments

8. Estates and Facilities Management

- Central Register – Capital Asset Management
- Agreement on Capital Expenditure and ownership
- Premises not transferred but on a lease

9. Care Governance, Quality and Professional Leadership

- Clinical Governance and Policies and Procedures
- Value for money analysis
- Agree code of conduct
- Agree values and behaviour

- Agree measurement of partnership performance
- Dealing with complaints – Integrated complaints protocols
- Ombudsman
- Standards of Conduct and corporate governance
- Professional accountability
- Develop Protocols

10. Human Resources

- Joint posts – arrangements and protocols e.g. Director of Adult Social Services and Director of Public Health.
- Determining the employing organisation
- Recruitment
- Funding arrangements for staff
- Management arrangements
- Harmonisation of HR policies and procedures
- Terms and Conditions – TUPE – Harmonisation
- Indemnities relating to transferring staff
- Staffing costs and redundancy payments
- Performance management of staff
- Pension Issues
- Produce Key Issues paper
- Staff development
- Competency framework
- Job evaluation

11. Communications, Marketing and Consultation

- Corporate identity and public relations
- Prepare detailed paper for consultation exercise
- Public and patient involvement i.e. empower service users, carers and public to give their views.
- Need for a strategy on how to engage the public

12. Commissioning (definitions)

- Strategic commissioning
- Market Management
- Procurement
- Purchasing
- Brokerage
- Contracting and novation of contracts

Getting people to understand the differences and to improve skills in these areas

13. Risk Assessment

- Legal
- Financial
- Performance
- Relationships
- Changes in Legislation
- Indemnity and Insurance
- Expected constraints

14. Termination of Agreement

- Agree termination reconciliation and process
- Agree disputes procedures
- Orderly wind down if agreement terminated

15. Key Milestones and Dates

16. Miscellaneous

- Legal advice
- Equality, Diversity and Equal Ops issues
- Rural proofing
- Access, Assessment (single assessment) and eligibility criteria
- Charging policy

8. PUBLIC SERVICE TRUST PROGRAMME LEADER/ CHIEF OPERATING OFFICER KEY RESPONSIBILITIES

- As part of the Herefordshire Council and Herefordshire PCT business strategy process, identify and develop integrated services strategies for optimising the cost efficiency of transactional operations and services throughout Herefordshire.
- Develop and implement a new organisation, structure and governance arrangements appropriate to the development and delivery of a range of highly cost efficient multi-functional services.
- Lead and direct the development of top 10% value for money transactional advisory and value added shared services.
- Lead the definition and specification of services and associated service levels in conjunction with a diverse range of shared service customers.
- Build and sustain effective relationships with Strategic Health Authority, Government Office West Midlands, Advantage West Midlands, Herefordshire Council, Herefordshire PCT, Third Sector, DCLG Office, Department of Health, Other Government Departments and other key partners.
- Ensure the Public Service Trust is accountable for its performance and fulfils other regulatory and reporting requirements placed upon it.
- Initiate and lead changes to reduce costs and inefficiencies across end to end processes, working with customers and including commissioning of technology projects within the scope of shared services ownership.
- Ensure staff are motivated, developed and appraised so that individual and collective performance meets the needs of the customers.
- Ensure good management of change skills.
- Develop sound and effective risk management strategy.
- Develop links with other Public and Private Sector Shared Services providers to ensure adequate benchmarking and spread of best practice experience.

This is an opportunity for a proven leader either from the public or private sector with a passion for driving change. The Chief Operating Officer will have responsibility for developing an integrated service organisation that delivers high-quality, cost-efficient transactional services to agreed service standards, initially focusing on finance, procurement and HR issues. The position will also be responsible for leading the integration of different groups, both in terms of function and location to create a single high performing cohesive organisation for Herefordshire.

REPORT OF THE STRATEGIC MONITORING COMMITTEE

Meetings Held on 15th September and 16th October, 2006

Membership:

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

MEDIUM TERM FINANCIAL MANAGEMENT STRATEGY

1. The Committee has considered the Medium Term Financial Strategy both during the consultation process and following its conclusion. The Committee supported a robust, reasoned approach to making representations to secure fairer funding for the County based on clear statistical evidence and recommended that further consideration be given to the Council's communication strategy at a local level to ensure that the Council's financial position is effectively communicated to the public.
2. It is generally supportive of the Strategy whilst recognising that there will always be differences over points of detail.

THREE-YEAR STRATEGIC PROPOSALS: THE BASIS FOR THE CORPORATE PLAN

3. The Committee's views have been invited on three-year strategic budgets and associated service outputs and outcomes which will form the basis of the Council's Corporate Plan 2007-10. The Committee has noted the proposals and made no further observations at this stage.

CALL IN OF CABINET DECISION ON THE ROTHERWAS FUTURES PROJECT

4. The Committee called in the Cabinet Decision to enter into a co-operation agreement with Advantage West-Midlands in order to progress the Rotherwas Futures Project.
5. The project includes building the Rotherwas Access Road, the refurbishment of key buildings on Rotherwas Industrial Estate and two Phases of development. Advantage West Midlands have agreed to provide up to £9.5 million leaving a funding gap of £8 million towards which the report to Cabinet stated that the Council was seeking a developer contribution. That report also stated that, "the Council would need to underwrite any funding gap that emerged if this level of developer funding was not achieved or the cost model changed which could have consequences for the approved capital programme."
6. The reasons for the call-in were: lack of information on the funding shortfall and how this will be met; lack of detail of what phase 1 and 2 of the Rotherwas Scheme involves; and lack of information on what precautions have been taken in respect of inflation.
7. The Committee has examined these issues in detail and on the basis of the evidence presented to it has agreed that the Executive should not be requested to reconsider its decision to proceed with the Rotherwas Futures Project, but should be advised that the Committee requires regular reports on the progress with the financial negotiations associated with the project.

UPDATE ON ACTIONS IN RESPONSE TO REVIEW OF THE STRATEGIC SERVICE DELIVERY PARTNERSHIP

8. The Committee has considered an update on action taken in response to the Committee's review of the Strategic Service Delivery Partnership. It has noted that a number of actions have now been completed and that progress is being made on the others.
9. In responding to the review Cabinet decided that consideration be given to engaging an external consultant to undertake a brief piece of work to verify a number of aspects of the services supplied by the Partnership including value for money under the partnership agreement. The Committee has been informed that expressions of interest have been received and are being evaluated. It is expected that the work will be completed within three months of engaging the Consultant. The Committee will consider a further progress report once these findings have been produced.

INTEGRATED PERFORMANCE REPORT

10. The Committee has considered and noted performance up until the end of July, 2006 against the Annual Operating Plan 2006-07, together with performance against revenue and capital budgets and corporate risks, and remedial action to address areas of under-performance. In doing so it has discussed the importance of getting a clearer understanding of what the performance indicators are really saying and putting them in context. This will be an ongoing issue for all the Scrutiny Committees.

EMPLOYEE OPINION SURVEY 2006

11. The Committee has noted the findings of the Survey.

PROGRESS ON EQUALITY AND DIVERSITY

12. The Committee has been informed of progress in delivering the Council's statutory obligations on the equality agenda. It has been informed that the Council is on track to meet the criteria needed to reach level 2 of the Equality Standard by March, 2007. In 2007/08 it is intended to reach levels 3&4 of the Standard, bringing the Council in line with other authorities.

OMBUDSMAN AND COMPLAINTS AND COMPLIMENTS MONITORING

13. The Committee has noted that in 2005/06 there was a significant increase in the number of complaints about planning, up from 15 in 2004/05 to 35 in 2005/06. The Local Government Ombudsman has decided to issue Annual Letters for all Councils reflecting on complaints received by individual authorities and setting out any recommended action. In the 2005/06 letter to this Council he remarked that although complaints about planning had risen slightly across the Country in 2005/06 the Council may wish to consider whether special factors had caused the increase in Herefordshire. The Committee has requested a report analysing the complaints about planning.

WORK PROGRAMMES

14. The Committee has noted the Scrutiny Committees' current and future work programmes which are now reported to each Scrutiny Committee on a quarterly basis.

ISSUES CONSIDERED BY THE INDIVIDUAL SCRUTINY COMMITTEES

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

Summary

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

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	
Policy Development and Review	Scrutiny of Homelessness Every Child Matters Transition to Adult Life – Scrutiny Review
External Scrutiny	
Improvement (Performance Management and Review)	Budget 2006/07 Performance Monitoring
Other	Work Programme

17. The Committee held a homelessness consultation event in October 2005, involving representatives from the Council and relevant agencies across the County. The event, which was held to facilitate the Committee’s review of homelessness, focused on exploring the main causes of homelessness in Herefordshire and considered opportunities for closer working arrangements in the future. A series of recommendations were agreed for submission to the Cabinet Member for Social Care Adults and Health, the Committee has received a report setting out progress in response to its recommendations. In pursuing its scrutiny of this important area of its remit a further event involving representatives from the Council and relevant agencies across the County is planned for November.
18. In conjunction with Members of the Children’s Services Scrutiny Committee a review is to be undertaken of transition from leaving care to adult life. This will look amongst other things at the exchange of information between schools and Social Workers, to consider whether plans have been put in place with the Council’s partners, how those would work in practice and to confirm that the Council is fulfilling its Corporate Parent role.
19. The Children’s Services Scrutiny Committee met on 6th October, 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	
Policy Development and Review	The 14-19 Strategy Progress on the Joint Area Review Improvement Plan Every Child Matters Transition to Adult Life – Scrutiny Review (as part of report on work programme)

External Scrutiny	
Improvement (Performance Management and Review)	
Other	Work Programme (including discussion of involvement in Every Child Matters Transition to Adult Life – Scrutiny Review)

20. As referred to above the Committee is to participate in a review of transition from leaving care to adult life with the Adult Social Care and Strategic Housing Scrutiny Committee.
21. The Committee has also noted progress on the Joint Area Review Action Plan.
22. It has requested firmer detail on the strategy for the education of 14-19 year olds to enable it to monitor progress.
23. The Community Services Scrutiny Committee met on 18th October (reconvening on 20th October) and on 8th November 2006. It will consider the following issues:

Theme	Reports
Holding the Executive to Account	Call-in of Cabinet Members' Decision on relocation of Ledbury Tourist Information Centre Annual Report from Cabinet Member (Rural Regeneration and Strategy)
Best Value Reviews	
Policy Development and Review	CCTV in Herefordshire Churchill House Museum and the display of the Brian Hatton art collection
External Scrutiny	
Improvement (Performance Management and Review)	Update on Progress with High Town Refurbishment Community Services Division Budget Performance Monitoring
Other	Work Programme

24. The Committee held an evening meeting in Ledbury on 18th October to consider the decision of the Cabinet Member (Community Services) and the Cabinet Member (Resources) to relocate Ledbury Tourist Information Centre from its current site in the Homend, to the Master's House in Ledbury. The decision was called in, 'In view of public concern to seek confirmation that appropriate consultation has been carried out about the proposed relocation of the Tourist Information Centre and that the proposal is feasible, financially viable, value for money and the best solution.'
25. The meeting was attended by some 40 Members of the Public and the Committee heard evidence from a number of key parties including the Mayor of Ledbury, the Chairman of the Ledbury and District Tourist Association and the Chief Executive of the Ledbury and Area Development Trust who proposed that a Business Plan for the Master's House should be prepared. The Committee adjourned having heard all the evidence, reconvening on 20th October at Brockington. The Committee has agreed to recommend the relocation of Ledbury Tourist Information Centre to the Masters House be deferred for twelve months and the lease on the Centre's current premises in the Homend be extended until 28th February 2008; and that 50% of the cost towards the development of a business plan, up to a maximum of £15,000, be granted to the Ledbury and Area Development Trust.

26. The Environment Scrutiny Committee met on 25th September, 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	-
Best Value Reviews	
Policy Development and Review	Review of the Travellers Policy Review of Household Waste Recycling in Herefordshire Hydropower Briefing
External Scrutiny	Safety on the A49 and A465 Trunk Roads
Improvement (Performance Management and Review)	Capital Budget Revenue Budget Performance Indicators
Other	Work Programme

27. The Committee has approved a scoping statement for a review of household waste recycling in Herefordshire, one of the themes identified by the Strategic Monitoring Committee in its recent discussions on the content of work programmes.
28. It has also nominated a small team to review the draft travellers policy before it is passed to the Cabinet Member (Environment) for approval.
29. The Health Scrutiny Committee met on 5th September, 2006 and 12th October 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	
Policy Development and Review	
External Scrutiny	Hereford Hospitals NHS Trust – Foundation Trust Status Specialist Children’s Services Development “A Stronger Local Voice” A Framework for Creating a Stronger Local Voice in the Development of Health and Social Care Services. Scrutiny Review of Communication in the Local Health Service Scrutiny Review of GP out of hours Services Director of Public Health’s Annual Report
Improvement (Performance Management and Review)	
Other	Work Programme

30. The Committee is responding to the current public consultation exercise launched by the Hereford Hospitals NHS Trust inviting views on the Hospitals Trust seeking Foundation Trust Status.

31. The Committee will also be responding to a statutory consultation exercise on the possibility of developing a central building for specialist community services for children with developmental problems/disabilities.

32. The business conducted by the **Strategic Monitoring Committee** at its meetings on 15th September, 2006, and 16th October, 2006 is summarised below.

Theme	Reports
Holding the Executive to Account	Review of the Strategic Service Delivery Partnership – Cabinet Response Call-in of Cabinet Decision on the Rotherwas Futures Project
Best Value Reviews	
Policy Development and Review	Medium Term Financial Management Strategy Three Year Proposals: the basis for the Corporate Plan Review of the Provision of School Places
External Scrutiny	
Improvement (Performance Management and Review)	Integrated Performance Report – July Employee Opinion Survey 2006 Progress on Equality and Diversity Ombudsman and Complaints and Compliments Monitoring 2005/06
Other	Scrutiny Improvement Plan. Work Programmes. Scrutiny Activity.

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

BACKGROUND PAPERS

- Agenda Papers of the Meeting of the Strategic Monitoring Committee held on 15th September and 16th October, 2006.