

A G E N D A

Strategic Monitoring Committee

Date: **Wednesday, 13th June, 2007**

Time: **10.00 a.m.**

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

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

For any further information please contact:

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**County of Herefordshire
District Council**

AGENDA

for the Meeting of the Strategic Monitoring Committee

To: Councillor PJ Edwards (Chairman)
Councillor WLS Bowen (Vice-Chairman)

Councillors PA Andrews, WU Attfield, SPA Daniels, KG Grumbley, TM James,
RI Matthews, SJ Robertson, RH Smith and K Swinburne

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| 1. APOLOGIES FOR ABSENCE | |
| To receive apologies for absence. | |
| 2. DECLARATIONS OF INTEREST | |
| To receive any declarations of interest by Members in respect of items on this agenda. | |
| 3. MINUTES | 1 - 8 |
| To approve and sign the Minutes of the meeting held on 30th March, 2007. | |
| 4. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY | |
| To consider suggestions from members of the public on issues the Committee could scrutinise in the future. | |
| 5. INTEGRATED PERFORMANCE REPORT | 9 - 10 |
| To report performance for the whole of the operating year 2006-07 against the Annual Operating Plan 2006-07, together with corporate risks. The report also covers the full set of Best Value Performance Indicators (BVPIs) and the progress being made against the Council's Overall Improvement Programme. | |
| 6. FINAL REVENUE AND CAPITAL OUTTURN 2006/07 | 11 - 24 |
| To consider the final revenue and capital budget outturn for 2006/07. | |

PUBLIC INFORMATION

HEREFORDSHIRE COUNCIL'S SCRUTINY COMMITTEES

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

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

The principal roles of Scrutiny Committees are to

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

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

PUBLIC INFORMATION

Public Involvement at Scrutiny Committee Meetings

You can contact Councillors and Officers at any time about Scrutiny Committee matters and issues which you would like the Scrutiny Committees to investigate.

There are also two other ways in which you can directly contribute at Herefordshire Council's Scrutiny Committee meetings.

1. Identifying Areas for Scrutiny

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

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

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

You can submit a question for consideration at a Scrutiny Committee meeting so long as the question you are asking is directly related to an item listed on the agenda. If you have a question you would like to ask then please submit it **no later than two working days before the meeting** to the Committee Officer. This will help to ensure that an answer can be provided at the meeting. Contact details for the Committee Officer can be found on the front page of this agenda.

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(Please note that the Scrutiny Committees are not able to discuss questions relating to personal or confidential issues.)

Remits of Herefordshire Council's Scrutiny Committees

Adult Social Care and Strategic Housing

*Statutory functions for adult social services including:
Learning Disabilities
Strategic Housing
Supporting People
Public Health*

Children's Services

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

Community Services Scrutiny Committee

*Libraries
Cultural Services including heritage and tourism
Leisure Services
Parks and Countryside
Community Safety
Economic Development
Youth Services*

Health

*Planning, provision and operation of health services affecting the area
Health Improvement
Services provided by the NHS*

Environment

*Environmental Issues
Highways and Transportation*

Strategic Monitoring Committee

*Corporate Strategy and Finance
Resources
Corporate and Customer Services
Human Resources*

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- Inspect minutes of the Council and all Committees and Sub-Committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public Register stating the names, addresses and wards of all Councillors with details of the membership of Cabinet and of all Committees and Sub-Committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the Council, Cabinet, Committees and Sub-Committees.
- Have access to a list specifying those powers on which the Council have delegated decision making to their officers identifying the officers concerned by title.
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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Friday, 30th March, 2007 at 10.00 a.m.

Present: Councillor TM James (Chairman)
Councillor PA Andrews (Vice Chairman)

Councillors: B.F. Ashton, WLS Bowen, H Bramer, ACR Chappell,
JHR Goodwin, MD Lloyd-Hayes, J.P. Thomas and W.J.S. Thomas

In attendance: Councillors JP French, D.W. Rule MBE and R.M. Wilson.

69. APOLOGIES FOR ABSENCE

Apologies were received from Councillor R.J. Phillips (Leader of the Council).

70. DECLARATIONS OF INTEREST

There were no declarations of interest.

71. MINUTES

Minute 66 and the discussion that had taken place on page 50 of the Annual Operating Plan about the wording of the target on Homelessness was discussed. It was acknowledged that the Corporate Policy and Research Manager had agreed to review the wording in response to the points made at the meeting and the wording had indeed subsequently been revised.

RESOLVED: That the Minutes of the meeting held on 12th February, 2007 be confirmed as a correct record and signed by the Chairman.

72. RESERVES

The Committee considered a report on the level of reserves held by the Council having requested this at its previous meeting.

The Director of Resources explained that the policy on reserves and balances had been reviewed in developing the Medium Term Financial Management Strategy. Emphasis was now being placed on identifying the key financial risks and setting aside specific reserves to meet these risks. This was a sound financial strategy which it was important to develop.

The Head of Financial Services then presented the report. He noted that the Comprehensive Performance Assessment process had the Use of Resources as a key element of the overall assessment. The overall assessment for 2006 was 3: "consistently above minimum requirements, performing well", but the financial standing element was a strong 2: "at only minimum requirements adequate performance". Further development of the Council's policies for holding reserves and balances was needed to improve this score. The aim was to achieve an overall assessment of 4: "well above minimum requirements, performing strongly".

In the course of discussion the following principal points were made:

- Clarification was sought on how the Council compared with other authorities. The Chief Executive replied that there was not a league table of authorities based on the use of resources. Very few authorities scored 4 for the use of resources. The majority scored either 3 or 2. The important point was that the Council was above the minimum requirement set by the Council's external auditors.
- A question was asked about the level of general fund balance which the report noted was a key area for closer scrutiny. In reply it was noted that the Medium Term Financial Strategy envisaged that so long as earmarked specific reserves were set aside to cover specific significant financial risks it was not expected that the General Fund Balance would need to exceed £6 million. This compared with the historic policy of retaining a minimum £3 million in the General Fund Reserve. The District Auditor would be expected to challenge the Council on this point. The Chartered Institute of Public Finance and Accountancy suggested a general reserve equivalent to 5% of the revenue budget but this was a matter of judgement. Identifying specific risks and earmarking reserves to meet those could reduce the level of funds required in the General Fund. This had been identified as an issue requiring further consideration.
- A question was asked about the specific provision for "Schools Balance of risk" and whether this was sufficient. The Head of Financial Services confirmed this was for school self insurance funding. It was agreed that a written answer would be provided.

RESOLVED: That the report be noted.

73. INTEGRATED PERFORMANCE REPORT

The Committee considered the Integrated Performance Report setting out performance to the end of January 2007 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.

The report also covered the progress being made against the Council's Overall Improvement Programme.

The report to Cabinet on 22nd February was appended to the report.

The Head of Policy and Performance presented the report on performance. He highlighted that 14 indicators were identified in the Red Category (not achieved or not expected to be achieved, or no targets/milestones identified). Five of these were Local Public Service Agreement 2 targets meaning that a proportion of the performance reward grant would not be secured. He noted the role of individual Scrutiny Committees in examining performance data.

The report to Cabinet had contained a recommendation on how to meet the funding gap between the lowest tenders for the two capital projects at Riverside Primary School and Sutton County Primary School and the resources available, now £2.28m.

The Chairman of the Children's Services Scrutiny Committee highlighted to the Committee his concerns about how the funding gap had arisen and the action taken by the Children's Services Committee to try to ascertain the reasons for the shortfall, outlining some of the findings and undertaking to circulate the relevant notes for Members' information. He also noted that the matter had not been specifically drawn

to the Committee's attention to seek their views. Once he had been formally notified of the intention to take a key decision on the issue there had been very little time for the Committee to comment, given the imminent expiry of the tenders for the two schemes.

Further concerns were expressed about how Scrutiny Committees could play an effective role in assisting decision making if they were not involved at an early enough stage remarking on the need for pre-decision scrutiny to be developed.

As the two capital schemes had been in development for some years it was also questioned why the shortfall appeared to have been identified so late in the day by officers.

The Chief Executive offered to look at the chronology of the decision making process to assess whether the funding issue had been identified quickly enough and reported quickly enough and to report back if this was required.

On behalf of the Executive it was stated that lessons had been learned. In future where funding issues of this scale affecting large schemes arose it would be intended to prepare specific, separate reports for consideration. It was also accepted that Officers needed to revisit the processes followed.

The Cabinet Member (Resources) commented that it was important to emphasise that, contrary to some reports, funding was in place to enable the schemes to proceed. Income would also be generated in the future, for example from the sale of land for development of which account had not yet been taken and which would reduce the shortfall. He had asked the Director to look in particular at the need to review the link between the increase in the estimated costs of schemes, budget monitoring information and funding issues. The Director of Resources advised that, as part of the process of developing the Council's strategic asset management, work was underway to prevent a similar situation occurring again.

In the course of further discussion of performance the following principal points were made:

- A question was asked about indicator HCS 13 for the average length of stay in bed and breakfast accommodation of households (towards whom the Council has a full statutory duty) which on the face of it appeared to show a decline in performance. It was noted that this was a statistical quirk, with small numbers of families involved meaning that the average length of stay of one family could make a marked difference. Significant progress was being made in reducing the length of such stays.
- In reply to a question about the Council's ability to influence the achievement of some of the targets of a more long term nature the Chief Executive said that it was essential to monitor progress and measure the effectiveness of activity and how progress compared with that of comparator authorities if these long-term objectives were to be achieved.

The Head of Financial Services then updated the Committee on changes to the financial position since the report, which set out the position to the end of January 2007, had been prepared. He reported that the projected outturn on the revenue budget was now a £2 million underspend. The award of Local Authority Business Growth Scheme Incentive Grant had also been confirmed at £1.4m.

In relation to the Capital Programme, noting that the capital schemes at Riverside Primary School and Sutton Primary School had already been discussed, he reported

that there had been slippage in the Capital Programme. Whilst there were no funding issues, expected progress in delivering schemes had not therefore been made.

In relation to the corporate risk log a question was asked about the risk assessment of the Herefordshire Connects programme. It was suggested that there may be some issues of presentation and that wording might need be clarified to indicate that although risks may have been identified it did not mean that they would materialise if the action identified to mitigate the risk was taken.

RESOLVED: That the report be noted.

74. FORWARD LOOKING ANNUAL EFFICIENCY STATEMENT 2007/08

The Committee considered the Council's draft strategy for the 2007/08 Annual Efficiency process, progress to date on procurement issues and an update on future prospects for the Government's efficiency agenda.

The Strategic Procurement and Efficiency Manager presented the report explaining the requirements the Council had to meet and highlighting progress in the Council's procurement and efficiency activities. A draft list of efficiency savings for 2007/08 was appended to the report.

In the ensuing discussion the following principal points were made:

- The intention to reduce the reliance on expensive out of county placements for children looked after and children with complex needs was welcomed. The Chief Executive reported that the Regional Improvement and Efficiency Partnership for the West Midlands had the lead responsibility for this issue. However, whilst there was support in principle for some form of regional provision, following the past failures of local authorities in providing this service there continued to be a reluctance to accept the onerous responsibilities this entailed. In the meantime authorities had to purchase care from a small number of providers and were therefore subject to market forces.
- Noting the streamlining of arrangements for the recruitment of temporary staff through a contract with a single supplier it was asked what the position now was on the recruitment of permanent staff. In reply it was noted that a Central Recruitment Team had been in place for some 12 months and arrangements were also in place for the recruitment of senior staff.

RESOLVED: That the report be noted.

75. HEREFORDSHIRE SATISFACTION SURVEY

The Committee considered the results of the recently completed survey and how it should be used to inform future work programmes.

The report summarised the survey's findings. It stated that the data was important internally for service planning purposes, externally for performance assessments and central to the Council's improvement plan. It also suggested how the information could potentially be useful to the Scrutiny Committees.

The Head of Policy and Performance presented the report commenting on the importance of public involvement in service design and delivery and the weight external inspection regimes would place on this.

He commented on the findings stating that they generally mirrored the national trend. Overall satisfaction with authorities nationally tended to lag behind satisfaction with individual services.

He suggested that particularly given the increasing importance attached to the indicators the Scrutiny Committees should ask for detailed reports on areas of concern.

He reported that Cabinet on 22nd March had agreed the actions being taken following the survey. Amongst other things the Research Team was producing a detailed analysis and using the Herefordshire Voice Panel to identify the underlying reasons behind some of the key results.

In the course of discussion the following principal points were made:

- The Chief Executive expressed the hope that in the life of the next Council, both Members and Officers would give careful consideration to the discrepancy between the satisfaction rating for individual services and the overall rating for the Council and what could be done to address this perception. In his view part of the answer was ensuring that the public were provided with a clearer statement of what they could expect from Members and officers whose performance could then be assessed against a reasonable and realistic baseline.
- That there was plenty of scope for the Council to be more robust in both defending and promoting its actions. A clearer public understanding of the respective roles of the Highways Agency and the Council would, for example, have reduced the criticism faced following works on the A49 at Belmont Roundabout, Hereford.
- The importance of a more detailed analysis of the findings to ensure that the Council understood the true picture was recognised.

RESOLVED:

- That**
- (a) the survey results and the actions being undertaken be noted;**
 - (b) a further report be considered in three months time when the future Committee's future work programme is considered;**
- and**
- (c) all other scrutiny committees be requested to consider the data relevant to their areas of responsibility and to take appropriate action.**

76. REVIEW OF ICT SERVICES - CABINET'S RESPONSE

The Committee considered Cabinet's response to the recommendations of the Scrutiny Review of ICT Services.

The response approved by Cabinet on 30th March, 2007 was appended to the report. A detailed action plan was tabled at the meeting.

The Director of Corporate and Customer Services presented the report commenting on the main themes. She also commented on the complex environment in which ICT services was operating and the need to co-ordinate the requirements of the accommodation strategy, Hereford Connects and the ICT Strategy. She informed the Committee that the timetable for delivering remote access to schools had changed and progress would be reported as part of the action plan

RESOLVED:

That (a) Cabinet's response to the findings of the review of ICT services be noted, subject to any comments, which the Committee wishes to make;

and

(b) a further report on progress in response to the Review be made after six months with consideration then being given to the need for any further reports to be made.

77. GENDER EQUALITY SCHEME

The Committee considered the Gender Equality Scheme 2007-10.

The report to Cabinet on 22nd March was appended to the report.

The Race Equality Development Officer presented the report drawing attention to the action plan forming part of the Strategy which would be reviewed annually.

In the course of discussion the following principal points were made:

- It was asked how achievable the dates for accomplishing the targets were noting that they were some way into the future. In reply it was stated that actions within the Council's control were considered achievable. It would be harder to achieve those which relied on the work of partners although it was considered that there was the will to achieve them.
- That the Council was in a position, in particular for example when delivering its major projects, to exercise a community leadership role and encourage other parts of the community to implement the Strategy and its aspirations.
- The Primary Care Trust and the Council faced similar obligations and had many shared objectives. The development of the Public Service Trust provided an opportunity to strengthen the community leadership role.
- It was noted that the Pay and Workforce Development Strategy contained a number of measures which could be carried out corporately to address areas in which the Council continued to fall behind comparators.
- It was acknowledged that the Council employed more women than men. However, men held the vast majority of high-graded posts. Monitoring arrangements were in place to enable the Council to analyse recruitment practices.

RESOLVED: That the report be noted.

78. SCRUTINY IMPROVEMENT PLAN

The Committee was informed of progress on the Scrutiny Improvement Plan.

RESOLVED: That the report be noted.

79. SUMMARY OF ACTION IN RESPONSE TO SCRUTINY COMMITTEE RECOMMENDATIONS

The Committee considered a report on progress against recommendations made by the Committee.

RESOLVED: That the report be noted.

80. WORK PROGRAMME

The Committee considered the Scrutiny Committee's current and future work programmes.

In looking to future improvement Members commented on some of the findings from the enquiry visits undertaken as part of the Scrutiny Improvement Plan. There was a consensus on the need to improve proactive scrutiny which would include establishing an effective working relationship between Cabinet and Scrutiny to work together to deliver improvement.

It was suggested that consideration also needed to be given to engaging the public and involving them in planning services.

RESOLVED: That current work programmes serve as a basis for further development.

81. SCRUTINY ACTIVITY REPORT

The Committee noted work being undertaken by the Scrutiny Committees.

The meeting ended at 12.30 p.m.

CHAIRMAN

INTEGRATED PERFORMANCE REPORT

Report By: Director of Corporate and Customer Services

Wards Affected

County-wide

Purpose

1. To report performance for the whole of the operating year 2006-07 against the Annual Operating Plan 2006-07, together with corporate risks. The report also covers the full set of Best Value Performance Indicators (BVPIs) and the progress being made against the Council's Overall Improvement Programme.

Background

2. The report to Cabinet on 7th June, 2007, is enclosed separately for members of the Committee and is available to the public on request. Cabinet's decision will be reported at the meeting.

RECOMMENDATION

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

BACKGROUND PAPERS

- None identified

FINAL REVENUE AND CAPITAL OUTTURN 2006/07

Report By: Director of Resources

Wards Affected

County-wide

Purpose

1. To consider the final revenue and capital budget outturn for 2006/07.

Financial Implications

2. As set out in the report.

Background

3. The report to Cabinet on 7 June is appended. Cabinet's decision will be reported at the meeting.

RECOMMENDATION

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

BACKGROUND PAPERS

- None

FINAL REVENUE AND CAPITAL OUTTURN 2006/07

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

7 JUNE 2007

Wards Affected

Countywide.

Purpose

1. The purpose of this report is for Cabinet to consider and approve:
 - the final outturn position for 2006/07;
 - Corporate Management Board's proposals for carry forward of unspent budget into 2007/08;
 - the creation of new reserves and provisions in the 2006/07 Accounts

Key Decision

This is not a Key decision.

Recommendations

That the Cabinet approves:

- (a) **the final outturn for 2006/07;**
- (b) **CMB's recommendations for carry forward of unspent budget into 2007/8;**
- (c) **the movements to reserves outlined in the report**

Reasons

2. Whilst work continues on the range of tasks necessary to prepare the Council's statutory Statement of Accounts for 2006/07, it is sufficiently advanced for Cabinet to consider the final outturn for the revenue account.
3. On 29th June 2007 the full Statement of Accounts for 2006/07 will be presented to the Audit and Corporate Governance Committee for formal approval. This will ensure the Council meets the statutory deadline for the approval of the accounts.

Considerations

DIRECTORATE BUDGET OUTTURNS FOR 2006/07

4. An overall summary of the outturn position for Directorate budgets is as follows:

| | £000 |
|--|-------------|
| Directorate outturns 2006/07 | |
| Adult & Community Services – an over spend | 1,023 |
| Children & Young People’s Services – an under spend | -139 |
| Corporate & Customer Services – an over spend | 191 |
| Environment – an under spend | -274 |
| Human Resources – an over spend | 5 |
| Resources – an under spend | -589 |
| Chief Executive’s – an under spend | -60 |
| Corporate budgets – an under spend | -314 |
| Net Directorate Under Spend | -157 |

5. The above table shows that the final outturn position for 2006/07 was an under spend of £157k on directorate budgets before any adjustments for new reserves or use of revenue contingencies. The explanation of significant variances is included in the summary covering each directorate.
6. It is important to distinguish between the financial performance of directorates and the final overall revenue outturn of the council. The following table gives the overall position after allowing for transactions not under the control of directorates:

| | £000 |
|--|---------------|
| Net Directorate outturn 2006/07 – an Under Spend | -157 |
| Additional income from Financing Transactions | -1,459 |
| Part use of the Adult and Children’s Services revenue contingency to cover the Adult & Community Services overspend | -1,023 |
| Proposed use of Environment underspend to add to waste reserve | 274 |
| Proposed reserve to reflect anticipated statutory changes to accounting requirements for interest on the council’s loans | 505 |
| Additional dividend income from West Mercia Supplies | -81 |
| Unbudgeted income from the Local Authority Business Growth Incentive scheme | -1,417 |
| Adjustment to the central government grant funding so that it reclaims previous years’ overpayment | 165 |
| Net Revenue Under Spend | -3,193 |

7. The overall position is an underspend of £3.193m on the council's 2006/7 revenue account. This compares to a forecast outturn for the year in the final Integrated Performance Report (IPR) of an underspend of £3.435m. Whilst the final position is close to the last projection it would have been closer still but for key changes included in this report such as the request to set up a reserve to reflect anticipated changes to statutory accounts. The position shows a more consistent financial projection over the year but the final outturn included variations that became evident at the end of the financial year and these are outlined in the report.
8. In 2006/07 there has been a general improvement in service managers' assessment of likely spend commitments. The more transparent budget carry forward arrangements introduced last year may have encouraged service managers to provide a more accurate assessment of spend for the year as part of routine budget monitoring procedures. The process adopted by Cabinet last year ensures that budgets that are unspent at year-end (for a genuine reason) will be carried forward into the new financial year to support of corporate priorities.
9. A consistent theme of the Performance Improvement Cycle (PIC) and the approach to managing budgets is the development of a culture for financial management where cash is treated as a corporate resource by all levels of the Council. The PIC confirms that service managers will be encouraged and supported by staff in the Resources Directorate to concentrate their energies on delivering improved services at or below the available budget in line with corporate priorities rather than on protecting resources for their own particular service area.
10. The Council's external auditor will be looking for evidence of improvement as part of the review of our self-assessment for the financial management theme within the Use of Resources assessment. Financial Services is working with service directorates to improve the level of accuracy in our budget monitoring arrangements. Revised financial management training is now in place so that the areas covered by the Use of Resources assessment (financial reporting, financial management, financial standing, internal control and Value for Money) can improve. A council cannot be rated as excellent overall if it scores less than a 3 for Use of Resources.
11. The outturn position is good news as it improves the Council's financial standing – one of the themes in the Use of Resources assessment – providing some additional flexibility for matching cash resources to corporate priorities into the future. The above tables demonstrate that the underspend is overwhelmingly accounted for by corporate activity and to some extent fortuitous underspends. This indicates directorates are spending within their resources and using their budgets on service provision. A refreshed Medium Term Financial Strategy is currently in preparation for Cabinet to consider and will build on an improved opening resource position for 2007/08.
12. A summary of the key variations between outturn and budget for each Directorate is provided in the following paragraphs.

Adult & Community Services

13. Before application of the centrally held revenue contingency the directorate over spent compared to budget by £1.023m in 2006/07. The forecast outturn at month 12 was for an over spend of £698k. The change in position reflected a reassessment of commitments against the Community Services budgets.
14. The major areas of over spending were Learning Disability (£1.071m), Mental Health (£481k) and Physical Disability (£341k).

15. Older People's services saw a significant underspend of £811k mainly due to services being funded by the Access and Systems capacity grant. This made a significant contribution to controlling the directorate's level of overspend.
16. In line with national trends, the major area of concern was Learning Disabilities, where the overspend amounts to 12.3% of the budget with pressures being noted around community care residential, nursing care and agency placements.
17. Mental Health, which is subject to a section 31 agreement led by the PCT, overspent by 10.5%. Again, community care placements proved to be the major cost pressure.
18. Physical /Sensory Disabilities overspent by 11.5% with community care packages being the major contributory factor. In the latter part of the year, there has been some success in reducing the number of care packages from 31 to 29.
19. Compared to the previous year's overspend on Strategic Housing the 2006/07 position was an underspend of £166k. The areas of Homelessness, Enabling, Private Sector Housing and Supporting People all saw underspends largely produced by service changes leading to improved outcomes.

Children & Young People's Services

20. This directorate under spent by £139k in 2006/07. The forecast outturn at month 12 was for an over spend of £122k excluding schools budgets. This represents an improvement in financial performance of some £261k excluding schools budgets.
21. Safeguarding and assessment budgets saw a significant overspend of £554k. This includes a £528k overspend on external agency placement budgets where the number of placements doubled in 2006/7. Increased fostering placements led to a £255k overspend and social work budgets overspent by £144k. Without an underpend of £373k on assessment and family support the position would have been considerably worse.
22. There were significant under spends on school transport (£373k) due to route reviews and falling rolls. The school improvement service also underspent (£186k) mainly due to delayed staff appointments.
23. The provisional level of school balances as at 31st March, 2007 is £8.015m compared with £8.653million for 31st March 2006. This is a reduction of £638k (7.4%).
24. School revenue balances show a reduction of £2.097m (29.6%) and capital balances an increase of £1.525m (134.8%). The capital balances have more than doubled probably due to schools transferring money to capital to avoid the revenue clawback rules the council has indicated it will use if balances do not reduce. The rules around school funding do not permit balances transferred to capital to revert to revenue in the future. As a result transferred balances must be spent on capital items. Schools will be asked to confirm they have definite expenditure plans to use the capital balances.
25. A full report on the level of school balances at the end of the financial year 2006/07 will be considered at the next Schools Forum.

Corporate & Customer Services

26. This directorate overspent by £191k. The forecast outturn at month 12 was for an overspend of £568k and this represents an improvement in financial performance of some £377k. This reduction largely resulted from expenditure anticipated in the ICT service area not being made.
27. The ICT trading budget was in deficit at year-end by £255k due to expenditure exceeding Service Level Agreement income.
28. The ICT Corporate Projects base budget balanced at year end after a review that indicated considerable activity related to Herefordshire Connects. It was also evident capital expenditure had been incorrectly included in the revenue budget.
29. The other main variances in the directorate were in Policy & Performance Management where an underspend of £138k was due to vacancies and Legal and Democratic Services where a £95k overspend reflected increased activity on corporate projects. In addition the directorate saw various one-off costs for Herefordshire Connects and additional voluntary sector support.

Environment

30. This Directorate under spent compared to budget by £274k. The forecast outturn at month 12 was for an under spend of £571k. This represents a movement of £297k.
31. The major variances were in Environmental and Trading standards where a significant underspend on the waste management contract resulted from contract variations not occurring at anticipated times. Areas of over spending included Highways Winter Maintenance, Street Cleansing and Public Conveniences.
32. Planning fee income was higher than budgeted for the year but concessionary fares overspent showing evidence of strong uptake.
33. The underspend on the budget is recommended to be used to increase the level of the Waste Management Reserve rather than carried forward for other areas of corporate support.

Human Resources

34. This Service over spent compared to budget by £5k .The forecast outturn at month 12 was for a spend at budget.

Resources

35. This Directorate under spent compared to budget by £589k. The forecast outturn at month 12 was for an under spend of £150k.
36. The major cause of the improved performance is confirmation that the significant improvement in benefits processing times has affected the level of subsidy from the Department of Work and Pensions. The main factors being faster processing and improved quality have reduced local authority error by over 50% and secured additional overpayment subsidy; tighter controls have avoided payments above the threshold for homelessness cases in bed and breakfast accommodation and a review of cases in specific categories has led to successful appeals against payment of some claims.
37. The budget for the council tax service benefited from a significant increase in income

from summons and court costs which were increased from £30 to £53 from 1st April 2006. The higher level of costs had been expected to reduce the overall number of summons issued but this did not happen leading to an increase in income.

38. There were variations within the Property Services budget. An over spend on Administrative Buildings was more than offset by under spends on Industrial Estates and Retail Properties.

Corporate Budgets

39. Corporate budgets showed an under spend at outturn.
40. The main reasons for the under spend compared to the original budget are as follows:
- Local Authority Business Growth Incentive grant income not included in the original budget for the year (£1.417m);
 - Additional West Mercia Supplies dividend (£81k); and
 - Significantly better income from cash transactions of (£1.459m) as a result of significant slippage in the capital programme that meant delays in payments for schemes and the consequent increased investment income.

DIRECTORATE BUDGET CARRY FORWARD PROPOSALS

41. As previously indicated whilst the overall underspend is £3.193m the directorate underspend position is only £157k. The overwhelming majority of the underspend being the result of activity outside of the controllable influence of directorates.
42. It is important that total budget carry forwards into 2007/08 did not exceed the £157k of directorate under spends in 2006/07 outlined in the table in paragraph 4. This was the approach adopted in 2005/06. However, as in previous years it is recommended that any underspend on the Chairman's Fund is also carried forward. In 2006/7 this totalled £10k.
43. The budget carry forwards must support corporate priorities and on this basis the following bids are recommended to Cabinet for approval:
- Allocating budget in 2007/08 for corporate priorities to support Herefordshire Connects (£122k) and;
 - Meeting the need to complete the Idox installation to improve performance in benefits (£25k) and ensure we meet a Use of Resources improvement measure as part of the CPA process.

44. The following table summarises CMB's proposals for budget carry forwards:

| | £000 |
|--|-------------------|
| Total under spend available for carry forward | £157k |
| Less: | |
| Herefordshire Connects | 122 |
| Other | 10 |
| Idox installation | 25 |
| Total | <u>157</u> |

GENERAL RESERVES

45. Having considered the outturn position for 2006/07 and CMB's budget carry forward proposals, it is now possible to update Cabinet on the level of general reserves as at 31st March 2007.
46. The overall level of underspend is £3.193m after allowing for the specific reserve movements outlined at paragraph 47 and the movements do not use all the underspend even after allowing for the carryforward request of £157k for directorate underspends. The level of general reserve as at 31st March 2006 included £3.7m of budgets carried forward into 2006/07. This left £10.8m that was uncommitted but a number of changes totalling £4.965m were included in the Medium Term Financial Management Strategy (MTFMS) reflecting a move to specific reserves. After allowing for these movements the level of general reserve is £8.7m at the end of 2006/07.

SPECIFIC RESERVES

47. The Director of Resources requests that Cabinet approve the following reserve movements in the accounts:

| Title | £000 | Reason |
|---|------|---|
| Waste Management | 274 | In 2006 a specific reserve was set up. The amount had previously been in a general reserve and built up in recent years to provide funding flexibility following the renegotiation of the Waste Management Contract. This addition means the total reserve will now be £2.274m. |
| Lender Option Borrower's Option loans (LOBOs) | 505 | The move to make local government accounts comparable with the private sector will affect the accounting treatment of interest on a type of loan. This will have a worst case impact of £505k on our accounts. A new reserve is requested. |
| Standards Fund | 377 | The request is to set up a specific reserve for unspent Council match funding for the Children and Young People's Standards |

| | | |
|--|--|--|
| | | Fund. In previous year's this has been shown as a underspend and carried forward but this treatment has distorted the year end position. |
|--|--|--|

2006/07 CAPITAL PROGRAMME OUTTURN

48. The capital outturn for 2006/07 totals £40.949m, which is a decrease of £3.143m from the January forecast. The total of agreed bids for 2006/07 was £60.6m. This decrease represents re-profiling of spend on Riverside Junior and Infant School Amalgamation, Sutton Primary School Replacement, Cattle Market and Aylestone Hill Park. This will result in slippage on capital financing costs incurred in the revenue budget from 2006-07 into future years.
49. The capital receipts reserve totals £21.711m, £10.332m of which is ring fenced to fund the Strategic Housing capital programme following LSVT. Whilst this is better than the £20.070m balance at the end of 2005/6 the total has been committed to various capital schemes including the provision of a new cattle market, however future total expected capital receipts are expected to exceed total commitments over the next three years.

DIRECTOR OF CHILDREN AND YOUNG PEOPLE'S SERVICES

Directorate Outturn

| | £m |
|---|----------|
| Budget Reported as at 31 January 2007 | £11.051 |
| Capital Budget Decreases | |
| • Sutton Primary School Replacement (slippage) | (£1.075) |
| • Riverside Junior & Infants School Amalgamation (slippage) | (£894k) |
| • Kington Children's Centre (complete) | (£256k) |
| Capital Budget Increases | |
| • Weobley High Sports Hall (additional spend) | £433k |
| Other budget revisions (<£100k) | (£251k) |
| 2006-07 Outturn | £9.008m |

50. In December and January tenders were received for the major capital projects at Sutton County Primary and Riverside Primary School respectively. Both projects are proceeding and revised cashflows have been provided.
51. Kington Children's Centre is now complete, this scheme was funded by capital grant and the remaining total grant funding will be used to provide five children's centres throughout the County over the next year.

52. Weobley High Sports Hall has overspent following foundation problems, this has been funded through the general central government SCE® funding allocation.

DIRECTOR OF RESOURCES

Directorate Outturn

| | £m |
|---------------------------------------|---------|
| Budget Reported as at 31 January 2007 | £3.133m |
| Capital Budget Decreases | |
| • Cattle Market (slippage) | (£693k) |
| Other budget revisions (<£100k) | (£71k) |
| 2006/07 Outturn | £2.369m |

53. The deposit for the new cattle market site was paid in 2006-07, the balance due towards the payment of the land has been carried forward into 2007-08.

DIRECTORATE OF CORPORATE AND CUSTOMER SERVICES

Directorate Outturn

| | £m |
|---------------------------------------|---------|
| Budget Reported as at 31 January 2007 | £3.742m |
| Capital Budget Increases | |
| • Info by Phone (overspend) | £299k |
| • CAPS (capitalisation) | £230k |
| Capital Budget Decreases | |
| • E-Gateway (no longer required) | (£254k) |
| • Disaster Recovery (slippage) | (£171k) |
| Other budget revisions (<£100k) | (£39k) |
| 2006/07 Outturn | £3.807m |

54. The Info by Phone capital scheme overspent in 2005/6. Part of this overspend has been funded by capital grant, the remainder (£29k) has been funded by additional prudential borrowing over and above the £1.5m successful capital bid funding allocation, additional costs are being incurred in 2007-08.

55. There have been budget revisions to CAPS and E-Gateway representing capital and revenue spend allocations, these schemes are grant funded. Slippage on the disaster recovery scheme has been carried forward.

DIRECTOR OF ENVIRONMENT

Directorate Outturn

| | £m |
|---|----------|
| Budget Reported as at 31 January 2007 | £12.301m |
| Capital Budget Increases | |
| • Rotherwas Access Road (additional spend) | £1.369m |
| • Principal Roads (capitalisation) | £375k |
| Capital Budget Decreases | |
| • Assessment & strength of bridges | (£333k) |
| • Crematorium (slippage) | (£158k) |
| • Waste Performance and Efficiency (slippage) | (£129k) |
| • Embankments | (£107k) |
| Other budget revisions (<£100k) | (£121k) |
| Outturn 2006-07 | £13.197m |

56. The Rotherwas Access Road additional spend represents purchases of land following the award of contract works, this is funded by AWM grant.
57. The Crematorium forecast has slipped further to reflect that payment for the land was not completed, progress is made with an anticipated start on site in August.

DIRECTOR OF ADULT AND COMMUNITY SERVICES

Directorate Outturn

| | £m |
|--|----------|
| Budget Reported as at 31 January 2007 | £13.865m |
| Capital Budget Decreases | |
| • Aylestone Hill Park (slippage) | (£452k) |
| • Affordable Housing Grants (slippage) | (£261k) |
| • Disabled Facilities Grants (committed) | (£200k) |
| • Hereford High Town (slippage) | (£154k) |
| • Mobile Libraries (slippage) | (£109k) |
| Other budget revisions (<£100k) | (£122k) |
| Outturn 2006-07 | £12.567m |

58. Slippage on the work on Aylestone Hill Park followed delays obtaining consent from the Environment Agency planned works are under review.
59. The affordable housing grant spend slipped due to delays on two mortgage rescue cases and three part ownership schemes expected to complete before March 2007. During 2006-07 56 additional affordable dwellings were completed with grant funding and 126 without.

60. Spend on mandatory disabled facilities grant has slipped following the implementation of a longer scheme selection process. Initial feedback on changes to the scheme with individual grant allocations increasing from £25k to £30k is expected in July.
61. Hereford High Town slippage represents works to Bewell Street and Widemarsh Street to be started in January 2008, prudential borrowing funding has been carried forward accordingly.
62. The purchase of a mobile library has slipped and is expected to be completed in June, prudential borrowing funding has been carried forward accordingly.

Risk Management

The Council is required to publish end of year BVPI outturns by 30 June and to ensure the closure of accounts within statutory deadlines. Failure to do so carries a reputation risk for the Council in relation to its corporate governance role.

Consultees

The relevant internal officers have been consulted. No external consultation was considered necessary.

Background Papers

None identified.

