

Strategic Monitoring Committee

Date: **Monday, 19th November, 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 JK Swinburne

	Pages
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 To approve and sign the Minutes of the meeting held on 25th October, 2007	1 - 12
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. UPDATE ON THE STRATEGIC SERVICE DELIVERY PARTNERSHIP To provide the Strategic Monitoring Committee with a further update on the status of the Herefordshire Strategic Service Delivery Partnership between the Council, Amey Wye Valley Limited and Owen Williams Limited.	13 - 18
6. PRESENTATION BY CABINET MEMBER (CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES) To receive a presentation from the Cabinet Member on key issues.	
7. HEREFORDSHIRE CONNECTS PROGRESS REPORT (TO FOLLOW) To consider a progress report on Herefordshire Connects.	19 - 56
8. THE COUNCIL'S POLICY FOR MANAGEMENT OF THE SMALLHOLDINGS ESTATE (TO FOLLOW) To advise the Strategic Monitoring Committee of the Council's policy for the management of the smallholdings estate.	57 - 58

9. INTEGRATED PERFORMANCE AND FINANCE REPORT

59 - 60

To report performance for the first half of 2007-08 against the Annual Operating Plan 2007-08, national performance indicators used externally to measure the performance of the council, together with performance against revenue and capital budgets and corporate risks, and remedial action to address areas of under-performance.

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

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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.

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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 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.
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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 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

UPDATE ON THE STRATEGIC SERVICE DELIVERY PARTNERSHIP

Report By: Environment Support Manager

Wards Affected

County-wide

Purpose

1. To provide the Strategic Monitoring Committee with a further update on the status of the Herefordshire Strategic Service Delivery Partnership between the Council, Amey Wye Valley Limited and Owen Williams Limited.

Financial Implications

2. Not applicable.

Background

3. At its meeting on 22 October 2007, the Strategic Monitoring Committee received a report on the status of the Strategic Service Delivery Partnership. This report was an annual report that had previously been presented to Cabinet on 11 October. Given an issue, notified in advance, over the availability of key staff to prepare reporting materials, this was the most up to date information on the partnership operations that could be presented at that particular meeting.
4. Following discussion, the Committee requested that a report be submitted to the next meeting (19 November) on the 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. The Committee also requested that representatives of local and national management of Amey plc be invited to attend the next meeting, together with representatives of Owen Williams Ltd.

The transitional arrangements

5. The transitional arrangements relate to the change in ownership whereby Somerford Equipment Limited recently sold its interest in Herefordshire Jarvis Services Limited (HJS) to Amey Infrastructure Services Limited. Somerford Equipment Limited had become the vehicle for Jarvis plc's ownership position in HJS following the sale in

Further information on the subject of this report is available from
Dr Peter Cross, Environment Support Manager, on (01432) 260099

December 2006 of Prismo Road Markings Limited. The transaction included the sale to Amey of all of Somerford's 800 "A" shares of £1 each, the assignment to Amey of the intercompany debt owing from HJS to Somerford on its own account and as agent for other companies owned by Jarvis plc, and the novation from Somerford to Amey of the Management Agreement between Somerford and HJS dated September 1 2003. The consideration was £3.55 million, paid in cash and subject to a working capital adjustment.

6. The transaction was formally completed after close of business on Friday 31 August and the corresponding Stock Exchange announcement was made on the morning of Monday 3 September. Following the transaction it was announced that the new company would be named Amey Wye Valley Limited (AWVL).
7. The principal agreements underpinning the ownership structure and operational arrangements for AWVL were novated substantially unaffected by the change of ownership and so remain in force. These agreements include the Articles of Association, the Management Agreement, the Shareholders Agreement and the Service Delivery Agreement. The services delivered by AWVL therefore continue to include: routine highway maintenance, programmed highways works, grounds maintenance, street cleansing, toilet cleansing, recycling, street lighting, courier, printing, vehicle maintenance, signage, building maintenance, building cleaning and event catering.

Continuity of service delivery

8. The Committee asked for this report to cover the question of continuity of services during the transition. In headline terms there has been full service continuity with no interruption to services of any kind during the ownership transition period.
9. A number of reasons have contributed to this successful transition with no service interruptions. First, the relatively protracted timescale over which the transaction with Amey was negotiated allowed plenty of time for detailed planning to ensure service continuity. Second, there were no changes to the management or operational staff at local level who are key to front line service delivery. Third, the business continued to operate from the same premises and so no service disruption through relocation was involved. Fourth, continuity of ICT systems was preserved during the transition with the planned migration to the Amey ICT infrastructure only taking place after the transfer, and in a phased manner. Fifth, the changeover of vehicles and other plant was planned effectively and following expectations that the transaction would be completed on Friday 31 August, arrangements were put in hand for the replacement of Herefordshire Jarvis Services vehicles and other plant on the preceding day with new equipment bearing the logo and strap line of Amey plc.
10. A further significant factor in the successful transition was the continuity of supply chain arrangements. Whilst the transaction had been subject to the normal commercial confidentiality considerations until its formal announcement, inevitably the supply chain had become aware during the summer of an impending ownership change and this was largely welcomed, in view of the payment problems experienced by many suppliers under the Jarvis stewardship of the business. It can be said therefore that many suppliers were positioned to react favourably to the change and were therefore able to contribute positively to a successful transition without any loss of service.
11. Following the immediate ownership transition, work is in hand to secure the detailed integration of the HJS business into Amey Infrastructure Services Limited including

all necessary changes to policies, procedures, management systems, quality systems etc. An integration plan has been prepared and is being executed under the supervision of a project manager. It will be possible to give an update on progress at the 19 November meeting.

12. In summary the absence of any interruption to service delivery reflects a significant amount of planning effort undertaken by the local management team that operated the former HJS business. Other than visible changes to equipment, where the replacement plant was new, the transition has been essentially seamless. This could by no means have been assured and so reflects extremely positively on the transition planning undertaken by the local management team.
13. A further particularly positive feature of the transition of ownership has been the relatively rapid rate at which creditors to whom monies were overdue under the previous ownership arrangements have been paid, with some £1.75 million of outstanding debt having been cleared during the first five weeks following the changeover. Local small businesses have been prioritised in allocating the disbursements.

Amey plc's assessment of the programme of works

14. Amey plc's assessment of the programme of works for the remainder of 2007/08 is that the highways programme is achievable, even though a significant volume of additional engineering and construction work over and above that contained in the original joined-up programme for 2007/08 is being ordered following the flood damage of July 2007. With the change in ownership to Amey plc, it has been possible to mobilise additional Amey group resources to Herefordshire to accommodate the increased programme. Due to the financial position of the then parent company, this would have been impossible under the previous ownership. Whilst the timetable remains challenging, particularly in respect of work being conducted under the Bellwin scheme of emergency financial assistance, the view is that the necessary resources are in place to meet those commitments and to deliver the programme, and that it therefore is possible. Progress is being actively managed in conjunction with senior client-side management staff.
15. There are similarly no concerns in respect of the programmes of works in the other areas covered by the service delivery agreement. In the majority of cases these programmes consist either of continuing to conduct routine operations in accordance with the specifications set out in the service delivery agreement and its schedules, or of continuing to provide ad-hoc services in response to individual work orders from council client officers.
16. The Council is in detailed discussions with Amey concerning some potential significant adjustments to the service delivery model for highways works, with the intention of identifying and securing cost savings. Progress on this issue will be presented at the Strategic Monitoring Committee meeting on 19 November at which national and local representatives of the management of Amey plc and Owen Williams Limited will be present, as requested by the Committee at their 22 October meeting.

Baseline of service provision standards

17. The Committee also requested a baseline on the standards of service provision against which future performance can be assessed. In this context, the most recent performance indicator information for the partnership is shown at Annex 1. This

illustrates the current performance against the key indicators on quality, time predictability, cost, safety and environment used by the Partnership Project Management Team to monitor performance. The data shown here form part of a time series of routine performance reporting and therefore serve to offer a baseline for the measurement of future improvements.

RECOMMENDATION

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

Background Papers

- None

Annex 1

Ref.	Target Indicator	Description	Area	Lead partner	Frequency	UoM	Perf end of year 2006/07	Target 2007/08 (provisional for new indicators)	Perf Sept 07
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Quality PIs

Q1	BV 69	Satisfaction with cleanliness standards, from user satisfaction survey	All	HC/AWV	Annually	%	66%	-	
Q2	BV 165	Pedestrian crossings with disabled facilities	Highways	All	Monthly	%	92%	100%	92%
Q3	BV 215a	Rectification of street lighting faults	Highways	HC/AWV	Monthly	Days	8.87	5	8.43
Q4	BV 224a	Condition of non-principal classified roads	Highways	HC/AWV	Annually	%	21%	19%	(Annual)
Q5	BV 224b	Condition of unclassified roads	Highways	HC/AWV	Annually	%	24.3%	19%	(Annual)
Q6	JUP amendments - Highways	Number of JUP amendments made in period as % of total number of jobs in highways baseline JUP	Highways	All	Monthly	%		<5%	3%
Q7	JUP amendments - Property	Number of JUP amendments made in period as % of total number of jobs in property baseline JUP	Property	All	Monthly	%		<10%	0%
Q8	Project satisfaction checklist	Customer satisfaction level with random selection of (10) jobs	All	All	Monthly	%		>85%	90%
Q9	Satisfaction with the quality of work of the partnership	Key 1 from previous indicator set	Highways on AWV	HC	Quarterly	No.	7.09	7.50	7.96
			Highways on OW	HC	Quarterly	No.	7.75	8.5	ND
			Property on AWV	HC	Quarterly	No.	6.69	6.5	7.0
			Property on OW	HC	Quarterly	No.	6.25	6.5	ND
			AWV on Highways	AWV	Quarterly	No.	7.59	8.5	8.1
			AWV on Property	AWV	Quarterly	No.	6.68	7	6.8
			AWV on OW	AWV	Quarterly	No.	8.37	8.5	ND
			OW on Highways	OW	Quarterly	No.	7.54	8	5.9
			OW on Property	OW	Quarterly	No.	7.4	7	ND
			OW on AWV	OW	Quarterly	No.	7.9	7	ND
Q10	Value of works in dispute	Deduction on monthly payment certificate for HC payment to AWV	All	HC/AWV	Monthly	£M	£0.24M	<£0.25M	£0.485M

Time Predictability PIs

T1	JUP Time Predictability Indicator - Highways	% of programmed highways jobs in JUP delivered on time compared with programmed delivery dates	Highways	All	Monthly	%		>90%	26%
T2	JUP Time Predictability Indicator - Property	% of programmed property jobs in JUP delivered on time compared with programmed delivery dates	Property	All	Monthly	%		>90%	ND
T3	Category 1 defects	% of category 1 defects made safe or repaired within the agreed response time	Highways	AWV/HC	Monthly	%		100%	7.89% (note: performance reflects incorrect inputs and closures - training is being provided)
T4	Emergency response	% of out of hours responses within agreed timescale	Highways	AWV/HC	Monthly	%		100%	ND Data collection system still in development

Further information on the subject of this report is available from
Dr Peter Cross, Environment Support Manager, on (01432) 260099

Ref.	Target Indicator	Description	Area	Lead partner	Frequency	UoM	Perf end of year 2006.07	Target 2007.08 (provisional for new indicators)	Perf Sept 07
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Cost PIs

C1	JUP Cost Predictability Indicator - Highways	% of programmed highways jobs in JUP delivered on budget	Highways	HC/AWV	Monthly	%		90%	1%
C2	JUP Cost Predictability Indicator - Property	% of programmed property jobs in JUP delivered on budget	Property	HC/AWV	Monthly	%		90%	ND
C3	Profitability	% of monthly profit target	All	AWV	Monthly	%		100.0%	12% (Note: shortfall due to one-off mobilisation costs)
C4	Profitability	Staff Utilisation Factor	All	OW	Monthly	%		81.7%	72.61%

Safety PIs

S1	Accident Frequency Rate - AWV	AFR rolling year RIDDOR reportable accidents per 100,000 hours worked	All	AWV	Monthly	No.		<0.25	0.79
S2	Accident Incident Rate - OW	Accident incidence rate as reportable personal injuries per 100 people employed	All	OW	Monthly	%		<1%	0%
S3	Accident Frequency Rate - HC	AFR rolling year RIDDOR reportable accidents per 100,000 hours worked	All	HC	Monthly	No.		0	0
S4	Lost days rate - AWV	Total days lost through accident/incident as % of total days available	All	AWV	Monthly	%		0%	0%
S5	Lost days rate - OW	Total days lost through accident/sickness as % of total days	All	OW	Monthly	%		<5.5%	0.1%
S6	Lost days rate - HC	Total days lost through accident/incident as % of total days available	All	HC	Monthly	%		0%	0%
S7	Winter services	No of personal injury collisions on routes identified for gritting with road surface conditions of snow/ice	Highways	AWV/HC	Annually	No.		0	(Annual)
S8	BV 99 a i	Number of casualties All KSI	Highways	All	Monthly	No.	119	134	84
	BV 99 b i	Number of casualties Children KSI	Highways	All	Monthly	No.	10	15	10
	BV 99 c i	Number of casualties All Slight Injuries	Highways	All	Monthly	No.	663	788	464

Environmental PIs

E1	BV 199a	Local street and environmental cleanliness - litter and detritus	All	HC/AWV	Quarterly	%	17%	15%	16%
E2	BV 199 b	Local street and environmental cleanliness - graffiti	All	HC/AWV	Quarterly	%	2%	2%	1%
E3	BV 199 c	Local street and environmental cleanliness - flyposting	All	HC/AWV	Quarterly	%	1%	1%	0%
E4	BV 199d	Local street and environmental cleanliness - flytipping	All	HC/AWV	Quarterly	%	1%	1%	3%
E5	Sustainable wood	Percentage of wood used from legal and sustainable sources	All	HC/AWV	Monthly	%		85%	66%
E6	Recycled aggregate	Amount of recyclable aggregate as % of total aggregate used	Highways	HC/AWV	Annually	%		30%	(Annual)
E7	Transport fossil fuel	Reduce by 5%p. a. volume of transport fossil fuels as proportion of AWV annual turnover	All	AWV	Quarterly	litres / £million turnover		11,300	17,579 (estimate)

HEREFORDSHIRE CONNECTS PROGRESS REPORT**Report By: Director of Corporate and Customer Services****Wards Affected**

County-wide

Purpose

1. To consider progress on the Herefordshire Connects Programme.

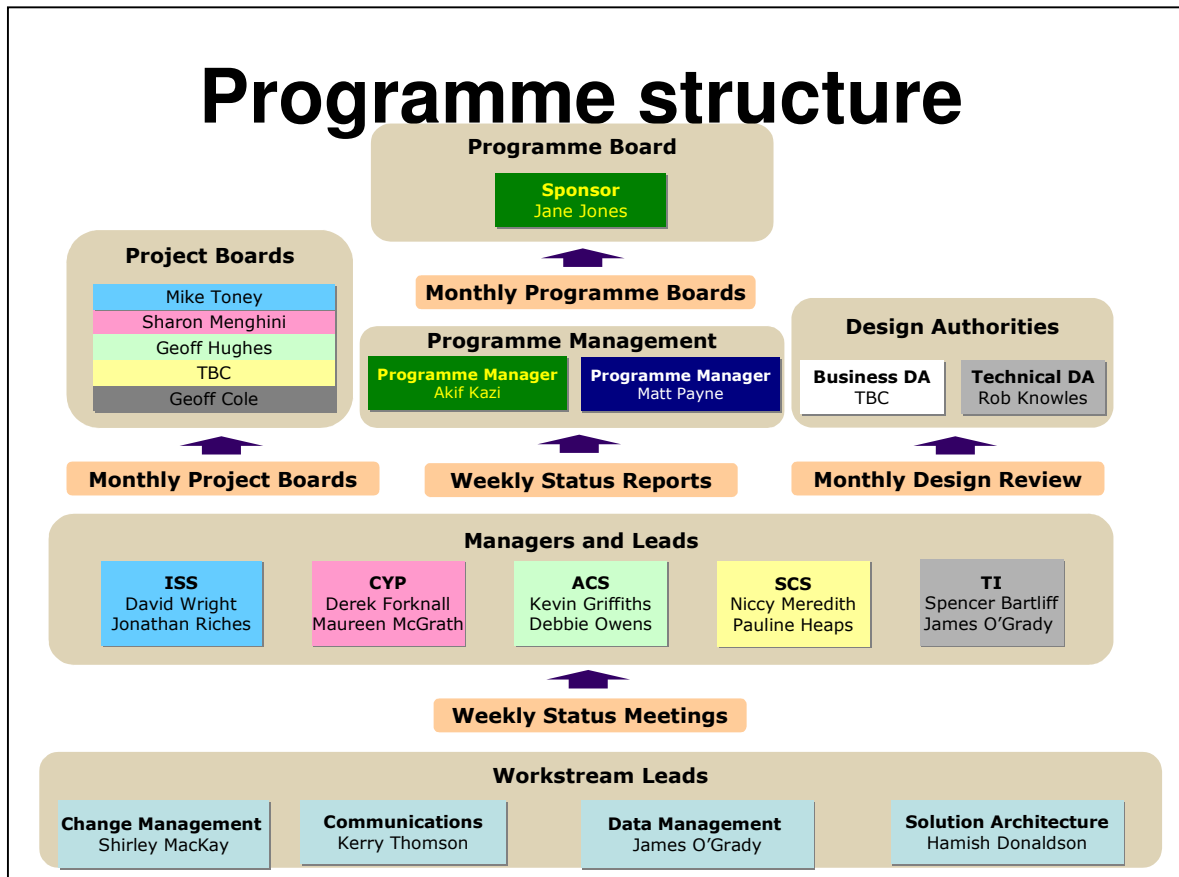
Financial Implications

2. These were set out in the Cabinet report of 12th April 2007, were revised through the challenge process described in Appendix 2, and will have to be revisited as part of the refresh of the medium term financial strategy and the requirement to consider cost reductions in the programme.

Background

3. Further to the Cabinet paper of 12 April 2007, which confirmed the decision to select Deloitte as the preferred supplier, this report provides an update to Strategic Monitoring Committee on progress on the programme. The cabinet report detailed the procurement process and is attached as Appendix 1.
4. Following the discussion at Cabinet, Deloitte commenced on site with effect from 23rd April 2007. This was the start of phase three of the programme and was called programme definition. It consisted of a number of work streams:-
5. Benefits Review. The original business case for Herefordshire Connects was based on a number of cost savings being driven out by the council. These were high level, based on the work with Axon and were some months old.
6. In order to ensure that the Council could deliver these savings, each benefit line was challenged to refine the figures to ensure that the sums were robust and 'bankable'. Over four weeks, the Herefordshire Connects Core Team and Deloitte ran a number of workshops to challenge the assumptions in the business case. This work was then presented to the Head of Financial Services and the Strategic Procurement and Efficiency Review Manager.
7. Capita plc provided external challenge and verified that the cashable savings illustrated were realistic. This work is reflected in Appendix 2.
8. Site Visits. Five site visits involving 40 staff were undertaken. Three of the visits were to assess the proposed technology (SAP) with an emphasis on the way in which Social Care and Performance Management were dealt with. Two visits focussed on Deloitte as a partner and the way in which shared services operates. Members of the Corporate Management Board (CMB) also visited the Surrey shared service centre on 12th July.

9. Governance The following model for managerial Programme Governance was adopted.



- A single programme board made up of CMB and attendance from other officers as required oversees a number of project and programme boards – Children’s, Adults, Integrated Support Services, Performance Management and Customer Services. These are supported by the Programme Management Office.
- Organisational design and technical design groups incorporating the Information Policy Group (IPG) and Security Forum. Clearly there is also a vital link to the Accommodation Strategy group as it moves forward. Of particular significance is the benefits and commercials group. This has responsibility for ensuring that benefits are realised. Every proposed efficiency is captured through a benefit card to ensure that it can be tracked and returned to the corporate pot for reallocation in line with Council priorities.
- A Herefordshire Council/Deloitte partnership board will also continue to meet quarterly. Union representation is invited to part of these partnership board meetings and the Audit Commission will review the agenda to determine whether it wishes to be present.

10. Technology Review. During the summer months a Technology Review was undertaken. The purpose was to determine whether the Council's existing financial management system (Cedar), with upgrades, could offer the same functionality as SAP. The report also compared overall cost for implementation and support. Once the technology review was completed it was reported to Cabinet on 11th October. Cabinet approved the recommendation that SAP be confirmed subject to affordability within the medium term financial strategy – Appendix 3.
11. Social Care Package. Implementation of a new Social Care package as a replacement for Clix and other social care systems is particularly important for the Council in terms of delivering against the timetable agreed with DCSF, GOWM and other government bodies. Cabinet will be asked to consider the preferred solution at its meeting on 29th November. Whilst Deloitte had originally proposed using the SAP Social Care package, concerns about affordability and the extent to which it was appropriate to Herefordshire's needs resulted in a further review of the system.
12. Existing Technologies. It is easy to overlook the fact that Herefordshire Connects was also addressing the underinvestment in the multitude of existing software systems, both large and small. There were no budgeted costs for replacement and in most cases very fragile arrangements for future maintenance. The programme provided a means of addressing these issues and if the programme were not to be pursued then some investment in those programmes would be required. Any exceptions that have been agreed since January 2006 have had to demonstrate how 'whole life' costs will be met. There will also be a need to reflect service continuity issues.
13. Work Packages: eight work packages (programmes of work) have been drafted. They are
 - Programme and Change Management
 - Integrated Support Services
 - Children's Services
 - Adult and Community
 - Corporate Performance Management\Technology
 - Hardware
 - Cost reduction
14. Each work package was agreed with a member of CMB and key Heads of Service via a number of focussed workshops. These programmes of work are scheduled for phase four of Herefordshire Connects which will focus on implementing them. However given the difficult financial position the Council faces the Cabinet Members for Resources, Corporate and Customer Services and Human Resources and The Leader agreed to the recommendation of the Chief Executive to a strategic pause in the programme so it could be properly addressed as part of the refresh of the medium term financial strategy and in the context of CSR2007. Practically this has meant that Deloitte have withdrawn most of the staff with consequent cost savings. This pause will however have an effect on the period over which the benefits will be realised and once Cabinet is able to determine a re-start as part of the medium term financial strategy work will have to be undertaken to re-profile the programme. There is also potential to lose

some of the team who have worked with the Council up to this point.

15. Integrated Support Services (ISS). This work package would deliver support to Herefordshire Council's back office operations across Finance, Procurement, HR and Payroll. In essence there would be a single primary source for all data which would enable:
 - Single keying of common data.
 - Standardised and streamlined administration processes.
 - Reduced manual effort.
 - Minimised potential for human error.
 - Reduced number of interfaces required to other line of business and legacy systems.
 - Reporting on a single version of the truth.
16. The council can build on the experience of other councils e.g. Surrey, who have already re-designed support service processes and are driving out cashable benefits. This is consistent with the national and regional transformational agenda. The council recently hosted a visit from Dorset County Council so that it could learn from our experiences as they embark on a similar programme with Deloitte as partners. This provided a useful exchange of experience.
17. Cost reduction and 'Quick wins'. There was a healthy response to a new email address, which was launched to identify cost savings across the authority. In particular seven areas have been considered and are being implemented as a cost saving measure. They include using West Mercia Supplies (WMS) for all utility support, travel billing etc. Further work to reduce costs by at least £500,000 have been undertaken to assist with the Council's budget planning.
18. Contract. The Office of Government Commerce CATALIST (OGC) framework was selected to provide an appropriate procurement route and Eversheds have provided necessary expert legal advice on contractual arrangements. The master contract is complete and will provide the overarching framework for the individual work packages.
19. Location and Communication. The Herefordshire Connects team and Deloitte moved to Plough Lane in June. This helped to raised the profile of the programme and the Core Team was strengthened by the addition of a fifth business transformation officer seconded from within the Council. Emphasis has been placed on communicating to staff at all levels about Herefordshire Connects and a member of the Communications Team works along side the Core Team for part of each week.
20. A seminar on Herefordshire Connects was included in the new Members' induction programme and further sessions are being planned as part of the ongoing familiarisation programme.
21. Audit Commission. The Audit Commission has undertaken two pieces of work at different stages of the programme. The first focussed on procurement, and the second on performance and governance. On each occasion an action plan has been agreed and implemented. The next piece of work is currently under discussion.

RECOMMENDATION

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

BACKGROUND PAPERS

- Cabinet Paper 12th April 2007 (attached at Appendix 1)
- Cabinet Paper 11th October 2007 (attached at Appendix 3)

HEREFORDSHIRE CONNECTS PROGRAMME UPDATE

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY & FINANCE

CABINET

DATE: 12 APRIL 2007

Wards Affected

County-wide

Purpose

To advise Cabinet of the results from the evaluation process for the three short-listed suppliers for the Herefordshire Connects Programme. This is the second round of the process and the object is to select a preferred supplier.

Key Decision

This is a not a Key Decision.

Recommendation(s)

- THAT (a) Cabinet endorse the recommendation of Corporate Management Board that Deloitte be confirmed as the preferred supplier, with SERCO as reserve;**
- (b) Cabinet agrees that the Director of Corporate and Customer Services conducts negotiations with the preferred supplier, supported by the Director of Resources and the Head of Legal and Democratic Services, bringing back a further report to Cabinet on the outcome of those negotiations; and**
- (c) Cabinet notes the recommendations made by the Audit Commission in its report 'Herefordshire Connects', and agrees the actions proposed in response.**

Reasons

To note progress with the procurement phase of the Herefordshire Connects programme and endorse the recommendation of a preferred supplier.

Considerations

Background

1. On 12th September 2005 Corporate Management Board, following a presentation from the Head of Information, Technology and Customer Services, concluded that further development work on ICT programmes should cease, to allow for a proper assessment of the council's requirements into the future.
2. It was recognised that the existing ICT environment within the council was impeding the delivery of service improvement programmes. This, together with the financial

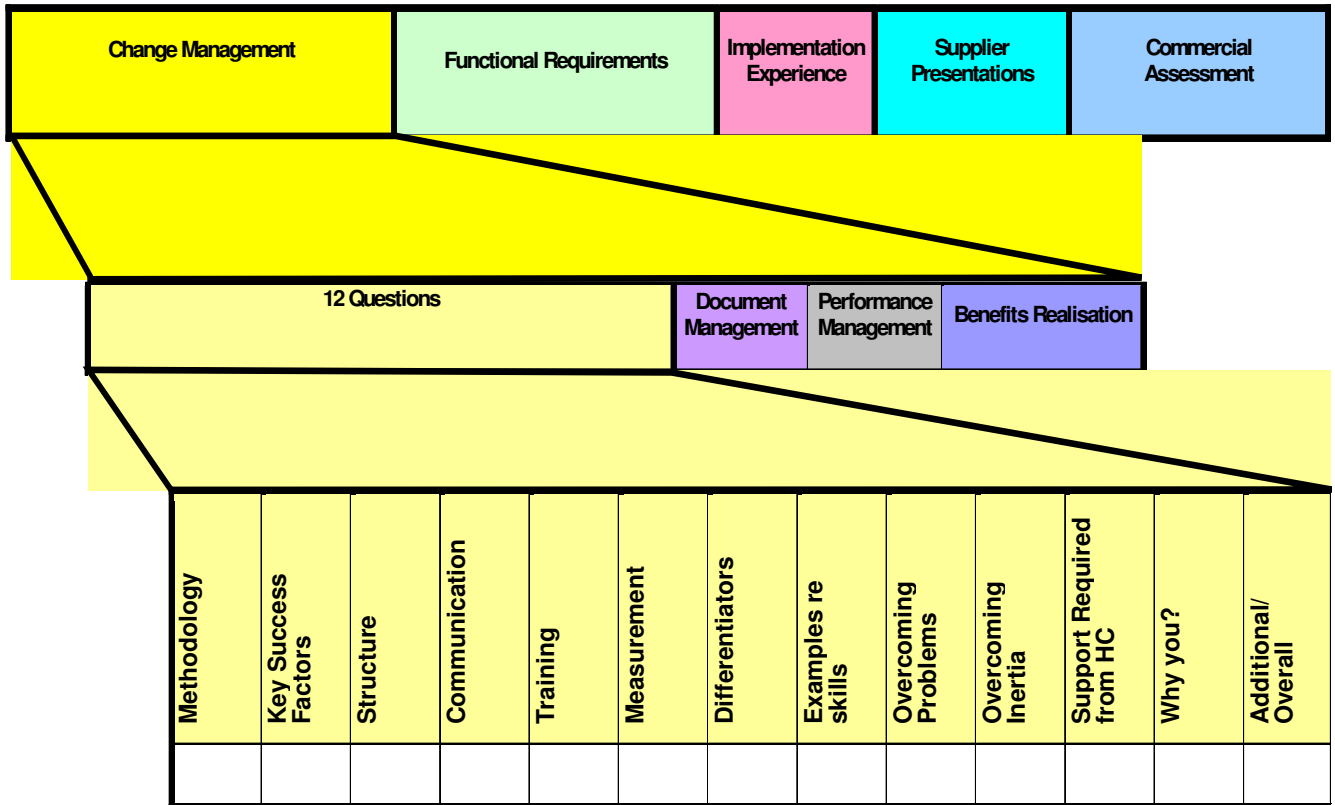
context within which the council was operating, suggested that strategic business and service transformation was necessary to deliver ongoing service improvements into the future. The strategic transformation programme would be supported rather than driven by an underpinning corporate ICT strategy. A mini-tendering process was therefore started in early 2006 and Axon Group plc were selected from five organisations to complete phase 1 of the programme. This was to assess the likely benefits to be achieved by a business transformation programme and explore potential options for delivery of the programme. This was completed in May 2006.

3. In addition, the Herefordshire Connects Core Team was created through secondments from Directorates. This represented an excellent career development opportunity for staff and, in bringing together experience from each part of the Council into one area, obtained commitment from each Directorate to a review of the Council's current business processes. The Core Team was heavily involved in drawing up the Service Improvement Plans and worked on recording the Council's current business processes in readiness for the development of integrated streamlined future processes.
4. Members of the Core Team, together with relevant key service managers, carried out a series of site visits to other authorities where transformation programmes were underway to learn from successful implementation and, as importantly, from less-successful implementation. Areas visited included: Buckinghamshire, Derbyshire, Trafford, Vale of Glamorgan and Waltham Forest.
5. Three Service Improvement Plan (SIP) workshops were held with each directorate, including a cross section of staff working with Axon and the Core Team. Workshop sessions for elected members were also held during the summer, and a summary of feedback is attached at Appendix 1. Member feedback was broadly similar to that of officers. The completed Service Improvements Plans, including indicative benefits, were drawn up and then signed off by directors.
6. These six Service Improvement Plans had a number of recurrent themes across the directorates and these themes were therefore pulled together into three work-streams:
 - Integrated Customer Services
 - Integrated Support Services
 - Performance Management
7. A business case was then drawn up for each work-stream, containing the detail regarding:
 - Scope
 - Benefits
 - Costs
8. The business cases were validated by working closely with each directorate to ensure accuracy and by looking at similar work done with other authorities to check any assumptions made were realistic.
9. Simultaneously a telephone poll of Herefordshire Citizens was carried out to gather opinions on the provision of services, as well as a video of random on-street interviews with Herefordshire Citizens and Herefordshire Council employees.
10. The work carried out by Axon endorsed the view already formed, that the transformation programme would have technology as an enabler, supporting change across the organisation. However, the cultural change would only truly be achieved through effective change management. The overall change programme, following a competition within the authority, was badged 'Herefordshire Connects'.

Procurement

11. Phase 2 of the programme comprised the identification of a strategic partner who would, building on the outputs from phase 1, implement the transformation programme.
12. Options available for procurement included the use of the Official Journal of the European Union (OJEU), or the CATALIST framework operated by the Office of Government Commerce (OGC). The OJEU route is more lengthy and it has also been subject to certain legal challenges, which have led to the process being avoided by some public sector procurement projects because time-scales become extended.
13. Under guidance from the OGC, the Council decided to use the OGC CATALIST procurement framework. This is the UK Government's procurement forum. It allows for a more streamlined procurement with shorter time-scales and has the benefit of a pre-agreed contractual agreement being made available to both the Council and the preferred supplier. In addition, the OGC provides support to the Council on an on-going basis and will support the Council in the event of any legal challenge.
14. Once again under guidance from the OGC, the Enterprise Resource Planning category within CATALIST was considered by the OGC to be the most appropriate for the requirements of Herefordshire Connects Programme. There were fifteen suppliers listed within this category. They included leading names such as BT, EDS, HP and IBM through to consultancies such as Deloitte, CAP Gemini, Serco and LogicaCMG.
15. Working within the CATALIST process, the selection for the preferred supplier was conducted in two rounds. Guidance was sought from OGC throughout the process; so as to ensure that the Programme adhered to protocols. The OGC has subsequently advised that they would be very keen to use the Herefordshire Connects procurement as an exemplar case study for CATALIST.
16. The Council invited each of the fifteen listed suppliers to a supplier day held on 27th September 2006. The Leader of the Council opened the supplier day with the Chief Executive, The Members' Reference Group and Group Leaders were also invited. This day was used as an opportunity to present background information on the programme and provide information about the council. Presentations were made by all of the Directors as well as a number of senior managers from across the authority.
17. In line with OGC guidance communications with the suppliers was controlled via a dedicated telephone hotline and email address and any answers to questions from one supplier were supplied to each of the rest. All communication with suppliers throughout both rounds was logged and recorded.
18. The Council undertook a desk top evaluation of the two options and concluded that the OJEU route whilst potentially offering greater freedom carried more significant risk in terms of both challenge and lengthy time frames.
19. Round 1 of the OGC CATALIST process comprised sending an Invitation to Quote (ITQ), together with a copy of the presentations from the supplier open day, to the twelve suppliers who attended the supplier open day. Of the twelve suppliers, nine responded to the ITQ; this was seen as a 'very healthy' response by the OGC. The suppliers, in their responses, presented background to their companies, their customers and the other suppliers with whom they operated as partners. They provided the detail of their experience in the areas of interest to the Connects programme.

20. Each response was then scored by the Connects Team augmented with an appropriate specialist from ICT, assessing the submissions against six key areas, namely:
- evidence of the supplier's implementation experience, including approach, procedures and methodology;
 - the ability and capacity of suppliers to deliver a large-scale transformation programme;
 - their understanding of Herefordshire's needs;
 - their proposed methodology for implementing and managing successful change programmes including innovative communications techniques, training and management structures; and
 - their experience in identifying and managing benefits arising from such programmes.
21. The Herefordshire Connects observer panel invigilated both the pre-scoring meetings and the scoring day itself. The observer panel comprised the Head of Legal and Democratic Services, the Head of Financial Services (as representative to the Section 151 officer), the Principal Audit Manager and the Herefordshire Connects Programme Manager. The results of this round were presented to the Herefordshire Connects Programme Board, and all suppliers meeting a minimum score were approved to progress to the next round. The four suppliers approved were: Deloitte, Hedra, LogicaCMG and SERCO. These suppliers were issued the Invitation to Tender (ITT). Hedra subsequently advised the Council that they wished to withdraw from process.
22. Over 150 staff contributed, reviewed and helped to compile the ITT. The Herefordshire Connects Programme Board agreed the areas of the ITT to be scored and their respective weightings. The importance of ensuring that the ITT accurately reflected the needs of the organisation was reflected in the fact that the issue of the ITT was postponed for three weeks in order to ensure that the document was reviewed by as many staff as possible and was as comprehensive as possible. The ITT was issued, with a comprehensive set of supporting documents, on 11th December 2006. Following issue of the ITT, but before receipt of responses, the assessment framework was refined and agreed. The responses to the ITT were received on 15th January. In total the Council received some 2500 pages.
23. Each area of the ITT that was scored is shown below:



24. The ITT responses were reviewed and scored by over fifty staff from across the Authority. In addition six officers shared the responsibility to invigilate all scoring and workshop sessions. Panel members from the Herefordshire Connects observer group were present at all meetings, workshops and scoring days. Each supplier was invited to present and meet with staff for a day. The timetable for this phase of the procurement process is attached at Appendix 2.

25. Over 100,000 scores and comments were received from the scorers. Scorers initialled each page of each scorecard and the scorecard was then signed by each scorer and counter-signed by a member of the Herefordshire Connects observer team. Two separate teams collated the scores to ensure correctness (200,000 scores entered between two teams to confirm overall scores). Comments were processed so as to gauge 'common themes' and also allow for scorers to explain the scores that they awarded.

26. Each of the suppliers was given four real world 'work-place scenarios'. These represented a cross-section of areas of challenge to the organisation at present. It was essential to ensure that any technological solution could not only meet the requirements in each of these areas but also that this solution could be demonstrated to a scoring panel. It was key that this was done from an integrated 'Single system' perspective. Scenarios included:

- a complex family situation designed to test the communications, automatic referrals, asset management, finance & planning capabilities of the technology;

- an asset management situation demonstrate how the system would handle a workload typical of that of a highways inspector and a member of property services;
 - a 'family moves' scenario testing the potential to remove barriers between council departments and partners to serve the citizen more effectively; and
 - an employee scenario testing integration of HR and payroll functions.
27. To ensure that each supplier could provide proposed programme costs and forecasted programme savings that could be compared, as far as possible, on a like-for-like basis a further commercial assessment was carried out using a standard commercial assessment template completed by each supplier. The approach to and assessment of commercial information was then independently ratified by CAPITA plc. The review undertaken by CAPITA did not alter the rankings of the three suppliers.
28. CMB met all three Suppliers on 15th March 2007. This was to allow CMB to cover some of the aspects of the proposals that needed clarification as well as ask a number of questions. In particular there were discussions on Change Management, clarification of aspects of the commercial proposals, Governance and all three suppliers were updated on the PST.
29. The results of both the ITT assessments and the commercials assessments were then combined to achieve an overall ranking of:
- 1st Deloitte
 - 2nd SERCO
 - 3rd Logica
30. At its meeting on 26th March, CMB considered the results of the assessments, and recommend to Cabinet that Deloitte be endorsed as preferred supplier with SERCO in reserve position. It is important to note that, once approved as preferred supplier a further period of clarification, challenge and negotiation will take place. At this stage, areas for clarification include a detailed assessment of the viability of achieving the benefits realisation figures, a review of options available to the Council's in terms of its resource requirements and the choice of the technology solution. It is planned to use CAPITA plc to help with this. Expert legal and financial advice will also be brought in as required, and a series of site visits will take place prior to signature of any contract. The Audit Commission has also indicated their intention to support the council in its management of the procurement process by carrying out further work during this period focussing on risk, performance management of the contract, and governance arrangements
31. The Office of Government Commerce will be invited to complete an independent review of the procurement approach used for the Programme.

Audit Commission Report

32. At the end of 2006 the Audit Commission conducted a short risk assessment of the programme at that point. The resulting report recognised that the programme had a number of strengths, notably:
- the procurement approach is following an established methodology (the OGC framework contract approach);
 - the authority is using the recognised public sector project management standard (PRINCE2);
 - the procurement is well documented;

- the council has done a lot of initial work in many areas (e.g. visiting other authorities, running staff workshops, and developing service improvement plans with a consultancy firm);
 - the council have informed us that leading members from all parties are publicly committed to supporting the project.
33. The report also identified a number of issues and made recommendations in respect of each. These recommendations are listed at Appendix 3 together with the proposed action in response to each. Cabinet are asked to note the findings of the report and agree the proposed action in response to the recommendations.

Financial Implications

34. It is important that the Council understand the financial context of the Programme. A Financial Summary is listed below which explains overall costs to the Council. It also places the cost envelope in the context of the Medium-Term Financial Strategy (MTFS) 2007 – 2010.

Background

Paragraphs 1 – 10 inclusive of this report outline the first phase of developing the Herefordshire Connects transformation programme. This culminated in a report to Cabinet on 20th April 2006 that included an outline business case for the programme that Axon Group plc helped to develop.

- 1.1 An initial forecast of the likely levels of investment needed and potential return accompanied last April's Cabinet decision to proceed to the next stage of the programme. The assumptions and risks relating to the initial financial model for the Herefordshire Connects programme were also outlined in that report.
- 1.2 The indicative figures on investment requirement and cashable benefits identified last April were built into the draft Medium-Term Financial Management Strategy (MTFMS) 2007 – 2010 prepared in July 2006. Those figures remained the same through to final approval of the MTFMS by Council on 9th March 2007 in the absence of any further information to update them. The final version of the MTFMS allowed for twelve month's slippage in realising cashable benefits given the emerging timetable for the programme.
- 1.3 The MTFMS therefore sets the financial parameters within which the programme has to be delivered. The following table sets out the assumptions within the MTFMS 2007 – 2010 that relate to the Herefordshire Connects transformation programme:

Financial Resource Model assumptions for Herefordshire Connects	2007/08 (£000)	2008/09 (£000)	2009/10 (£000)	2010/11 (£000)	Total (£000)
Investment requirement	1,960	5,940	5,290	4,930	18,120
Cashable benefits	(5,800)	(10,600)	(11,400)	(11,750)	(39,550)
Cover for slippage in delivering cashable benefits target	5,800	0	0	0	0
Net annual cash deficit / (surplus) for re-investment in corporate priorities	1,960	(4,660)	(6,110)	(6,820)	(15,630)

- 1.4 In addition to the above resources, there is an estimated £428k in an earmarked reserve for 'Invest to Save' projects that could be applied to the transformation programme. Delivery of the programme within the financial parameters included in the MTFMS is essential if the approved investment programme in social care services is to be sustained. The alternative is likely to entail unpalatable cuts in frontline service provision given the bleak financial outlook for local government expected as a result of the Comprehensive Spending Review 2007 (CSR07) now expected to conclude in the autumn.

Commercial Assessment

- 1.5 The commercial assessment of the 3 proposals accounted for 20% of the overall assessment framework outlined in the diagram in paragraph 23 of this report. Each supplier was asked to submit a template designed to capture the financial information needed to make the commercial assessment in a consistent format. The assessment checked for completeness of the information supplied and also looked at each supplier's proposals in terms of:

- investment requirement;
- benefits realisation; and
- quick wins.

- 1.6 The approach to the commercial assessment and the result of the exercise has been independently verified by CAPITA Advisory Services. This company has considerable experience of both assessing and delivering similar transformation programmes in other organisations including local government. It was important to ensure the assessment was sound to guarantee the integrity of the procurement process and to provide reassurance on what represents a major financial investment for the Council.

- 1.7 A summary of CAPITA's findings having reviewed the Council's commercial assessment process is as follows:

- the scoring mechanism devised prior to the assessment being carried out was appropriate and accurately applied;
- the ranking of the suppliers as a result of the commercial assessment was not changed by using discounted cash flow techniques or by substantial flexing of the variables included in their models (sensitivity analysis);
- each supplier had included the main cost elements in their proposals;
- there was a degree of optimism in the suppliers' early year benefits and growth in the benefits over time was ambitious;
- there was a lack of detail in the suppliers' proposals that would need to be explored in the next stage of the procurement process and through due diligence; and
- the Council's resource assumptions appeared reasonable (see paragraph 1.10 below).

- 1.8 The commercial assessment was the fifth element of the overall assessment process and confirmed the ranking of the three suppliers' proposals after the first four elements of the assessment had been scored. The ranking taking into account all five elements of the assessment process is set out in paragraph 29 of this report.

Council's resource assumptions

- 1.9 Last April's report to Cabinet on the Herefordshire Connects transformation programme indicated that there were a range of internal costs of the Herefordshire Connects transformation programme that were not included in the financial model set out earlier in this section of the report. The potential costs to the Council of the programme, over and above those that would be paid to the eventual supplier, have become clearer as the procurement process has unfolded.

- 1.10 The following table highlights the potential internal costs of the programme. CAPITA has confirmed that they believe the Council has identified the key internal cost

headings based on their experience elsewhere. The figures included are best estimates only at this stage and will be firmed up during the course of negotiations with the preferred supplier.

Indicative internal costs of the Herefordshire Connects transformation programme	2007/08	2008/09	2009/10	2010/11	Total
	(£000)	(£000)	(£000)	(£000)	(£000)
Backfilling for staff seconded to the programme	700	620	120	0	1,440
Change Manager & Core Team	260	260	260	0	780
Withdrawal from legacy systems	0	100	75	50	225
Accommodation	150	150	150	0	450
ICT infrastructure costs	250	250	250	250	1,000
Contract negotiations	75	0	0	0	75
Total	1,435	1,380	855	300	3,970

- 1.11 It has to be stressed that, as with the financial model for the preferred supplier recommended by the Corporate Management Board (CMB), the figures outlined in the table above are very indicative. Some of the potential internal costs outlined above, such as ICT infrastructure costs and the cost of an ICT desktop equipment refresh programme (not included above), will need to be included in future budgets even if the transformation project was not in prospect.

Next steps

- 1.12 The preferred supplier's financial model and the internal costs identified above exceed the financial envelope for the transformation programme included in the MTFMS approved by Council last month. This position has been discussed with CAPITA Advisory Services who advise that having a gap at this stage is not to be unexpected. Their opinion is that robust negotiation with the supplier and further exploration of the internal costs, particularly in terms of links across to existing base budgets for ICT services, should resolve the situation. They also noted that the financial model currently only covers years 1 – 4 of the programme. Extending the model would see costs reduce year on year with savings continuing to grow albeit at a slower pace.
- 1.13 Effective contract negotiation and examination of internal costs is therefore key to the success of the next stage of the procurement process. The preferred supplier will need to be challenged with a view to:
- reducing the investment requirement;
 - maximising the overall quantum of benefits; and
 - firming up on the phasing of both costs and benefits.
- 1.14 External financial, legal and possibly ICT support will be needed for the contract negotiations to ensure that the Council can derive maximum value from the modernisation programme. An indicative figure of £75k has been included in the financial model for this purpose. The negotiations will be complex, particularly in respect of risk sharing and maintaining flexibility to adapt to changes in the environment within which local government operates.
- 1.15 The contract negotiation and due diligence period will be used to explore these issues, along with links across to existing base budgets. The result will be an updated financial model for the transformation programme and a re-assessment of how that fits within the MTFMS. The contract negotiation period will coincide with the closing process for the 2006/07 financial year and the next MTFMS refresh enabling all three strands to be brought together as a further report is prepared for Cabinet in June / July prior to final commitment to the programme.

Risk management

- 1.16 There are significant financial and other risks associated with the Herefordshire Connects transformation programme. These will be managed using the Council's risk

management strategy in order to maximise the opportunities taking costs out for reinvestment in service improvement across the board but particularly for social care services.

- 1.17 Other councils have embarked on transformation programmes like Herefordshire Connects. There are therefore exemplars we can learn lessons from – both those who have managed such a programme well and those that have perhaps done less well. The experience of others to date is that the hardest bit is making sure that the benefits are realised. The Council has already developed a process for identifying benefits, assigning responsibility for their delivery and tracking progress. This will need to be thoroughly embedded to support the Herefordshire Connects programme.
- 1.18 A further point to consider is that ‘quick wins’ that could be considered part of Herefordshire Connects are already being planned and counted towards budget balancing exercises for some services for the 2007/08 financial year. This is only small scale at the moment as far as the Resources Directorate is aware, but could start to erode the benefits included in the financial model for the transformation programme if the contract negotiation process is protracted.

Risk Management

Key Risk	Mitigation
Funding of programme will require early delivery of savings	Carry out Cost Reduction exercise during Initial Phase of programme to identify early wins for cost savings Council has budget pressures, which make this imperative.
Decision not made to approve Preferred Supplier or the Decision takes too long – leading to both loss of up to £11m pa in future savings and Suppliers withdrawing their interest given that almost 40 Authorities are involved in Transformation Programmes at present.	Ensure governing bodies are kept up-to-date and fully briefed on progress. Suppliers are notified of progress wherever possible. Cabinet endorse the preferred supplier as early as possible.
Disruption to day to day business	Take account of operational peaks when planning. Ensure Council is kept informed of potential impact and provide strategies to cater. Minimise impact of disruption by providing detailed plans and communicate these to key areas of the Council. New processes will result in new ways of working, which in turn will result in the need to acquire new skills. Identify the impact on the people, and ensuring that this is in the communications strategy. Keep staff fully informed. Provide clarity about the process for designing the new solution, defining new roles and responsibilities in the new organization. Ensure that there are Herefordshire team members who will be responsible for disseminating information and also acting in a liaison role
Council partners not committed to integrating with Council.	Create comprehensive communications and change plan for other public bodies in Herefordshire such as PCT, Police and voluntary sector. Engage with these partners early in programme, and make them a key stakeholder.
Different majority party has power after May election	Include group leaders in communications for programme

Lack of Management Buy-in	Effective change planning and managing the change curve, excellent communication to support buy-in through understanding the benefits to be delivered by service users

Alternative Options

Alternative options include: total outsourcing, shared service provision, and doing nothing.

Outsourcing has been undertaken by a number of authorities, but evidence suggests that it is not always easy to realise cost benefits e.g., Walsall Council who recently pulled out of a £500m outsourcing deal. This option also carries additional significant risk with regard to staff transfer to the new provider.

The shared services option has not been discounted, although it is recognised that in the immediate geographical vicinity there is little current interest in such an option and potential partners would need to be identified from further a field. It is worth noting the recent announcement made by Southampton City Council last which has given approval to select Capita as their preferred Supplier. Negotiations will now take place with Capita to become the Council's Strategic Service Partner (SSP). This Programme will provide improved services to its customers while reducing costs. The partnership at Southampton will deliver a range of Council services, including Customer Services, IT, Property Services, HR, Payroll, Revenues and Benefits, and Procurement. This will include the development of a brand new contact centre and an improved `one stop shop`, which together will become the first point of contact for all Council services. Southampton has a population of 222,000 (based on 2005 mid-year estimates) and a budget for 2007-08 of £168.9m.

The option to do nothing would result in the council's financial strategy being at significant risk within two years. In the absence of additional income or efficiency savings, this could only result in significant cuts to services.

Consultees

Office of Government Commerce

Audit Commission

CAPITA

Appendices

Appendix 1 Member Seminar Feedback

Appendix 2 Procurement Phase 2 Timetable

Appendix 3 Audit Commission Recommendations and Proposed Response

Background Papers

Presentation to CMB 22 Feb 2007-03-19 with supporting pack

Report from CAPITA on Commercial Assessment

Audit Commission Report 'Herefordshire Connects'

HEREFORDSHIRE CONNECTS MEMBER SEMINARS FLIPCHART SUMMARY

Members were asked to say how they would want Herefordshire Council to look, following a successful business transformation programme, from the point of view of each of the following:

- Elected members
- Employees
- Citizens/customers
- Partners/suppliers

Whilst a range of views were expressed, some key themes recurred in each section, and these are summarised below.

ELECTED MEMBERS

- Reputation – members proud to be part of a successful council that is valued by the public
- Elected members to be professional and well supported – to include a requirement for all members to be computer literate; effective IT support; effective training and induction programmes; member involvement in member development decisions; member websites; appropriate remuneration for members.
- Decision-making – members to have a greater input into decision-making; more effective scrutiny function; higher profile ward member role including devolved budgets; remove cabinet system.
- Efficiency – clearer, simpler reports; improved access to information; improved response times; no longer having to make multiple calls to resolve a problem/query; on-line systems to support work.
- Responsibility – members and officers accepting responsibility/accountability
- Communication – improved, effective communication internally; improved understanding of the public about the services of the council and the role of the ward member; greater communication with ward members of local issues

EMPLOYEES

- Employees view Herefordshire Council as an employer of choice
- Employees feel valued within the workplace and by the public – are treated fairly and with respect, feel listened to
- Employees have job satisfaction, and are rewarded appropriately
- Employees have the tools to do the job – including IT systems, training and development support, clearly understood targets, good working conditions, flexible working, good working knowledge of the council as a whole.
- A range of career development opportunities exist within the council.
- Customer focussed

CITIZEN/CUSTOMER

- Customers are treated fairly and with respect
- Customers are able to access services/information in a way and at a time that is convenient to them

- Customers have a single point of contact to the council, and do not have to ‘find their own way around’.
- Customers feel valued and that their concern or request will be taken seriously and dealt with efficiently
- Customers feel the council delivers value for money services
- Customers do not have to repeat information
- Customers feel involved in decision-making
- Customers feel well informed, and receive consistent messages
- Customers understand the services provided by the council, and how it works with partners

PARTNERS/SUPPLIERS

- The council is viewed as a partner of choice
- There are clear lines of accountability within partnerships; roles and responsibilities are clear and transparent.
- The council listens and responds to its partners
- Procurement procedures are simple, open and cost effective
- Through procurement the council supports local enterprise, and takes account of sustainability issues
- Payments are processed in a timely manner and with minimal transaction costs.
- The council’s contribution to partnerships is recognised and valued.
- Contracts are effectively monitored.

Procurement Phase 2 Timetable

- 15th Jan ITT responses received
- 22nd Jan Change Management scoring
- 31st Jan/1st Feb Technical Demonstration from SAP
- 2nd Feb Deloitte Presentation
- 5th Feb LogicaCMG Presentation
- 6th Feb SERCO Presentation
- 7th/8th Feb Technical Demonstration from SAP
- 9th/13th Feb Functional Requirements scoring
- 14th Feb Implementation experience scoring
- 22nd Feb Presentation on initial results to CMB
- 7th Mar Presentation of results to Members Reference Group
- 22nd Mar Completion of Commercial Assessment
- 27th Mar CMB agree choice of preferred Supplier
- 29th Mar Members Seminar
- 12th April Presentation to Cabinet

Audit Commission Recommendations and Proposed Response

No.	Recommendation	Action in Response
1	Review the requirements of the PST to ensure they are sufficiently clear and robust to inform the contract. If not consider extending the timescales for the signing the contract until the PST requirements have been agreed with the PCT.	PST development is being taken forward through a series of workstream identifying future operational and strategic requirements. These will be fed into the Herefordshire Connects programme as appropriate. All three potential suppliers were briefed regarding the PST development, and indicated interest. Any contract negotiated will reflect the potential need to review the programme and contract in the light of PST establishment if required.
2	When presenting the preferred bid to members for consideration, other options which are still open to the council should be outlined, with the costs and benefits of each option set out. For future procurements complete a formal options appraisal.	Alternative options are included in the body of the report to Cabinet on 12 th April. A review of the procurement policy and processes is underway led by the recently appointed Strategic Procurement and Efficiency Review Manager, and will address this point for future procurements.
3	For future procurements complete the scoring mechanism before issuing the ITT	Although the scoring mechanism existed in framework at the point of ITT issue, the detail had been agreed prior to return of the ITT, therefore the tender and assessment processes were not compromised, and the timetable was maintained. However the Strategic Procurement and Efficiency Review Manager has been asked to consider this point in developing guidelines for future procurement processes.
4	Discuss with potential suppliers why they chose SAP and whether the technical specification has restricted the choice of solution. Revisit the specification to assess if it was too tightly defined.	The specification was defined in order to meet the identified needs of the organisation. Specific challenges were made to suppliers on this issue during their presentations. However, should the choice of technical solution not meet the organisational needs in any specific area within the programme, it is open to the council, during contract negotiations, to require the supplier to

Further information on the subject of this report is available from Akif Kazi, Programme Manager on 01432 261550

		identify alternative solutions, or to exclude that element from the contract.
5	Complete an assessment of the risks of the contract. Ensure that members are briefed on this before a decision is taken to proceed. The risks of other options should also be set out. This should be presented along with the costs and benefits assessment.	A risk log for the programme, including the procurement element, is maintained and reviewed on a regular basis in line with corporate risk management policy. Alternative options, and the risks associated with them, are set out in the report to Cabinet on 12 th April. A update session will be arranged for the new Council as soon as it is practicable to do so.
6	Assess the risks of delivering the required work to a sufficient standard before the contract is signed, and extend the timescales if necessary.	The timescale for the procurement phase is reviewed on a regular basis and has been flexed where necessary to ensure quality was maintained e.g. the issue of ITT was postponed to ensure maximum contribution from service representatives; additional assessment time was provided to take account of further work required on commercial elements of the tenders. The Council is only at this stage identifying a preferred supplier and will not sign the contract until all outstanding issues are resolved.
7	Assess if the council has sufficient experienced staff to manage the contract and bring in additional resources if necessary.	Resource requirements for the programme are regularly reviewed, and additional expertise is brought in as required either from within the organisation or, where appropriate, externally e.g. external validation by CAPITA; specialist legal advice during contract negotiation period.

Appendix 2

HEREFORDSHIRE CONNECTS PROGRAMME UPDATE**REPORT BY: HEAD OF FINANCIAL SERVICES**

Purpose

The report presents the revised financial appraisal of the Herefordshire Connects programme. It outlines the potential financial impact of the ICT Strategy and also looks at the programme's impact on general fund balances.

Background

The financial context of the Programme is a key element of the overall project. In order to gain a full understanding of the position it is worth restating that the initial levels of investment needed along with potential financial return was given to Cabinet on 20th April 2006. This helped inform the decision to proceed to the next stage of the programme. The outline business case for the programme was the result of work commissioned by the Council from Axon Group plc.

The initial financial model for the Herefordshire Connects programme was built into the draft Medium-Term Financial Management Strategy (MTFMS) 2007-2010 prepared in July 2006. In the absence of any further information on savings to update the programme's figures and to allow for slippage in the project it was agreed that financial cover for the 2007/08 'cashable' benefits would be provided by a series of one-off measures covering a 12-month period and these are now in place.

The work to validate the original cashable benefits and investment requirements took place over several weeks and saw the original data subject to detailed review and challenge. Close working between the Herefordshire Connects Core Team and Deloitte provided a new level of detail and increased certainty about the underlying data generating the cashable benefits. The process included a series of meetings with the Head of Financial Services to challenge and validate the position. As a result of this work the investment required to deliver Herefordshire Connects along with the cashable benefits has been amended.

2007/8 Position

The 2007/8 budget included an assessment about likely costs and savings arising from Herefordshire Connects. The revised position has amended the assessment to indicate that the original investment requirement of £1.96m is now £2.138m.

The revised total is made up of £1.77m of revenue costs associated with the programme, £189,000 of capital costs and £175,000 for contract negotiations and client advice. It should be noted that some figures such as backfilling have to be estimated at this stage. The 2007/08 budget includes £1.96m for Herefordshire Connects. In addition there is £574,000 in the Herefordshire Connects reserve and £122,000 carried forward from 2006/07. Therefore the overall available funding in 2007/08 is £2.656m compared with estimated costs of £2.138m leaving a balance of £518k.

Cashable Benefits

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

The original work produced by the Axon Group was notable for the speed at which the level of cashable savings would be available. This point was confirmed by our advisors Capita PLC. The overall total of £39.55m of savings in the lifetime of the MTFMS (2007-2010) is viewed by Capita as being at the upper end of what is achievable. The subsequent work revised the figures and a likely cashable outcome for 2007/08 is £469,000 instead of £5.8m in the Axon report with an overall total of £18,556m between 2008 and 2011. In addition the timing profile of the benefits differs significantly from the current financial model included in the MTFMS:

	2008/09 (£000)	2009/10 (£000)	2010/11 (£000)	Total (£000)
Assumptions about cashable benefits included in latest FRM	(10,600)	(11,400)	(11,750)	(33,750)
Updated cashable benefits	(3,025)	(7,537)	(7,994)	(18,556)
Difference	7,575	3,863	3,756	15,194

The above indicates that there has been a significant reduction in the level of cashable benefits produced by the programme over the lifetime of the MTFMS.

The following provides an indication of the sort of areas that have changed:

- A review of support of systems saw the original figure reduce by £350,000 per annum.
- Assumptions about savings though contact management by Telephone saw the annual amount reduce by £420,000
- Savings in staff time for storage of information reduced by £105,000 per annum
- Training savings reduced by £336,000 per annum
- ICT integration savings reduced by £392,000 per annum
- Staff efficiency savings around flexible working had been built into the original model along with accommodation requirements.

The review of Axon's cashable benefits was extensive and has introduced greater certainty and clarity with Deloitte playing a key support and advisory role. Deloitte has commented favourably on the thoroughness of the work. Capita also noted that the original information would require 'a robust due diligence process to confirm and validate the expected level of benefit'. This has now taken place.

Costs

As part of the review of costs the amounts required as well as the source of funding have been examined. The latest Financial Resource Model (FRM) underpinning the Medium Term Financial Management Strategy includes revenue and capital financing costs for Herefordshire Connects.

The review examined the costs on a line-by-line basis discovering that for example, some software costs, had been over estimated and others could be reduced because of duplication across the three work streams of Integrated Customer Services, Integrated Support Services and Performance Management.

It was also evident that some costs included could be removed because of changes to assumptions about the programme. The following compares the updated position with the current financial model included in the MTFMS:

	2008/09 (£000)	2009/10 (£000)	2010/11 (£000)	Total (£000)
Assumptions about costs included in the latest FRM	4,437	3,789	3,427	11,653
Updated costs	3,873	3,337	2,793	10,003
Difference	(564)	(452)	(634)	(1,650)

The above table shows that over the three remaining years of the MTFMS the costs associated with Herefordshire Connects against the revenue account decrease by £1.650m. The decrease arises from the removal of some of the backfilling costs and the cost of the Herefordshire Connects core team because these costs are included and spread over the existing cost elements. In addition a confirmed position around rephasing and removal of some costs has been reached following a review by the Deloitte and the core team. However an assessment indicates that an amount of £300k should be retained for backfilling costs.

Whilst costs have been removed from the programme a reassessment of capital finance assumptions has taken place leading to a reduction in the number of years over which capital financing costs can be spread. Costs are now spread over 5 years in line with the council's policy of financing matching the lifetime of assets.

Medium Term Financial Capacity

The key issue facing Cabinet is to address the steps required to finance the programme within the Medium Term Financial Strategy (MTFS). The Members' Reference Group received a full assessment of the position in July 2007 to enable it to commit to the interim agreement with Deloitte but that has been reviewed on a number of occasions since as part of the review of the capacity within the MTFS and will of course be subject to final review as part of the Council's budget strategy for 2008/09. What is clear, however, is that there is a "pinch point" in terms of overall financial capacity in 2008/09 with an improving position for 2009/10 and 2010/11.

Further information on the subject of this report is available from Akif Kazi, Programme Manager on 01432 261550

This will be the subject of further report to Strategic Monitoring Committee as part of the consultation on the overall revenue budget for 2008/09 and the MTFS for 2008/09 – 2010/11.

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

Appendix 3

HEREFORDSHIRE CONNECTS PROGRAMME UPDATE

PORTFOLIO RESPONSIBILITY: CORPORATE AND CUSTOMER SERVICES AND HUMAN RESOURCES

CABINET

11TH OCTOBER, 2007

Wards Affected

County-wide

Purpose

To note progress in respect of the Herefordshire Connects programme, approve the technology platform on which further progression will be based, and approve the extension of the existing interim agreement with Deloitte.

Key Decision

This is not a Key Decision.

Recommendation(s)

- THAT (a) Cabinet notes the current position in respect of programme implementation;**
- (b) Cabinet approves the retention of SAP as the technology base; and**
- (c) Cabinet approves the extension of an interim agreement with Deloitte until such time as a decision on the master agreement can be taken.**

Reasons

To note progress with this phase of the Herefordshire Connects Programme, approve the technology platform for future programme development and approve the extension of the existing interim agreement with Deloitte.

Considerations

35. Further to the Cabinet Paper of 7 June 2007, this report provides an update to Cabinet on progress in the programme.
36. Phase 3 of the programme was Programme Definition. All objectives for this phase have now been achieved with the exception of the completion of the contractual agreements.
37. *Costs and Benefits Review*. In order to ensure that the Council can indeed deliver on savings, each benefit line was investigated and challenged to ensure that the figures are robust and 'bankable'. Over several weeks, the Herefordshire Connects Core Team and Deloitte ran a number of workshops to complete this. This work was then presented to the Head of Financial Services and the Strategic Procurement &

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

Efficiency Review Manager, and the figures have now been accepted as valid. Independent advice throughout this process has been provided by CAPITA plc. A similar approach was adopted towards the Programme Costs.

38. The resulting financial appraisal was presented to the Leader, Cabinet Member, Corporate & Customer services and Human Resources and Cabinet Member, Resources at a meeting on 18th July, and considered in the context of the Medium Term Financial Management Strategy (MTFMS)
39. At that meeting, the Leader and two Cabinet Members agreed that the reports demonstrated that the Herefordshire Connects Programme was fundable and therefore should be continued; that an interim agreement be signed with Deloitte; and that the Programme Team continued to consider opportunities to improve benefits and reduce costs as outlined in the report. What lay behind that conclusion was that two key assumptions had been made:
 - the Social Care solution would not be provided by SAP, but for the purposes of developing the profile, the highest cost alternative had been used;
 - SAP had been costed as providing the technical platform. The potential for using existing systems such as Cedar as an alternative were to be explored. Whilst it was accepted that would produce some cost savings, the Programme Manager would also undertake an assessment of technical functionality together with an assessment of the level at which benefits would be realised if the alternative platform was to be used. It was further noted that a decision as to which option was finally adopted must be based on a technical, rather than a solely financial assessment.
40. Pending completion of the appraisal and a decision on the technology platform a decision was taken to put part of the programme in abeyance. This scaling down of the programme impacted most significantly on the integrated support service (ISS) stream of activity, but enabled the social care platform to continue to progress. The technical appraisal has now been completed and externally validated by CAPITA and is attached at Appendix 1.
41. From recent reports to Corporate Management Board it is clear that, based on the most recent budget forecasts and the impact of expenditure on flooding, the MTFMS is likely to see a deteriorating rather than improving financial picture and it is understood that there may be a preference to await the financial settlement and the revision of the Medium Term Financial Strategy before taking a decision in relation to the Programme.
42. However, whilst Deloitte have been able to accommodate the scaling down of the Programme for a limited period, this cannot be sustained without the risk of losing key staff resource allocated to the programme. There is the option of continuing under an interim agreement until a decision can be taken in light of a revised MTFMS, but work cannot be progressed whilst there is uncertainty regarding the technology platform upon which the programme is to be progressed.
43. It is recognised by officers and members alike that the overall impact of Herefordshire Connects is key to the longer term financial stability of the organisation. The technology appraisal assesses the SAP technology platform as providing longer term returns. It recognises the adoption of a Cedar platform would contribute to the closing of the gap in 2008/09 but that this would be at the expense of a significant reduction in returns in later years.

Further information on the subject of this report is available from Akif Kazi, Programme Manager on 01432 261550

44. Deloitte have indicated that they would be prepared to work with either platform but have two principal concerns in relation to the use of the Cedar suite of applications as opposed to SAP:-
- (i) As the technology report indicates, Cedar is seen as a strong financial system in particular around budget planning and control. It can provide the majority of the functionality of SAP. Deloitte do, however, have specific concerns about the inability of Cedar to provide a local government customer that has implemented their complete ERP suite. There would appear to be an inconsistency between the Council taking the decision not to accept the risks associated with being an early adopter of the SAP social care solution and yet to take a contrary decision in relation to the main operating platform. There is a secondary concern about the inability to establish why there is a lack of take up amongst Councils of their payroll and HR modules.
 - (ii) Deloitte would be prepared to support a Cedar based platform as part of the Herefordshire Connects Programme but would want to be clear that in their view it would have a material impact on the nature of the Programme. They do believe that although untried, it should be capable of providing a platform for the Council. They do believe however that it will change the nature of the Programme and move it away from a catalyst for a programme of transformation to the installation of an effective operating platform for the Council. It will be seen from the technology appraisal that that view is also expressed by Capita. That would raise questions as to how the Council resourced the Programme.
45. Whilst the costs of the interim agreement are within the previously agreed financial envelope for the programme, it is recognised that continuing with an interim arrangement does present a risk in terms of the investment if the Council does not finally proceed.

Risk

Key Risk	Mitigation
Anticipated Cost savings are not realistic (Benefits savings are not realistic)	Each benefit line has been vigorously challenged. In addition a new 'Programme Benefits Board' will monitor and control the delivery of these savings with a direct reporting line in to the Corporate Management Board. The Audit Commission have praised this work and stated that this will increase the likelihood of achieving these savings.
Lack of Council expertise and skills and resources	A detailed set of workshops is currently underway to ensure that every role is assessed.
Funding of programme will require early delivery of savings	Carry out Cost Reduction exercise during Phase Four. This will also align with the implementation of most beneficial 'Quick wins'. Quick wins assessment has already begun.

Further information on the subject of this report is available from Akif Kazi, Programme Manager on 01432 261550

Lack of Management Buy-in	<p>Effective change planning and managing the change curve, excellent communication to support buy-in through understanding the benefits to be delivered by service users.</p> <p>Deloitte will bring their expertise to bear in this area. There is also to be an emphasis on as much peer-to-peer contact as is needed so that staff can understand and learn from the experience of other authorities. The Change Management Team will be confirmed and will cover Communication, Change Leadership, Organisational Development and Training.</p>
Loss of key staff prior to a decision on the master contract	Negotiations with both the Programme Manager and Deloitte are ongoing to secure key team members are available to re-engage with the programme.

Alternative Options

Adoption of the alternative technology platform is likely to result in an estimated 5-15% reduction in benefits. Experience, and assessments carried out by the programme team and validated by CAPITA, had shown that those local authorities, central government or private sector organisations who had been most successful at driving out efficiencies had all done so through the use of technologies similar to those offered by SAP.

Consultees

CAPITA

Appendices

Appendix 1 Herefordshire Connects Programme: Technical Appraisal.

HEREFORDSHIRE CONNECTS PROGRAMME

TECHNICAL APPRAISAL

REPORT BY: PROGRAMME MANAGER

REPORT TO: PROGRAMME BOARD

24TH SEPTEMBER, 2007

Purpose

This report has been written for the Programme Board on the work undertaken to consider whether the Council's existing solutions could be used to enable the Herefordshire Connects Programme. This has been considered primarily to understand whether this option could alleviate some of the cost pressures on the Programme. The remit was to provide a technical appraisal as to whether existing solutions will provide the functionality requirements and deliver the benefits required.

1. Introduction

As explained in the previous paper to the Members Reference Group on 18th July 2007, in order to consider ways of reducing the overall Programme cost base, this report is a technical appraisal of the Council's existing solutions Cedar (sometimes called COA), the current corporate finance system, and Selima, the current Payroll system.

Two options have been considered. Firstly, using an upgraded version of Cedar for finance & procurement and HR & Payroll and secondly using an upgraded version of Cedar for Finance & Procurement and an upgraded Selima for HR & Payroll.

2. Process

The Process adopted was as follows:

- Cedar were invited to discuss the Programme requirements with the Council and then to provide a high level presentation;
- The technical requirements that were completed by the bidders for the Programme were then completed by Cedar. Some additional questions were asked, based on discussions with HR and ICT;
- HR and Payroll requirements were also sent out to Selima who responded with their capabilities. In addition
- both HR and Payroll and ICT have provided a written appraisal of this option; and
- Capita provided advice by way of two reports on the options.

3. Feedback from High level presentation from Cedar:

This presentation was given to a small team from the Council. The team included Deloitte, Capita and colleagues from ICT and the Resources directorate.

The main conclusions from this are as follows:

- a ringing endorsement of Cedar's finance functionality, in particular around budget planning and control
- sound functionality in the Cedar procurement offering, but gaps around Request for Quote and tendering and strategic sourcing (this will impact benefits delivery); and
- concern around the lack of other Councils using the full Cedar ERP suite, in particular HR & Payroll, and the lack of integration between the finance and payroll modules.

4. Response to Technical Requirements

The results of the technical comparison based upon Cedar's responses to the technical requirements are shown in Appendix A.

Cedar can cover the majority of the functionality with the exceptions of:

- User Authentication and Access Control
- Case Management
- Programme and Project Management
- Knowledge and Information Base
- SLA Management
- Diary Management/Booking Appointments
- Flexible Working

The solution also scores significantly lower than SAP on:

- Human Resources
- Recruitment
- Training and e-Learning
- Asset Management
- EDRMS/ESCR/One Client One Record

5. Benefits

The Council asked one of its advisors, Capita to verify the initial assessment of the impact of this option on both the overall benefits case and the Programme as a whole.

In their reports, Capita draw attention to the following points:

- *“Change projects require a powerful vision and a sense of urgency to deliver real benefits, implementing a **new software solution** signals a real commitment to change”*
- *“In addition, Cedar does not provide much of the functionality in the existing SAP Plant Maintenance solution deployed in ICT. It may be necessary to run both Cedar and SAP.”*
- Capita also highlight the lack of a ‘single update’ functionality will potentially compromise benefit realisation. The report states, *“Questions about the links between the approval and spend limit matrix in Cedar and the HR organisation as held in the HR module suggested that a single update across modules was not possible. **The ability to update once across the system is one of the stated aims of the project to release benefits in HR by reducing management of leavers, joiners and employee role changes. SAP offers more enterprise wide management functionality.**”*
- *Capita also advise that some of the projected benefits may be affected “**Current sense is that Cedar will enable a part of the FTE savings**”.*

By using Cedar, Capita have highlighted the likelihood for some reduction in the benefits realised. This will be in the areas of procurement, HR and enterprise wide functionality as Cedar appears weaker in these areas.

Work done by the Core team has come to the same conclusions.

It is estimated that this reduction in benefits will be between 5% and 15% of those targeted. This would result in an estimated reduction in savings of between £400,000 and £1,200,000 per annum.

6. Costs

Although this report is fundamentally about a technical review and benefits assessment of an alternative technical option for Herefordshire Connects the reason for considering the option is mainly driven by cost considerations. It is therefore useful to have some indication of the scale of any potential cost saving.

Appendix B shows a set of indicative estimates for the Cedar/Selima option compared to the proposed SAP solution. It must be recognised that these are indicative estimates to give an approximate scale to enable decision making and are not as robust as the costs the Council now has for the SAP solution. The implementation effort (and therefore the cost) required for the implementation of SAP has been developed and refined over the past three months, by a combined team of Herefordshire Council, Deloitte, IBM and Epi-Use staff. This has been ratified by Capita.

This has led to a high-level of clarity regarding the scope of the solution and the resourcing levels required from both the Council and its partners. This estimation has included not only the technical configuration staff, but also effort required to design the new organisation and support the transformation of the Council.

7. Other Considerations

As well as the technical assessment and consideration of the benefits and costs outlined above there are three other factors that merit consideration:

(1) Advice from ICT:

The overall support model for the Cedar/Selima will require a number of systems being supported by individuals skilled in different technologies. Attracting skilled resource is a real challenge to ICT. It is thought the support team will be about 20 staff (3-5 per application) as opposed to the projected SAP support model which has 14 staff.

Cabinet recently approved the ICT Strategy. The ICT Strategy will need to be re-written as it was developed on the basis of a single ERP solution. A multiple-system landscape with interfaces will require a revised ICT Strategy.

There is also an increase in the Disaster Recovery costs and the time-to-recovery would be longer and more tortuous than a single system. The impact of running both SAP and Cedar is also raised as a concern.

(2) Public Services Trust:

In addition the Council may wish to consider the impact of such an approach to future PST requirements. It is likely that it will be harder to integrate into multiple systems rather than one, for example, in terms of back office functionality.

(3) Future proofing

The ambitions of the Programme, as with all transformation programmes, are high. The next phase of the Connects was planned to include delivery of, for instance, remote, real time technology to front line staff. SAP has a proven record of this in local government both here and abroad. SAP has proven to provide more opportunity for the ambitions of the Programme to be fulfilled going forward.

(4) Risks:

1. Continuing indecision on the technology choice will lead to a further delay in savings being generated. This will also lead to an increase in costs. Already a 150k discount with our hardware supplier, Dell, has been lost. By delaying this decision the Social Solution will be at greater risk if it is to be implemented by next summer. It is worth noting that the Programme started in August 2005.
2. Programme costs escalate since in effect the Programme design work will have to be delayed until a full evaluation is completed. In addition time-scales will be slipped. A full scale evaluation will require site visits, scenario demonstrations, an assessment panel to be drawn from across the Council (51 staff were used last time) and the process to be fully audited. In addition the Council will need to enter into negotiations with Cedar and Selima.
3. On this note, the Council will need to run an additional six or seven technology solution selections. This will need to be in each of the areas where Cedar cannot meet the functionality e.g. Project Management Software, in order to select a suitable alternative. Deloitte will also need to be satisfied so that they can underwrite each selection. The current Social Care selection has taken three months.

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

4. Cedar has not been able to provide a local government customer that has implemented their complete ERP (Smart Business) suite. The Council would therefore be one of the first to do so. The risks associated with being an early adopter of the SAP Social Care solution was cited as one of the reasons for looking for an alternative solution to meet the Social Care requirements.
5. It has also not been possible to establish why there is a lack of councils that use their Payroll and HR modules.
6. There is lack of process blue print that can be used since there are few integrated Finance/Procurement/HR/Payroll shared service centre models (such as Surrey). There is a risk therefore, that processes will be new and un-tested. In addition costs may escalate as design will have to start from scratch.
7. There is a further risk in terms of performance management since data will need to be built from multiple systems.
8. The Cedar to SAP interface, required for CRM, is untested.
9. Deloitte would need to underwrite this option or the Council will end up needing to start a new procurement. Another risk is that Deloitte may pass some of the risk of Programme delivery back on to the Council since their recommendation for the technology base was not accepted by the Council. This may lead to a change in the terms of the yet to be signed master agreement.
10. There is also a risk that during a full assessment the evaluation scores are less for Cedar than the scores achieved by SAP. In addition customer site visits may not be favourable, given the lack of comparable local government sites.

8. Conclusions and Recommendations

There is little doubt that by changing the technology base from SAP to Cedar the Council will save at least 400k over five years. This is equivalent to £80k per annum over 5 years. This may alleviate some of the cost pressures on the Programme. It is important to note that it is over the next two financial years that the Council faces cost pressures in relation to the Programme. Beyond that, the Programme will become self-financing. So it is the 80k per annum over the first two years which is of most benefit to the Council.

It is clear that this cost saving needs to be considered in terms of a reduction in benefits and the increased risk of failure.

As Capita have stated in their conclusion, **“Change projects require a powerful vision and a sense of urgency to deliver real benefits, implementing a new software solution signals a real commitment to change. The evaluation of proposals driven by initial price rather than long term value for money (benefits realisation) is highlighted by the IDEA as a reason for projects failing to deliver the promised benefits”**

As highlighted above, the initial work by both the Core Team and Capita has suggested that some benefits may be adversely affected. This has suggested the loss could be between £400k to £1200k per year. This loss of benefits significantly outweighs the reduction in costs.

Further information on the subject of this report is available from Akif Kazi, Programme Manager on 01432 261550

Even if this level is acceptable to the Council, it would end up with a more complex systems landscape with multiple systems. This is what it has at the moment and is trying to move away from. This has been a fundamental axiom of the Connects Programme.

Programme momentum would be lost and the broader transformation agenda is less likely to be achieved. There is increased risk of failure in the Authority deciding to be the one of the first major transformation programmes in local government to select Cedar and Selima as the enabling technologies.

It would also require postponing large parts of the current programme as they move to build stage and in effect the re-running of the technology aspects of the Herefordshire Connects procurement in order for the Council to satisfy itself fully that indeed Cedar [and Selima] can meet our transformational requirements. This in itself will divert Programme resource and inevitably impact costs and target time-scales.

Once again, it is important to ensure that in any option, the ambition remains to transform the Council, not simply upgrade existing software.

Referring back to the original remit for this report, Cedar can not provide the same level of functionality and there is going to be a reduction in the level of benefit savings.

It is recommended, therefore, that the Herefordshire Connects Programme retains SAP as the technology base.

Appendix A: High Level Technical Comparison

Doc ref	Heading	CEDAR	SAP
2.1	Customer Access Channels	Y	Y
2.2	External Access	Y	Y
2.3	Usability	Y	Y
2.4	System Administration	Y	Y
2.5	User Authentication and Access control	N	Y
2.6	Case Management	N	Y
2.7	Programme and Project Management	N	Y
2.8	Workflow capabilities	Y	Y
2.9	Knowledge and Information Base	N	Y
2.10	Management Information and Reporting Capabilities	Y	Y
2.11	Service Level Agreements Management (internal)	N	Y
2.12	Production of Documents	Y	Y
2.13	Audit trail	Y	Y
2.14	Authentication Protocols	N	N
2.15	Diary Management / Booking Appointments	N	Y
2.16	Route Planning	N	N
	AREA SPECIFIC		
3.1	Performance Management	Y	Y
3.2	Human Resources	70%	95%
3.3	Recruitment	50%	95%
3.4	Integrated Training and E-Learning	75%	90%
3.5	Integrated Financial Management	Y	Y
3.5.1	General ledger	Y	Y
3.6	Payroll	Y	Y
3.7	Procurement	Y	Y
3.8	Asset Management	40%	90%
3.9	EDRMS / ESCR / One Client, One Record	66%	100%
3.10	Schools Management	N	N
3.11	Flexible Working, Home Working & Smarter Working	N	Y
4	Compliance Requirements	Y	Y
4.2	E-Government Requirements	Y	Y
5	Technical Vendor Criteria		
5.1	Solution Architecture Requirements	Y	Y
5.2	Scalability and Disaster Recovery	Y	Y
5.3	Security	Y	Y
5.4	Technical – Platforms	Y	Y
6	Integration Issues	Y	Y
6.2	Methods of Integration / Interfacing	Y	Y
6.3	Integration to future systems	Y	Y

Further information on the subject of this report is available from Akif Kazi, Programme Manager
on 01432 261550

THE COUNCIL'S POLICY FOR MANAGEMENT OF THE SMALLHOLDINGS ESTATE

Report By: Director of Resources

Wards Affected

County-wide.

Purpose

1. To advise the Strategic Monitoring Committee of the Council's policy for the management of the smallholdings estate.

Financial Implications

2. It will be difficult to achieve current revenue income budgets with the impact of further property sales resulting in a reduction in rental income receivable. However in the medium to long term the increase in crop prices will result in an increase in rental values but only when rent reviews or a change in tenancy takes place.
3. Capital receipts achieved to date total £3.2 million.
4. The target of £10 million capital receipts over a 10-year period from 2005 will be achieved.

Background

5. This report is to comply with a request from the Strategic Monitoring Committee for more information on the Council's policy for the management of the smallholdings estate.
6. The Council's smallholdings estate extends to over 5,500 acres (2,223 hectares) and includes 61 farm units and 2 stand-alone cottages.
7. The estate is widely distributed across the county.
8. There are 11 dairy farms and 50 stock and/or arable farms, plus 164 acres (66.4 hectares) of woodland.
9. Forty farms are held on tenancies under the Agricultural Holdings Act 1986 that would convert to 3-generation succession tenancies if not sold to a smallholding authority.
10. The estate achieved an annual income of £424,000 in 2006/07, plus approximately £16,000 in respect of milk quota. Last year's expenditure was £277,000, leaving a net income of £163,000. The annual income budget has fallen to £404,000 in 2007/08.

11. The current policy for the management of the estate was approved by Cabinet on 19th May, 2005 as part of the Council's Property Strategy. The policy includes
 - a) The rationalisation of the estate as opportunities arise.
 - b) Gradual improvement of the retained building stock.
 - c) offering vacant farms to aspiring young farmers
12. This policy of managed rationalisation of the Council's Smallholdings estate also forms part of the Council's Asset Management Plan. The policy is therefore to rationalise the estate by disposing of unsuitable or high maintenance property as the opportunity arises, with a receipts target of £10 million over a 10 year period. This was re-emphasised in the report to Cabinet, on 18th January, 2007, on Asset Management Plan Overview Issues.

Risk Management

13. Estimated disposal values cannot be guaranteed.
14. Active management of the estate to maintain income levels in the face of difficult market conditions and to improve capital value.

Alternative Options

15. The Council could decide to dispose of the smallholdings estate:
 - a) As a single investment opportunity with sitting tenants.
 - b) As individual sales on the open market with sitting tenants.
 - c) As individual sales when properties become vacant.

RECOMMENDATION

- THAT: (a) the Council's policy for the management of the smallholdings estate be noted; and**
- (b) any suggestions to make to Cabinet be determined.**

BACKGROUND PAPERS

- Smallholdings Estate Management Policy – Background and Smallholdings Estate Management Policy - Strategy
- Property Strategy report to Cabinet 19th May, 2005.
- Asset Management Plan: Overview Issues Report to Cabinet 18th January, 2007.

INTEGRATED PERFORMANCE AND FINANCE REPORT

Report By: Director of Corporate and Customer Services

Wards Affected

County-wide

Purpose

1. To report performance for the first half of 2007-08 against the Annual Operating Plan 2007-08, national performance indicators used externally to measure the performance of the council, together with performance against revenue and capital budgets and corporate risks, and remedial action to address areas of under-performance.

Financial Implications

2. There are no financial implications

Background

3. The report is enclosed separately for Members of the Committee and is available to the public on request. Cabinet is to consider the report on 15th November. Its decision will be reported at the meeting.

RECOMMENDATION

THAT (a) the report be noted, subject to any comments the Committee wishes to make;

and

(b) the Committee considers whether there are any issues it wishes to refer to other Scrutiny Committees for investigation.

BACKGROUND PAPERS

- None identified

