

MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Thursday, 25th October, 2007 at 9.30 a.m.

Present: Councillor PJ Edwards (Chairman)

Councillors: PA Andrews, WU Attfield, SPA Daniels, KG Grumbley, TM James, RI Matthews, RH Smith and JK Swinburne

In attendance: Councillors H Bramer (Cabinet Member (Resources) and RJ Phillips (Leader of the Council)

27. APOLOGIES FOR ABSENCE

Apologies were received from Councillors WLS Bowen, SJ Robertson and JP French Cabinet Member – (Corporate and Customer Services and Human Resources)

28. DECLARATIONS OF INTEREST

Councillor RH Smith declared a personal interest as one of the Council's appointees to the Board of Herefordshire Housing Ltd during agenda item 7: Herefordshire Community Strategy Development Plan Annual Report

29. MINUTES

RESOLVED: that the Minutes of the meeting held on 17th September, 2007 be confirmed as a correct record and signed by the Chairman.

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

There were no suggestions from Members of the Public.

31. PRESENTATIONS BY CABINET MEMBERS (LEADER OF THE COUNCIL, CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES, AND RESOURCES)

Leader of the Council

The Leader addressed the Committee explaining that he intended to focus on the following strategic issues: external issues, partnerships and diversity and community leadership.

He spoke first about the Comprehensive Spending Review which had been described as the worst settlement for local government for 10 years. He noted that this placed severe pressure on the Council which, in any event, faced particular funding difficulties because of its demography.

He noted also the move to the allocation of funding to local authorities through the Local Area Agreement rather than specific grants and the importance of the Council ensuring that its priorities were right and that it did not lose resources as a consequence.

He commented also on the regional agenda entailing the removal of regional assemblies and the enhanced powers of Regional Development Agencies. The Council had a good relationship with Advantage West Midlands, as shown by a number of projects underway in the County. It would be important to maintain this relationship.

The development of City Regions with the view that allocating funds to the main centres would spread wealth outwards was also something that might be to the Council's detriment.

The framework of the regional spatial strategy also needed to be right.

At a recent meeting a civil servant had acknowledged that Herefordshire was "resource challenged". This made partnership working all the more important. Whilst the development of a Public Service Trust within the originally proposed timescale had proved too ambitious it was important that there was effective joint working with the Primary Care Trust.

Similarly, work with the Hereford Hospitals NHS Trust and the development of the work on Community Forums with the Police were important.

He concluded by commenting on the pressures it was becoming clear were likely to be generated as result of the growing number of seasonal and migrant workers within the County, although the precise numbers involved were unknown. He noted that all Members would have a community leadership role to play in addressing the emerging issues.

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

- That migrant workers were no longer seasonal and were permanently residing in the County. This clearly had considerable implications not least for accommodation and schools. As national data could not be relied upon it was asked how the Council planned to monitor numbers.

The Leader acknowledged that there was an issue that needed to be addressed with public sector partners and the business sector.

- In response to comments about the treatment of migrant workers by employers the Chief Executive requested that if there were instances where it was believed that the minimum wage was not being paid this should be reported to officers. His understanding was that where allegations had been investigated few examples had been found of wrongdoing but it was important that the issue was addressed.
- It was asked whether all Members should be invited to give a view to the Diversity Officer of the position in their wards and any issues.
- A Member expressed his disappointment at the focus of questioning of the Leader, referring to a range of issues which the Council currently faced which he considered would adversely affect the Council's rating in the external Comprehensive Performance Assessment.

- The demographic pressures associated with an ageing population were discussed. It was asked how great the impact was given that a number of older people coming into the County were quite affluent. The Chief Executive commented that the recent needs analysis undertaken by the Council provided a sound assessment of the implications.

The Chairman thanked the Leader.

Corporate and Customer Services and Human Resources

The Cabinet Member's presentation was deferred.

Cabinet Member (Resources)

A report from the Cabinet Member (Resources) had been circulated as part of the agenda papers together with the Resources Directorate Annual Report 2006/07. This set out an overview of the Directorate, current performance, future priorities, performance improvement cycle issues, and two suggested items for future scrutiny (the accommodation strategy and the financial strategy, both of which were already in the Committee's work programme).

The Cabinet Member (Resources) introduced his report and invited questions.

In the ensuing discussion the following principal points were made:

- Asked about progress with the accommodation strategy the Cabinet Member (Resources) said that, although no site had been chosen, work was quite advanced with clarity about what was required but a decision on where this should be located likely to take 2-3 more months.

The Director of Resources added that the work involved establishing the number of staff who would need to be accommodated in the back office and preparing strategic options for the site, with a view to reporting to the Corporate Management Board and Cabinet before Christmas.

A Member expressed surprise that establishing what amount of accommodation was required was still an issue, given that a view on this must have been reached prior to the decision to acquire the offices at Plough Lane.

The Director of Resources said that it had been decided to review the position and confirm the accuracy of the number of staff to be accommodated, working patterns and space requirements. The Cabinet Member (Resources) added whilst the number of people was relatively easy to identify the view on the space they would need had changed over time.

- It was asked if the Committee could have sight of the project plan to understand the methodology and when the Committee could expect options to be defined and assess them. A cost estimate was also requested.

The Director of Resources said that when the strategic options were refined it would be intended to give indicative costings and then firm these up.

- Asked about the involvement of the Primary Care Trust in developing the Strategy the Director said that, whilst there had been discussions with partners about front office services, it had been decided that a view on accommodation of

back office functions needed to be given by Cabinet before discussing the position with partners.

- The Cabinet Member (Resources) in reply to a further question about how accommodation need could be established without discussions with the PCT said that the planning took account of the need for flexibility and further future development. Modular buildings were being considered to avoid future constraints.
- A Member registered concern that the rate of progress on the accommodation strategy was too slow.
- The Chairman reminded the Cabinet Member and Director that the Committee had highlighted accommodation as a key issue upon which it wished to be kept informed and that he would expect a report to be made as soon as possible.
- The report noted that it was expected that the financial governance issues in ICT which had led to the external auditor's adverse opinion on the Council's arrangements for securing value for money in the Annual Governance Report for 2007 would have an adverse impact on the Audit Commission's Use of Resources assessment for 2007/08. Questioned upon this statement and the implications the Director of Resources explained that whereas in previous years the auditor had issued an unqualified audit opinion on value for money, this year the finding had been adverse and had been qualified. Three out of twelve criteria against which the adequacy of the Council's arrangements for economy, efficiency and effectiveness in its use of resources were judged had not been met. These three criteria had been qualified due to the financial governance issues identified in the Director of Resources' Special Report on financial governance issues in ICT and Customer Services. The adverse opinion on the Council's arrangements for securing value for money would have a direct bearing on the Use of Resources assessment and for this reason the Director of Resources was anticipating the rating to reduce from good to fair.
- The enforcement of procurement policies as a priority was welcomed.
- A question was asked about the Council's ability to amend the partnership arrangements with Amey Wye Valley Ltd, the development of which was identified as a key priority in the report. In reply it was advised that the Contract contained the flexibility to amend the arrangements provided this was by agreement. The Cabinet Member emphasised that he had made clear what was expected in terms of service delivery and the response from Amey PLC had appeared positive. Performance would be assessed over time.
- The report referred to a potential capacity issue in Asset Management and Property Services when the accommodation strategy was finalised and a project agreed for implementation. Asked to elaborate on this the Director of Resources said that the accommodation strategy would need a huge resource to deliver it. The Council's existing Capital Programme was large and it had therefore seemed important to highlight the pressure on the property services team.
- The generation of capital receipts from the smallholdings estate and their reallocation was discussed. The Cabinet Member stated that he was continuing the policy of his predecessor, which was to seek to generate at least £1million per annum in receipts. Any receipts were allocated to the general capital reserve.

There was some lack of clarity over the disposal policy. The Committee accepted that this would be resolved at its next meeting at which it had called for a report on the smallholdings policy, emphasising that it required the current policy document to be presented as part of that report.

- Asked about progress in ensuring that the Council's public buildings complied with the Disability Discrimination Act the Director advised that the Council was on track to meet its target.
- Questions were asked about progress on the development of the new livestock market. The Head of Asset Management and Property Services reported that the balancing pond for flood alleviation remained part of the proposal. A meeting for local residents prior to the submission of a planning application was being arranged. It was requested that Local Members be kept informed.
- It was asked whether an overview of all major projects was available with timelines which would enable the Committee to monitor progress. The Director of Resources replied that an update on the Capital Programme formed part of the integrated performance report. Work was ongoing to make the capital programme procedures more robust with the intention that each project should have its own project management arrangements.

A further question was asked as to whether the format of the integrated performance report could be enhanced to provide more information on the project plans for major projects to assist the Scrutiny Committees in monitoring progress. Concern was expressed that there did not appear to be a clear overview of the capital programme and it was important that the Committee needed to be able to comment at an early stage on project proposals before final decisions to proceed were taken.

The Chief Executive commented that the key lay in effective project management and there continued to be resistance within directorates to the cost that this entailed.

The Chairman thanked the Cabinet Member.

32. LOCAL AREA AGREEMENT PRIORITY SETTING

The Committee was informed of the process of the Local Area Agreement (LAA) "super-refresh" and invited to comment on the preliminary list of key priorities in appendix 1.

The Herefordshire Partnership Team Manager reported on the national redevelopment of Local Area Agreements which was being termed a "super-refresh". She explained that the development of key priorities was the first task which would be followed by the development of performance indicators. She outlined the timetable for the process as described in the report.

The Chief Executive emphasised the challenge the new arrangements presented. As a significant proportion of funding was in future to be allocated to authorities via the LAA the priorities identified in the LAA had to be recognised as mainstream and integrated with the Council's priorities.

In the ensuing discussion the following principal points were made:

- It was asked what capability the Council had to achieve the proposed priority of reducing household debt. In reply it was stated that there were a number of practical measures that could be taken and examples of Voluntary Sector initiatives were given. In response to concern that this could lead the Council into unwelcome commitments it was stated that the Council would need to be clear about what action it would be taking to tackle the problem.
- That it would be helpful if the priorities were grouped thematically. It was also suggested the order in which the priorities were listed be reconsidered with a view to sending out the most positive message.
- It was suggested that the priorities should also be more aspirational noting the potential to reduce industrial waste in addition to the focus on domestic recycling.
- The retention of young people in the County and providing an attractive environment to encourage all young people was also raised.
- Whilst considering the priorities were admirable it was asked whether they were achievable, if so at what cost and whether there were too many priorities. The Herefordshire Partnership Team Manager said that some Local Strategic Partnerships had identified three or fewer priorities, other Partnerships had identified more priorities than had Herefordshire. The next stage, the development of performance indicators would be when consideration would be given to what was achievable, whilst still being aspirational.

RESOLVED:

- That (a) **the Local Area Agreement “super refresh” process, timetables and opportunities for Members to input be noted;**
- and**
- (b) **the list of key priorities be supported as a basis for further work, whilst suggesting that they be grouped thematically and that the order in which the priorities were listed be reconsidered with a view to sending out the most positive message.**

33. HEREFORDSHIRE COMMUNITY STRATEGY DEVELOPMENT PLAN ANNUAL REPORT

(Councillor RH Smith declared a personal interest as one of the Council's appointees to the Board of Herefordshire Housing Ltd.)

Further to the report to the Committee in July on the development and monitoring arrangements in place for the Community Strategy Development Plan the Committee considered the annual report for 2006/07.

The report also set out the timetable for consultation on the 2008-2011 Community Strategy Action Plan, to be developed in conjunction with the redevelopment of the Local Area Agreement. This included two events for Members.

The Herefordshire Partnership Team Manager explained that this was the first annual report and invited comment on its content and style. The report related to the 2006/07 action plan but as that plan was very detailed the annual report did not set out progress against each action but instead contained selected examples of progress and achievements. This was intended to make the document more user friendly. A more detailed report was available for inspection if required.

In the ensuing discussion the following principal points were made:

- The 2006/07 report listed a number of Partner organisations forming the partnership board. The involvement of the Fire And Rescue Service and Registered Social Landlords (RSLs) in the Partnership was raised. The Herefordshire Partnership Team Manager confirmed in reply that the Fire and Rescue Service was now represented on the Partnership Board. The RSLs were on the housing partnership which was being reactivated.

The Chief Executive noted in determining membership of the Partnership Board there was a balance to be struck. Key strategic partners needed to be permanently represented on the Board. Other partners were involved in particular initiatives as required.

It was suggested that the wording of future annual reports should refer to Board Members as key partners to distinguish them from other partners.

- It was asked what mechanisms were in place to control the development of the Closed Circuit Television (CCTV) network, concern being expressed about its extension into residential areas. It was reported that the CCTV Partnership was responsible for the Network and the Council was represented on that partnership.

RESOLVED:

That (a) the report and dates for the forthcoming combined consultation on the 2008-2011 Herefordshire Community Strategy Action Plan and Local Area Agreement be noted;

and

(b) the Annual Report for the Development Plan 2006/07 be received.

34. THE STRATEGIC SERVICE DELIVERY PARTNERSHIP

The Committee received an update on the status of the Herefordshire Strategic Service Delivery Partnership and the annual report on the partnership between Herefordshire Jarvis Services (now Amey Wye Valley Limited), Owen Williams and Herefordshire Council.

The report to Cabinet on 11 October 2007 was appended to the report. This commented on performance of the partnership as a whole with further sections on Herefordshire Jarvis Services (HJS) and Owen Williams Ltd. It also reported on the purchase of the major part of Herefordshire Jarvis Services by Amey PLC, with the successor company to HJS named Amey Wye Valley Ltd.

The Environment Support Manager presented the report. This identified performance for the partnership as a whole as mixed with encouraging performance in some areas but with scope for improvement in others. He drew attention to the

development of a new performance indicator framework.

In terms of HJS he noted that the biggest single challenge for HJS and the most significant issue had been the payment of creditors. The local management team was to be congratulated for maintaining service delivery given the limited cash allocations it had received from the Jarvis Group Treasury to pay creditors.

He identified that with Amey Wye Valley Ltd and Owen Williams Ltd under the common ownership of Amey PLC there was scope to explore closer integration and achieve efficiencies especially on highways works.

In the ensuing discussion the following principal points were made:

- The Chairman reiterated his wish for a baseline on standards of service provision to be produced against which future performance could be assessed.
- It was asked who checked that work had been carried out to the required standard, some feeling being expressed that Local Members were having to bear some of this burden. The Environment Support Manager explained that this was the responsibility of the client officer who ordered the work. If the work was not to the required standard the client officer should get the contractor to rectify the matter. He himself would also pursue matters if they were not resolved.
- Some concern was expressed that the fact that Amey Wye Valley Ltd and Owen Williams Ltd were under common ownership had the potential to lead to too close a future relationship with implications for control of costs in the medium to long term.
- Clarification was sought about the debt of some £5 million owed by HJS to its parent company. The Chief Executive said that Amey PLC had purchased the debt and whilst the debt would be held within the Amey Group he was unaware whether it was currently within the books of Amey Wye Valley Ltd. In response to a further question he said that the Council would not have to service the debt through higher prices paid to Amey Wye Valley Ltd for services. The Company would not, however, generate any profits in which the Council as shareholder would share until the debt was discharged.
- It was proposed that in addition to being provided with a baseline on standards of service provision against which future performance could be assessed the Committee should also receive a report on transitional arrangements following the transfer to Amey PLC, commenting on the maintenance of continuity of services during the transition and including Amey PLC's assessment of the programme of works for the remainder of 2007/08, its view of the commitments it contained and whether resources were in place to meet those commitments and deliver the programme.
- It was also proposed that representatives of both Amey PLC's local and national management should be invited to the next meeting together with representatives of Owen Williams Ltd.

RESOLVED:

That (a) a report be submitted to the next meeting on transitional arrangements following the purchase of the major part of Herefordshire Jarvis Services by Amey PLC, commenting on the maintenance of continuity of services during the transition and including Amey PLC's assessment of the programme of works for the remainder of 2007/08, its view of the commitments it contains and whether resources are in place to meet those commitments and deliver the programme, and providing a baseline on standards of service provision against which future performance can be assessed;

and

(b) representatives of local and national management of Amey PLC be invited to attend the next meeting together with representatives of Owen Williams Ltd.

35. HEREFORDSHIRE CONNECTS PROGRESS REPORT

The Committee agreed to defer consideration of this report.

36. FINANCIAL CONTROL OF CAPITAL SCHEMES IN PROPERTY SERVICES

The Committee considered the financial planning and controls used in the monitoring of capital schemes in property services.

In considering the report on the Capital Programme as part of the Integrated Performance Report in July the Committee had expressed some concerns that there may be systemic problems in managing capital projects and that this needed to be examined.

The report set out how projects were prepared, tenders invited and contracts let and monitored. An appendix to the report outlined the performance of the capital programme against funding over financial years 2004/05, 2005/06 and 2006/07. It was noted that in these three financial years there had been a pattern of underspending against the capital budget.

The Head of Asset Management and Property Services introduced the report stating that in addition to the Corporate Asset Strategy Group the Capital Strategy Monitoring Group would be keeping a closer eye on monitoring the capital programme. He added that the management of some individual projects had not been up to standard and project boards would be established for particularly significant projects.

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

- Asked who evaluated tenders the Head of Asset Management and Property Services said that this depended on the nature of the project. Some would be evaluated in-house, some by Owen Williams and some would be outsourced.
- That rather than monthly monitoring of costs once a contract had been placed there should be contractual milestones, agreed in advance.

- The risk management of contracts and the extent to which risk could and should be transferred to the contractor was discussed. It was asserted that the causes of the additional expenditure on the following schemes: North Herefordshire pool, Weobley High School sports hall and Sutton Primary School and Riverside Primary School should have been addressed and quantified. Whilst site investigations would not always reveal all the problems this need not be to the detriment of the Council if contracts were robust and risk transferred.

The Chief Executive observed that the higher the indemnity the Council sought the higher the price it paid to the contractor. However, he accepted that the Council did need to give consideration to where the balance of advantage lay.

A Member questioned whether the Council should pay increased prices to transfer risk in this way.

- Referring to Weobley High School the exact amount of expenditure on the project and the amount of overspend was questioned, different reports appearing to show different amounts. In reply it was stated that the appendices showed expenditure on scheme by financial year and concentrated on the contract price for each of the main capital projects.
- The Director of Resources said that the financial reporting gave a snapshot of expenditure on the capital scheme in the relevant financial year. The post-implementation project review would provide the final expenditure on the project.
- The robustness of the contract procedure rules and the project management of schemes was questioned. The Director of Resources answered that contracts, for example those on Sutton and Riverside Primary Schools had not been let in excess of the budget for the Schemes. Revised, strengthened contract procedure rules were to be submitted to Council in November 2007. A formal approach to increases in the costs of Schemes had been agreed with Directorates.
- It was noted that a number of schemes did come in below tender and this should be of some reassurance.

The Committee noted the position.

37. PRINCIPLES TO GUIDE THE PROVISION OF EDUCATION IN HEREFORDSHIRE IN THE 21ST CENTURY

The Committee considered a statement of principles to guide work, set standards, underpin values and inform the future organisation of schools.

A copy of the covering report presented to the Children's Services Scrutiny Committee on 5th October 2007 was circulated at the meeting.

The Head of Commissioning and Improvement presented the report. He explained that falling school rolls meant that some change needed to be made to the organisation of schools within the County. It was intended to report to Cabinet in November with proposals then going to schools in January 2008 followed by further consultation.

In taking the review forward it was important to recognise that the Government's intention was that all schools would become independent of local education authorities.

The review was driven by the need for the effective use of resources. The loss of £3,500 per pupil would have an impact on schools and would involve teacher redundancies. The Direct Schools Grant provided £300,000 pa for the next three years for central expenditure. The Authority was the third lowest funded LEA in England and there was no indication that position would change.

Currently 22% of resources was spent on overhead costs and it was expected that this would rise to 30% as a consequence of the fall in school rolls. Consideration needed to be given to whether this was the best use of resources or whether reorganisation could enable more money to be spent in the classroom.

In undertaking rationalisation one intention would be to take account of the condition and running costs of individual properties.

The principles paper had been issued to schools. In general they had appeared happy with the principles but the key was how these were translated into practice. For example there were 12 schools in the County who would not meet the proposed criterion that schools should have at least 55-60 pupils on roll. Headteachers had also emphasised the importance to them of retaining 50% of their time as non-contact time.

The Head of Commissioning and Improvement added that the review would also have to consider the wider role of schools in the community and the Council's policies on thinking rural and the availability of local services. He added that it was important, however, that a local service was of good quality.

In the ensuing discussion the following principal points were made:

- It was reported that the Children's Services Scrutiny Committee had commented on the need for adequate resources to be allocated to complete the review as promptly as possible to avoid prolonging uncertainty. It had also commented upon the aim that no pupil would have to travel more than 45 minutes to school mentioning the need to give careful consideration to the distance primary school pupils could be expected to travel to school. The Committee was scheduled to receive updates as the review progressed.
- The assumptions about falling rolls underpinning the Review were questioned. It was asked what the source of the data was and whether it could be considered to give the complete picture. It was noted that the migrant population was not all registered with local GPs. The increase in the birth rate in the South Wye Area was also noted.

The Head of Commissioning and Improvement replied that the data was obtained from the Primary Care Trust who had addresses of mothers registered with GPs. He considered the data was as good as could be obtained but acknowledged that it was not perfect. Some further work was being done with neighbouring PCTs to pick up on any cross-border issues. However, if anything, in the past the County had been a net exporter. He was confident that there were falling rolls but the degree of the fall was the issue and the extent of the response required. He would propose to maintain provision at County level with the number of places 5% above the projected number of pupils.

In terms of the migrant population the annual school census recorded the origin of pupils and their first language. Whilst this clearly only picked up children of school age it did provide a useful check. Numbers of children in this category remained low but had grown significantly. The situation was being closely

monitored.

In relation to the South Wye this was the only area in the County where rolls were not falling. This was due to the housing provision, age of the population and demography. A number of residents sought schools outside the South Wye area.

- It was asked whether account had been taken of the 16,500 new houses that would be required to be built in the County. The Head of Commissioning and Improvement said that it had been. It was being assumed for the purposes of the Review that development would be in existing main centres with public transport links. The position of small village schools would therefore be likely to be unaffected by the new development. The need to maintain links with the developing thinking on housing allocation was acknowledged.
- The importance of keeping Ward Councillors informed and the knowledge to be gained from Town and Parish Councils was noted.
- The Head of Commissioning and Improvement confirmed in response to a question that no schools were earmarked for closure. He reiterated that options would be reported to Cabinet in January. Consultation would take place on draft proposals and any proposal to close schools was subject to a statutory process.
- The Chief Executive noted that there was a professional recognition by headteachers that if the Council did not respond to falling rolls the ability of schools to fulfil their role would be affected. It would be important that that was not lost sight of when proposals came forward.

The Committee noted the timetable for progressing the review.

38. WORK PROGRAMME

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

The addition of the invitation to representatives of Amey PLC and Owen Williams to the Committee's November meeting as part of consideration of a further report on the Strategic Service Delivery Partnership was noted.

It was also agreed that the proposed report on the scrutiny process would form part of the review of the Constitution and scheduled for consideration by the Committee in January 2008 prior to the report being considered by Cabinet for recommendation on to Council.

RESOLVED: That subject to the amendments above the current Work Programmes serve as a basis for further development.

39. SCRUTINY ACTIVITY REPORT

The Committee noted the work being undertaken by the Scrutiny Committees.

The meeting ended at 12.55 p.m.

CHAIRMAN