

MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday, 10 March 2008 at 10.00 a.m.

Present: Councillor PJ Edwards (Chairman)
Councillor WLS Bowen (Vice Chairman)

Councillors: PA Andrews, WU Attfield, KG Grumbley, TM James,
RI Matthews, AT Oliver, SJ Robertson, RH Smith and JK Swinburne

In attendance: Councillors H Bramer (Cabinet Member - Resources) , R Mills and
JB Williams

74. APOLOGIES FOR ABSENCE

Apologies were received from Councillor JP French (Cabinet Member - Corporate and Customer Services).

75. DECLARATIONS OF INTEREST

Councillor PJ Edwards declared a personal interest in agenda item 7: Smallholdings Estate Policy and Working Practices because a relative farmed one of the smallholdings.

Councillor RH Smith declared a personal interest in agenda item 5: Integrated Performance and Finance Report as a Council appointee to the Board of Herefordshire Housing Ltd.

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

There were no suggestions from members of the public.

77. COMPREHENSIVE PERFORMANCE ASSESSMENT AND DIRECTION OF TRAVEL UPDATE

The Committee was informed of the Council's 2007 Comprehensive Performance Assessment (CPA) and Direction of Travel statement issued by the Audit Commission on 7 February.

The report to Cabinet on 21 February was appended to the report.

The Corporate Policy and Research Manager (CPRM) presented the report. He reported that, as predicted in the Integrated Performance and Finance Report presented to the Committee in February, the Council's overall CPA score, relating to performance up to the end of March 2007, had fallen to 2*. The reason for this was the fall in the rating for Housing from 2* to 1*. He drew attention to the table in the report showing star ratings by government office region.

The Audit Commission's assessment of the Council's direction of travel was that the Council was improving adequately. The CPRM referred to the Commission's summary quoted in the report, noting that it gave a mixed picture. On the positive side, it stated that, "Performance has improved in most priority areas", which was an improvement on the 2006 judgement that overall service levels had been maintained. He also highlighted the references in the summary to improvements in Children's Services, Adult Social Care and tax collection and benefits administration. On the negative side, the summary referred to increased costs in collecting waste and limited progress on the Council's business transformation programme. He noted that value for money overall was described as reasonable, but that this was not measured consistently across the Council. The inspectorates had developed some non-mandatory performance indicators for value for money that were being considered by officers. He also mentioned the Commission's reference to the significant weaknesses that the Council had identified in the governance of ICT, which also noted that plans to address them had been agreed.

He drew attention to the table in the report showing direction of travel assessments by government office region.

He advised that the key to improvement was to continue to steadily improve performance against the performance indicators and to ensure the delivery of improvement plans, including those involving joint work with the Primary Care Trust, to improve value for money and to strengthen internal control arrangements. If this was done, he considered that the Council should be well-placed for the Commission's 2008 assessment, published in early 2009, to judge the Council's direction of travel to be "improving well".

In the ensuing discussion the following principal points were made:

- The report had stated that the change in rating of the performance of the housing service did not represent a deterioration in performance but was a result of a one year change in the selection of indicators used by the Audit Commission. It was asked how the assessment of other authorities' Housing Services had been affected by this change. The CPRM said that there was a mixed picture. When the CPA had been introduced the assessments had been made on the basis of performance against performance indicators and an inspection. The Council's Housing Service had been given the top score of 4. The assessment no longer involved an inspection and the judgment of the Service had been adversely affected by the one year change in the selection of indicators. Two indicators against which the Council performed reasonably well had been removed from the assessment and one relating to the average length of stay in bed and breakfast accommodation, where the Council did not perform well, had been retained. On the basis of a proposed further one-year change in the indicators to be used for the assessment in 2008, the score for housing seemed likely to increase to 3.
- In response to a further question the CPRM noted the success in reducing substantially the number of families in bed and breakfast accommodation. However, homelessness remained a challenging issue for the Council. The provision of affordable housing seemed likely to be confirmed as one of the Council's top priorities in the new corporate plan.
- It was suggested that the focus on the change to the way in which the performance of the housing service had been assessed should not be allowed to obscure the Council's decline from one of the highest performing Councils in the region to now being one of the lowest. This suggested that there was something fundamentally wrong that needed to be addressed.

- Members considered that the level of performance was unacceptable. The Committee needed to have a clear plan submitted to it that would enable it to monitor progress towards achieving the judgment of “improving well”.
- The Chief Executive said that performance improvement did need a stronger focus. Noting that the Corporate Plan would allow progress to be tracked, he added that a clear strategy for improvement was required with an improvement plan for each service area, supplementing the Corporate Plan.

RESOLVED: That the Committee’s disappointment at the level of performance to date be recorded, that the Chief Executive’s intention to bring forward an improvement plan be noted and it be requested that a copy of that plan be presented to a future meeting.

78. INTEGRATED PERFORMANCE AND FINANCE REPORT

(Councillor RH Smith declared a personal interest.)

The Committee considered the Council’s performance for the first ten months – to the end of January - against the Annual Operating Plan 2007-08 and national performance indicators used externally to measure the performance of the Council; partnership performance for the first eight months – to the end of November - in delivering the Local Public Service Agreement, Local Area Agreement and Herefordshire Community Strategy; and performance against revenue and capital budgets and corporate risks, and remedial action to address areas of under-performance.

Performance against Performance Indicators

The Corporate Policy and Research Manager (CPRM) presented this section of the report.

He reported that the number of red (not on target) Council-led indicators from the annual operating plan had increased from 23 to 25 since the last report. The number of indicators marked green (on target or met target) had increased from 24 to 27.

Referring to the 7 red indicators relating to teenage lifestyle he said that some proxy indicators had now been developed and were awaiting approval by the Children’s Trust. Once approved these could be used in-year in 2008/09.

He noted that there had been an increase in social worker turnover which had implications for performance against target HC 89b (completion rate of initial assessments of children in need within 7 days of referral) and said that intensified efforts were being made both to retain and recruit social workers.

In the ensuing discussion the following principal points were made.

- Concern was expressed that the number of red Council led indicators from the annual operating plan continued to rise.
- It was suggested that the fact that the teenage lifestyle indicators had still not been signed-off suggested poor management of the process. The CPRM said that local authorities generally were finding it challenging to develop robust performance management processes for partnerships. The Comprehensive Area Assessment preparation programme provided for the effectiveness of current arrangements to be reviewed.

Disappointment was expressed that despite frequent expressions of concern by the Committee the desired upturn in performance against the partnership targets was not forthcoming.

- It was asked in relation to social worker retention and recruitment whether the Council was benchmarking with other authorities to see how they were coping with these issues. The CPRM said that the Head of Safeguarding and Assessment was taking vigorous action to manage the situation but it was and would remain a difficult challenge, as it was for local authorities generally.
- It was noted that performance against indicator 83a HC - principal roads condition, had moved from amber (some progress/or data not yet available so not possible to determine trend) to red. Concern was expressed by Members at the perceived condition of both principal and non-principal roads based on their personal observation. However, noting that the target against the indicator for non-principal roads was on track to be exceeded it was proposed to formally record concern only about performance against the indicator on the condition of principal roads and highlight the need for improvement.
- In response to concern about the large number of indicators marked amber the CPRM said that the principal reason was that data for the majority of these targets was only available at the year end or was reliant on the results from surveys. The new Corporate Plan would seek to identify ways of monitoring performance against these indicators in-year (for instance in terms of key actions) so that performance could be better managed. He noted that the targeted actions being taken to improve performance meant that the number of indicators against which performance was set to improve on last year had risen from the 62% noted in the report to 65%.

Revenue and Capital Budgets and Corporate Risks

The Head of Financial Services (HFS) presented this section of the report.

The projected overspend on the revenue budget had reduced to £698,000. He noted that the social care contingency fund of £1.3 million had not yet been applied, its application being dependent on a review of the causes for the overspend and assurances that mitigating action was taken. The projected year end outturn included an estimated £2.8 million underspend on the invest to save monies included in the budget to modernise social care services.

He noted the Council's claim of £2.392 million under the Bellwin Scheme for damage caused by the July 2007 floods had been met in full by the Government Office West Midlands after deducting the threshold limit of £408,526. However, items that had not been insured but were viewed by the Government Office as insurable were ineligible for compensation under the Scheme, resulting in a shortfall of £620,000 against the estimate for the damage.

He commented on the summaries of expenditure as set out in Appendix C to the report. He drew attention to an increased overspend on adult social care; the potential implications in Community Services of the audit by the Government Office of the Actively Regenerating Communities in Herefordshire Programme; continuing discussions with HALO over the cost of implementation of single status and job evaluation. He expected that the overspend on Corporate and Customer Services in large part due to Community Network costs would reduce. He noted also the potential risk that additional costs could be incurred under the waste contract if the volume of waste rose beyond a certain point.

He commented briefly on the Capital Programme as set out at Appendix D to the report and on the corporate risk log as set out at Appendix E to the report.

He noted a reduction in the number of risks in the log but highlighted risks CR28, relating to benefits from Herefordshire Connects, CR29 relating to the location of the Council's data centres and CR30 relating to legacy systems where the suppliers would no longer support systems.

In the ensuing discussion the following principal points were made:

- A question was asked in relation to the contract with Shaw Homes for the management of older peoples homes, questioning the reference on pages 51/52 of the report to action being taken to mitigate the risk to the contractor. The HFS clarified in reply that the first priority was to protect the Council's interests. However, it was pragmatic in order to preserve the stability of the contract to work in partnership with the contractor to safeguard provision.
- The reference on page 52 of the report to writing off "some debt due from the PCT" was questioned. The HFS said that there was a high level of transactions between the Council and the PCT. At one time a considerable sum had been outstanding. However, following discussions the amount owed by the PCT had reduced to £50,000. Members expressed the hope that this would be addressed by the two authorities.
- It was asked what action was being taken to manage the overspend on the ICT trading account. In reply it was stated that there were regular meetings between the acting Head of ICT and the HFS. There was rigorous questioning of expenditure with a particular focus on reducing expenditure on contractors. The aim remained to achieve a balanced budget at the year end.
- Clarification was sought on progress on the Community Network Upgrade. The Director of Corporate and Customer Services commented on work being carried out. The Chief Executive said that a report was due to go to Cabinet providing an update on action in response to the Crookall report on financial governance issues in ICT. This would include reference to the recent report by SOCITM on the Community Network Upgrade. Cabinet would have a number of issues to consider, some of which the Committee may also want to consider.
- An assurance was sought that procurement procedures were being adhered to. The HFS outlined improvements that had been made to the procurement process, including refining the financial procedures and providing training. He commented on the role of the Strategic Procurement and Efficiency Review Officer in overseeing central procurement, noting the workload pressures on that post, and informed the Committee of discussions with the West Midlands Centre of Excellence to try to support that role. In response to a further question about the reporting of procurement activity the HFS said that a section would be included in future versions of the Integrated Performance and Finance Report.

It was proposed that the strategic and operational importance of the procurement process be formally recognised by the Committee and, given the report that there were capacity issues within this function, the expansion of this role be supported with the expectation that a proposal should be brought forward in the near future.

- In response to a question about the projected overspend of £2.9 million on learning disabilities and whether the 2008/09 budget took account of this pressure the HFS explained that a sum of £2.7 million of invest to save monies,

of which £600,000 was for learning disabilities, was included in the base budget. However, until the new model of care was introduced there would be pressure on this service area.

- A question was asked about the references on page 54 of the report to higher than expected pupil numbers, suggesting this contradicted the information supporting the schools review. The HFS said that the Dedicated Schools Grant was paid in response to an annual return, so there was a one year time lag.
- In response to a question about central education service costs and the position on the schools budget as a whole the HFS said that quarterly budget monitoring reports were made to the Children's Services Scrutiny Committee and the Schools Forum was also advised of the expenditure on central services.
- Asked whether there was additional budgetary provision for concessionary travel given the implications of new legislation the HFS said that following discussion with the Director of Environment no specific additional provision had been made in the 2008/09 budget.
- In response to a question the HFS said that the assessment had been made by the previous Head of Human Resources that there was a low risk to the Council of back payments for equal pay claims.
- Concern was expressed about the risks highlighted in relation to ICT matters. The Director of Corporate and Customer Services said that there were some 400 legacy systems about half of which were managed by ICT, the remainder having been commissioned by Directorates. ICT did not have details of all the systems run by Directorates. This was being investigated as part of business continuity planning.

It was proposed that a report be made as a matter of urgency on the position, having regard also to issues referred to the Committee by the Audit and Corporate Governance Committee.

- A question was asked about the recruitment strategy and the level of use of agency staff and whether the recruitment of staff with no local expertise or experience presented a risk. It was noted that a written answer would be sought from Human Resources.
- Clarification was sought on expenditure on the capital programme and the extent of any slippage. The HFS said that the position was more fluid than was the case with revenue expenditure. He advised that £29.7 million of expenditure was on the financial system at the end of February.

RESOLVED:

- That (a) **dissatisfaction be expressed at performance against indicator 83a HC: the condition of principal roads, and the need for improvement be highlighted;**
- (b) **the strategic and operational importance of the procurement process be formally recognised by the Committee and given the report that there are capacity issues within this function the expansion of this role be supported with an expectation that the**

executive address this in the near future; and

- (c) that a report on ICT issues highlighted in the corporate risk log be made to the Committee as a matter of urgency, having regard also to issues referred to the Committee by the Audit and Corporate Governance Committee.

(The Committee adjourned from 11.50 – 11.55.)

79. MANAGING PERFORMANCE MANAGEMENT

The Committee deferred consideration of this report.

80. SMALLHOLDINGS ESTATE POLICY AND WORKING PRACTICES

(Councillor PJ Edwards declared a personal interest.)

The Committee was provided with an update on the Council's policy on the management of the smallholdings estate and invited to comment.

On 7 November the Committee had agreed that a full review of the management of the smallholdings estate be carried out and properly documented in one report, with particular reference to value for money for the whole of Herefordshire, and detailing the criteria for disposal and including maps showing the location of holdings. The policy had subsequently been reviewed and updated and was being presented to the Committee for consideration.

The Head of Asset Management and Property Services (HAMPS) presented the report. He drew attention to the amended target for capital receipts for 2008/09 and beyond to £1million per annum, net of approved expenditure on capital repairs. He added that the current policy managed the estate on the basis of structured disposals of buildings and parcels of land and re-allocation of land to retained holdings. The policy of structured disposal provided the Council with value for money by optimising the capital and revenue returns from the estate.

In the ensuing discussion the following principal points were made:

- It was noted that the revised and updated documentation addressed a number of points the Committee had raised in November.
- It was asked whether the net income of £140,000 was acceptable having regard to the estimated capital valuation of the estate. Appendix 4 to the report indicated options for disposal based on vacant possession ranging from £18million - £43.2 million under the present policy of structured disposal of buildings and parcels of land and reallocation of land to retained holdings.

The HAMPS referred to the valuation of the estate, set out at section 8.2 of appendix 2 to the report, of £4.253 million. This valuation was based on the nationally accepted instructions and guidance for the valuation of rented farms. Section 9.2 noted a return in 2006/07 on capital invested of 10.3% gross (3.8% net of expenditure) with an estimated outturn for 2007/08 of 9.5% gross (4.3% net of expenditure). The figures in appendix 4 were estimated sums that could be achieved by disposal dependent on which option for disposal was pursued.

- It was asked whether the rental charges were realistic. The financial information

before the Committee suggested a weekly rental for a 50 acre smallholding of £81.73 a week. This compared with a 3 bedroom house in Ledbury advertised at £81.70 a week.

- It was suggested that there were instances of tenants sub-letting to contract growers. There was concern that the risk that this would occur was increased given that there were a number of older tenants on lifelong tenancies who would retire as farmers. This was in conflict with the aim of offering a ladder of opportunity. This was unsatisfactory and needed to be investigated.

The HAMPS reported that modern tenancies did not permit sub-letting. However, some of the older tenancy agreements did not contain a clause prohibiting sub-letting.

- That the smallholdings estate was a special case in economic terms with a special history. Agriculture was vital to the Country's future and to the cohesion of rural communities. Smaller farms were acknowledged to be more efficient units of production and, given predictions of global food shortages, it was important that the opportunity to enter farming continued to be provided. There were strong feelings on this point within the local community of which the Council needed to be mindful.
- It was suggested that six year farm business tenancies were not long enough.
- In response to a question the HAMPS said that if a tenant faced the risk of homelessness strategic housing services would be informed but there was no specific assistance available.
- It was asked whether the statement that the ten year target of £10 million was achievable within six years as indicated in the report was realistic. It was asked whether there was a risk that this approach would also bear disproportionately hard on those with short term tenancies.

The HAMPS said that the policy was to dispose of properties with high management and maintenance costs. Whilst it was hoped to achieve the £10 million target in 6 years it could not be guaranteed. The policy target was still £10 million over a ten year period.

- The role of the Cabinet Member (Resources) in decision making on smallholdings issues was noted and aspects where it was suggested other Members of the Council should also have a role were raised as an issue for further discussion. Areas Members identified for consideration included re-letting, provision for appeals against the intention to end tenancies but prior to issuing a notice to quit, progression within the estate and the amalgamation of land and holdings. The need for Ward Members to be kept informed was also emphasised.
- Asked what he envisaged the eventual size of the smallholdings estate would be the HAMPS said that as it was not one of the Council's main objectives to provide smallholdings the implication was that over time was that the estate would reduce to nothing. However, that was a decision for Members to make. His responsibility was to implement the objectives in the currently approved policy.
- A question was asked about the soundness of the investment of receipts generated from disposals. The HAMPS said that the decision on the allocation of

receipts was part of the Capital Programme determined by Members. The policy was to achieve net receipts of £1 million after approved expenditure on the estate to improve the overall value and return.

- There was support for rationalisation of the estate particularly where this was directed at high maintenance properties.
- There was some perception that the estate was being treated differently to how the Council might manage any other asset.
- It was suggested that refurbishments should be justified rather than being carried out as a matter of course.
- It was suggested that point 4.4 of the policy as set out at appendix 2 referring to training for tenants should make explicit that this was training to equip smallholders to fulfil their role as smallholders and be relevant to delivering the smallholdings policy, not more general training.
- The Cabinet Member (Resources) referred to paragraphs 1.1 and 1.2 as set out at appendix 2 to the report, giving an assurance that there had been no change to the Council's policy. Any change would have to be determined by Members. The action being taken was intended to rationalise the estate and to provide a ladder of opportunity.
- Clarification was requested about the management of the smallholdings forming part of the Buchanan Trust estate which were not referred to in the report and were subject to separate management under a Trust Deed, and the role of the Council as trustee.
- It was proposed that given the concerns expressed that there should be an overarching review of the smallholdings policy.

The Cabinet Member (Resources) reiterated that the policy had not changed but supported a report to Cabinet reviewing the policy and addressing the concerns which had been expressed.

RESOLVED: that the smallholdings estates policy no longer meets its expressed aims, does not reflect current reality and is incomplete and inconsistent, there should therefore be an overarching review undertaken by the executive addressing, for example, issues of concern identified during the Committee's debate.

81. HEREFORDSHIRE COMPREHENSIVE AREA ASSESMENT PREPARATION PROGRAMME

The Committee deferred consideration of this report.

82. DRAFT CORPORATE PLAN 2008-11

The Committee deferred consideration of this report.

83. PERFORMANCE IMPROVEMENT FRAMEWORK AND CYCLE

The Committee deferred consideration of this report.

84. CALL-IN OF CABINET DECISION ON HEREFORDSHIRE CONNECTS – EXECUTIVE RESPONSE

The Committee deferred consideration of this report.

85. WORK PROGRAMME

The Committee deferred consideration of this report.

The meeting ended at 1.05 p.m.
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CHAIRMAN