

Chief Executive's Office

Chief Executive: CJ Bull

To: All Members of Cabinet:
RJ Phillips (Leader)
LO Barnett
AJM Blackshaw
H Bramer
JP French
JA Hyde
JG Jarvis
DB Wilcox

Your Ref:

Our Ref: CJB/SAHC

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13th3 February 2008

Dear Councillor,

MEETING OF CABINET
THURSDAY 21 FEBRUARY 2008 AT 2.00 PM
THE COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD

AGENDA (08/18)

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

Notice is hereby given that the following reports contain key decisions. When the decisions have been made, Members of the relevant Scrutiny Committee will be sent a copy of the decision notices and given the opportunity to call-in the decisions.

Item No	Title	Portfolio Responsibility	Scrutiny Committee	Included in the Forward Plan Yes/No
4	Draft Financial Strategy 2008/11	Corporate Strategy and Finance	Strategic Monitoring Committee	Yes
5	Draft Capital Programme 2008/09	Resources	Strategic Monitoring Committee	Yes
7	Call in of Cabinet Decision on Herefordshire Connects	Corporate, Customer Services & Human Resources, Social Care Adults and Health Children's Services, Resources	Strategic Monitoring Committee	Yes



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County of Herefordshire District Council, PO Box 239, HEREFORD, HR1 1ZU

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1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

To receive any declarations of interest by Members in respect of items on the Agenda.

GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS

The Council's Members' Code of Conduct requires Councillors to declare against an Agenda item(s) the nature of an interest and whether the interest is personal or prejudicial. Councillors have to decide first whether or not they have a personal interest in the matter under discussion. They will then have to decide whether that personal interest is also prejudicial.

A personal interest is an interest that affects the Councillor more than most other people in the area. People in the area include those who live, work or have property in the area of the Council. Councillors will also have a personal interest if their partner, relative or a close friend, or an organisation that they or the member works for, is affected more than other people in the area. If they do have a personal interest, they must declare it but can stay and take part and vote in the meeting.

Whether an interest is prejudicial is a matter of judgement for each Councillor. What Councillors have to do is ask themselves whether a member of the public – if he or she knew all the facts – would think that the Councillor's interest was so important that their decision would be affected by it. If a Councillor has a prejudicial interest then they must declare what that interest is and leave the meeting room.

3. MINUTES

To approve and sign the minutes of the meeting held on 24 January 2008. (*Pages 1 - 8*)

MINUTES CONFIDENTIAL

Confidential Minutes of Cabinet meeting 24 January 2008. (*Pages 9 - 10*)

4. DRAFT FINANCIAL STRATEGY 2008/11

For Cabinet to make its final recommendations to Council on the budget, Council Tax and treasury management strategy for 2008/09. The draft financial strategy for 2008/11 encompasses these issues. Approval of the budget, Council Tax and treasury management strategy for 2008/09 and the financial strategy for 2008/11 is a decision reserved to Council.



(Pages 11 - 106)

5. DRAFT CAPITAL PROGRAMME 2008/09

To propose the draft capital programme for 2008/09.
(Pages 107 - 126)

6. BUDGET MONITORING 2007/08

To report on the Council's performance against revenue capital budgets as at 31 January 2008 and provide an update of the corporate risk register. The report provides details of the remedial action being taken to address areas of underperformance.
(Pages 127 - 154)

7. CALL IN OF CABINET DECISION ON HEREFORDSHIRE CONNECTS - ACQUISITION OF THE PREFERRED TECHNOLOGY TO REPLACE THE CURRENT CLIENT SYSTEMS USED WITHIN BOTH ADULT SOCIAL CARE AND THE CHILDREN AND YOUNG PEOPLE'S DIRECTORATE

To consider a report prepared in response to the recommendations made by the Strategic Monitoring Committee following the call-in of Cabinet's decision on the acquisition of the preferred technology to replace the current client systems used within both Adult Social Care and the Children and Young People's Directorate and the Committee's consideration of a consolidated report on the Herefordshire Connects programme.
(Pages 155 - 214)

8. MANAGING PERFORMANCE MANAGEMENT

To report progress against the action plan that was developed as the Authority's response to the audit of its performance management arrangements in the autumn of 2006, and the associated communications action plan.
(Pages 215 - 256)

9. DEVELOPMENT OF THE LOCAL AREA AGREEMENT

To note the progress of the Local Area Agreement (LAA) 'super refresh', including the Story of Place, list of key priorities and the provisional list of indicators to be included in the final document. *(Pages 257 - 294)*

10. HEREFORDSHIRE COMPREHENSIVE AREA ASSESSMENT PREPARATION PROGRAMME

To seek approval to the proposed action plan to ensure that the Council, with the Primary Care Trust (PCT) and its other partners, is well-placed for the new system of Comprehensive Area Assessment (CAA). *(Pages 295 - 328)*

11. COMPREHENSIVE PERFORMANCE ASSESSMENT AND DIRECTION OF TRAVEL



UPDATE

To confirm the Council's 2007 Comprehensive Performance Assessment and Direction of Travel statement issued by the Audit Commission on 7 February.

(Pages 329 - 334)

12. REVIEW OF THE COUNCIL'S FINANCIAL AND CONTRACTUAL PROCEDURE RULES AND CONSTITUTION

To seek Cabinet's endorsement to the review of the Council's contract procedure rules and financial procedure rules made in light of the Section 151 Officer Report and Crookall Review.

(Pages 335 - 408)

Yours sincerely,



CJ BULL
CHIEF EXECUTIVE

Copies to: Chairman of the Council
Chairman of Strategic Monitoring Committee
Vice-Chairman of Strategic Monitoring Committee
Chairmen of Scrutiny Committees
Group Leaders
Directors
Head of Legal and Democratic Services



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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 CABINET held at COUNCIL CHAMBER, BROCKINGTON, 35 HAFOD ROAD, HEREFORD on Thursday 24 January 2008 at 2.00 pm

Present: Councillor (Chairman) RJ Phillips

Councillors: LO Barnett, AJM Blackshaw, H Bramer, JP French, JA Hyde, JG Jarvis and DB Wilcox

In attendance: Councillors TM James, RI Matthews, WLS Bowen, PJ Edwards, MD Lloyd-Hayes and SJ Robertson

15. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors: PA Andrews and ACR Chappell.

16. DECLARATIONS OF INTEREST

There were no declarations of interest made.

17. MINUTES

RESOLVED: That the Minutes of the meeting held on 13 December 2007 be approved as a correct record and signed by the Chairman.

NOTE: The Chief Executive updated Cabinet on the School Review and advised that a further paper would come before Cabinet on 21 February setting out the process for the review and consultation for the next six to nine months. Cabinet would then be able to give their consent to the process.

The Leader added that external verification of data would be carried out to underpin the data currently held and an external partner would be brought in to provide advice throughout the process. Further details would be available at the meeting on 21 February. It is hoped that a set of proposals will be brought before Cabinet in September. The Leader reiterated that the process was very much about working in partnership with stakeholders across the county from the 21 February.

18. DRAFT FINANCIAL STRATEGY 2008/11

Cabinet was advised that the report before them sought Cabinet's approval of the Corporate Management Board's (CMB) recommendations for updating the current Medium Term Financial Strategy (MTFS) 2008/11. Cabinet was advised that a further report would be presented to Cabinet on the MTFS from the CMB at its meeting on 21 February, which would include details of the final local government finance settlement and any other possible changes. Included will also be any recommendations from the Strategic Monitoring Committee (SMC) and the final recommendations to Council on the financial strategy for 2008/11, the budget for 2008/09 and Council tax for 2008/09.

The Cabinet Member (Resources) set out the direction of the budget referring to the financial settlement for Herefordshire as outlined below:

Year	Formula Grant £m	Increase £m	Increase
2008/09	53.373	2.569	5.1%
2009/10	55.445	2.143	4.0%
2010/11	57.652	2.234	4.0%

It was added that it was felt that efficiency gains could be achieved in all service areas through better use of resources without significant reductions in the level of service provided. The Director of Resources stated the areas of Adult Social Care, Waste, Children's Social Care, Highways and School Transport were referred to as core service areas with the most financial pressure and it was stated that a modest fund would be set up for these key areas. The Director added that these were CMB's recommendations to Cabinet covering the next three year period and that work had been carried out with Cabinet in order to put the proposals together and set the scene of key points for the current financial year and forecasting for the next financial year. It was stated that in the local government financial settlement the final figure for the formula grant was £53.04m. Cabinet was advised that there had been a redistribution of the financial settlement leaning more towards London and the South East, however in percentage terms Herefordshire had not lost out as significantly as some other similar sized authorities. The Leader paid tribute to officers and politicians that had supported Herefordshire in lobbying ministers to achieve the settlement given.

With regard to the recent pay awards the policy on inflation uplift had been revised by CMB to reflect the recent above inflation pay awards. It was noted that non-inflation on non-pay budgets had been retained. Each directorate budget had been reviewed to ensure that service cuts would not need to be made. Cabinet was advised that a single one off payment had been made to the Social Care Adults and Health budget. A review of the inflation factor on fees and charges had been carried out and it was proposed that it remain at 2½%.

In referring to the base budget the Director stated that modernisation funding had been identified for the future. It was suggested that additional money set aside for Adult Social Care to help modernise services be ring fenced in the budget for the future. In referring to modernisation plans CMB recommended that within the draft MTFS 2008/11 that the Council match fund a contribution to that of the Primary Care Trust, which would be held until the modernisation plan for the two organisations was approved. It was added that CMB had identified a series of change issues listed at paragraph 36 of the report where money was to be ring fenced for future modernisation plans. In reviewing the reserves and balances CMB recommended that a fund is created providing a reserve to cover the Bellwin threshold in the event of flooding or any other eligible emergency. In the general reserves there had been a balance of £3m. It was proposed that this be increased to £4½m.

The Leader referred to page 14 of the report and the future Council tax increase and gave notice that he wished to have the recommendation revised in light of the final settlement agreement to 4.4% for 2008/09 from the 4.7% proposed. A Member in attendance asked when the Council would be informed on the accommodation strategy and the Leader stated he recognised the need for Cabinet to work with Scrutiny over the strategy and it was proposed that this should happen shortly. Reference was made to Environment directorate cut backs particularly in relation to the highways. Cabinet advised that although the budget was always under pressure the cut backs referred to were not in relation to the highways.

Further discussion was held on the budgets and reserves and any risk management that needed to be addressed in particular with regard to the ICT strategy. Cabinet expressed that good work had been done in setting up reserves and addressing budget issues.

Cabinet also discussed the work of Scrutiny officers and the Head of Legal and Democratic Services advised Members of the recent interviews carried out to recruit additional staff.

RESOLVED

THAT: Cabinet approve the Corporate Management Board's recommendations for updating the current Medium Term Financial Strategy and resource model highlighted in the body of the report subject to:

- (a) inclusion of the final local government finance settlement figures for Herefordshire for 2008/09 and indicative figures for 2009/10 and 2010/11;**
- (b) a revised planning assumption for a Council tax increase of 4.4% in 2008/09; and**
- (c) continued discussion on the level of reserves in the light of (a) and (b) above.**

19. DRAFT CAPITAL PROGRAMME 2008/09

The Cabinet Member Resources presented the draft Capital Programme to Cabinet and advised that there were a number of issues that could not be addressed within the funds available. Cabinet would confirm its capital budget recommendations to Council on 7 March 2008 following its meeting on 21 February. The Head of Financial Services advised Cabinet that officers had been invited to place bids for the Capital Programme with 27 bids being placed. He referred to paragraph 7 of the report, schemes recommended for funding through the Right to Buy Capital Receipts Reserves and paragraph 8 schemes recommended for funding by Prudential Borrowing. He added that with reference to the Strangford landfill site there was a legal requirement to assess the site. With regard to flooding reference was made to the Holmer School Flood alleviation. Cabinet was advised that the funding was for remedial works for the prevention of the recurring flooding problems experienced in July 2007. Reference was also made to the Sustrans Lottery Bid, whereby the Council was required to provide match funding for a walking and cycling route and the ongoing funding commitment that went with it.

Reference was made to paragraph 9 of the report, schemes that could be funded from prudential borrowing. At paragraph 10 of the report Cabinet was advised of any major bids such as the Master's House scheme Ledbury, however there was uncertainty surrounding external funding and it was not therefore being recommended at this time. Cabinet was also advised that the bid for the Bayley Bridge at Colwall was not a prudential borrowing scheme at present.

Referring again to the Master's House scheme Cabinet was informed that an application to Advantage West Midlands for a multi use grant had been made and a response was expected in February. It was added that a bid had been made for lottery funding also. It was proposed that a further report be brought back to Cabinet on the Master's House scheme in order to confirm deliverability on the project.

Cabinet was also concerned that there would be less funding for other bridges as a result of the Bayley Bridge in Colwall not being part of the capital programme.

Cabinet was advised of some unspent funds for the refurbishment of the town centre. The funds were for the possible integration of the Edgar Street Grid with Widemarsh Street. It was proposed that the funds be put back into the capital programme.

RESOLVED

THAT:

- (a) the funding available be noted;**
- (b) the funding allocations to capital bids be endorsed;**
- (c) the impact of capital spend on Herefordshire Connects in 2008/09 be noted;**
- (d) the position on the capital receipts reserve be noted; and**
- (e) that a further report on the Master's House, Ledbury proposals be brought back to Cabinet.**

20. PROGRESS ON IMPROVEMENT CHILDREN AND YOUNG PEOPLE'S SERVICES

The Cabinet Member Children's Services presented the report to Cabinet on the progress made in Children's Services and complimented staff on the progress that had been made. The Director reminded Cabinet that it had been a difficult Joint Area Review (JAR) outcome in 2005 with a number of things put in place in order to monitor progress. Recently the Government Office for the West Midlands had looked at the requirement to remove the intervention and Cabinet was advised that it had been agreed by the Government Office that the intervention could be removed. This was due to the improvement in outcomes in the last 18 months, which were significant and that services were now either adequate or better across the five ECM outcome areas. The Director advised that she was positive about the letter from the Government Office regarding their comments on Herefordshire as they were in agreement with the directorates own self evaluation. She reiterated that the directorate had worked closely with the Government Office and would continue to have regular meetings but formal intervention had now been removed.

The Director added that the areas for further improvement would be taken forward and a draft Children and Young People's Plan was being finalised for April. She added that the directorate would now return to the normal pattern of reporting to Cabinet.

Cabinet discussed funding for schools with particular regard for Staunton-on-Wye school and was advised that the funds for the school were ring fenced. Discussion was also held over the proposed build of Minster Academy through BSF funding scheme and the wish to have an early rebuild of the school. Cabinet was advised that there was approximately £40m for primary school redevelopment and the worst buildings would need to be prioritised. Cabinet and Members in attendance thanked staff for their hard work in achieving the removal of the formal intervention from the directorate.

RESOLVED

THAT:

- (a) **Cabinet note the significant progress reported and the cessation of formal intervention by Government Office West Midlands;**
- (b) **Cabinet return to the usual performance monitoring and reporting of the Directorate; and**
- (c) **it be noted that Cabinet thanked the Children and Young People's Directorate for their hard work in achieving the removal of the formal intervention by Government Office.**

21. INTEGRATED PERFORMANCE REPORT

Cabinet received the report on the Integrated Performance and Finance Report outlining the Council's performance against the Annual Operating Plan 2007/08 and national performance indicators. The report also outlined partnership performance for the first six months in delivering Local Public Service Agreements, Local Area Agreements and the Herefordshire Community Strategy. The Cabinet Member Corporate and Customer Services and Human Resources praised the report but added that there was still work to do with partner organisations in relation to performance monitoring.

In looking at the highlights of the report Cabinet was informed that there were 23 indicators at red and 24 at green, with a large number still at amber therefore it was unknown whether the target would be reached or not for those areas. Cabinet was advised that the Council was tougher on itself than the Audit Commission regarding its direction of travel. Cabinet was up dated on the overall Comprehensive Performance Assessment result for the Council which is moving from three to two stars. This was as a result of a drop to two stars for the Use of Resources and 1 star for Housing. Cabinet was informed that the drop in the score for housing was not as a result of deterioration in performance, but as a result of a change in the selection of housing performance indicators used by the Audit Commission. Members were advised the indicator was now to measure the length of stay, as opposed to how many families, in bed and breakfast accommodation. A Member in attendance praised the report for its clarity and reiterated the need to emphasise to partner organisations the importance of performance management.

Cabinet addressed the 2007/08 projected outturn as at the end of November 2007, which was just over £3m. There was an increase in the invest to save underspend of £3.5k. With Herefordshire Connects there was a reduction in anticipated expenditure as the project was on hold, with the end of November report showing a £1m overspend. With regards to the Bellwin claim due to the July 2007 flooding there was an overspend; however, there would be a claim from Government for approximately £3m. Cabinet was advised that an area of risk was within Adult and Community Services directorate regarding HALO and job evaluation issues.

RESOLVED

THAT

- (a) **performance to the end of November 2007 and the adequacy of the proposed remedial actions to address areas of under performance be considered; and**
- (b) Cabinet recommend that the Herefordshire Partnership Performance Management Group address under performance on indicators that are led by partner organisation.

22. HEREFORDSHIRE SATISFACTION SURVEY 2007

Cabinet received the Herefordshire Satisfaction Survey 2007, which summarises the recent findings of the survey and the corporate actions to be taken. The Cabinet Member Corporate and Customer Services and Human Resources said that the report was clear and would form part of the Member Seminar on the Satisfaction Survey. Cabinet was advised that the survey was conducted during September and October 2007.

Officers advised Cabinet that there was a statutory requirement to conduct a best value survey every three years. Cabinet was reminded that the Customer Satisfaction Survey was linked to the Community Strategy and that there was a significant change in satisfaction surveys with the emphasise on perception such as quality of life linked to people getting on well together – a key focus in area assessments. It was added that the Hereford Voice Programme was being developed to tease out what more could be done in relation to perceptions. It was noted that 50% of those questioned were fairly satisfied. The overall satisfaction with the Council was at 44%, which had not significantly changed since 2006 when it was at 43%. Members discussed the Herefordshire Matters magazine provided to all households and being able to provide it on tape for the blind. Cabinet was advised that this was being looked into with the Blind College.

RESOLVED That the results of the survey and the actions outlined in paragraphs 21 to 26 of the action plan be noted.

23. PLANNING OBLIGATIONS SUPPLEMENTARY PLANNING DOCUMENT

The Cabinet Member Environment and Strategic Housing presented the Planning Obligations Supplementary Planning Document for adoption, which sets out the Council's policy on the use of planning obligations to be approved by Council following statutory public consultation. Officers were thanked for their work in producing the report. It was stated that the Planning Committee had held a thorough debate over the issues and Cabinet was reminded that 50% of houses in the county were in schemes of under 10 and should this level be retained, this would exclude 50% of new homes built. The Cabinet Member stated that he had spoken with some small builders who did not have any concerns with the proposals; however, some Members in attendance felt this might not be the case with all in the building profession. Officers advised that some of the aims of the SPD were to provide as much certainty as possible to landowners, prospective developers and other interested parties. It was added that there was a high volume of planning applications coming forward and therefore there was a need to put a protocol in place for the future.

Cabinet was informed that an officer would be appointed dealing specifically with Section 106 agreements and would be reporting to Cabinet every six months on the financial planning gains made and on where the funds were to be used. Cabinet welcomed the proposals and the potential revenue to be used in the county that could be brought in. Members stated that it was important to retain the Area Planning Sub-Committees as they felt it was essential with regards to planning applications in their ward areas. Members in attendance welcomed the proposals in the SPD but were concerned about the ultimate cost for young people. Members asked how the figures proposed equated with neighbouring authorities and were advised that there was a considerable variation around thresholds with other authorities. It was proposed that the threshold should go down to one single build as it could be a significant build and therefore should contribute through the Section 106 Agreement. Cabinet debated the effect this could have on rural housing. It was also suggested that some authorities had not gone below the threshold of 10. A Member in attendance stated that the officers' recommendation at the Planning Committee meeting had been not to go below a threshold of six and the Member felt it would

victimise rural residents if the authority did so. The Member agreed that there should be a charge, but felt that it should be reduced if the threshold was to be for one single dwelling.

RESOLVED

THAT it be recommended to Council that:

- (a) the Planning Obligations Supplementary Planning Document and associated Sustainability Appraisal be agreed and adopted;**
- (b) appropriate amendments be made to the Planning Committee Scheme of Delegation to Officers and that a Section 106 Monitoring Officer be recruited by Planning Services;**
- (c) the Supplementary Planning Document be brought into effect by the end of March 2008 and appended to planning applications received from that date; and**
- (d) Cabinet agree the change to the Planning Obligations SPD including with respect to Children and Young People and give Delegated final approval of any amendments to the Cabinet Member Environment and Strategic Housing.**

24. ASSESSMENTS OF 18 - 64 YEAR OLDS' FUTURE NEEDS AND SERVICES: MENTAL HEALTH AND PHYSICAL DISABILITIES

The Cabinet Member Social Care Adults and Health presented the report and reminded Cabinet of the budgetary pressures emerging for the Council. The Director for Adult and Community Services advised Cabinet of the work that had been completed for old people and were now looking at people with learning disabilities. He added that the work was being externally verified.

Cabinet discussed the key points identified looking forward to 2012. It was noted that the county had a higher than average number of residents with mental health problems, which was not expected to change over the coming years. It was also stated that it was predicated that there would be a significant increase in young people with mental health problems, but it was added that when investigated this did not appear to be the case; however, figures were still awaited from the Government with regard to young people. Cabinet was informed that with regard to mental health problems, too much was being spent on residential care and not enough on local support care. With regard to the physically disabled it was expected there would be a 4-5% increase in the physically disabled in the county.

Cabinet was advised that the new regulations come into statute on 1 April and therefore there was a requirement to approve how joint commission plans with the Primary Care Trust would be achieved to deliver more effective services. Cabinet was advised that the joint board made up of the Council and the PCT had already looked at the proposals.

The Chairman of the Health Scrutiny Committee expressed concern that the report had not been presented to the Health Scrutiny Committee and that assumptions were being made and conclusions being drawn up prior to scrutiny being involved. Cabinet agreed that both the Health and the Social Care Scrutiny Committees should have the opportunity to review the report and it was agreed that the decision should be deferred.

RESOLVED That any decision on the Assessments of 18-64 Year Olds' Future Needs and Services: Mental Health and Physical Disabilities be

deferred.

25. **REPLACEMENT LIVESTOCK MARKET** (Pages 1 - 2)

Cabinet considered a confidential report on the replacement of the Livestock Market.

Not for publication this information relates to the financial or business affairs of any particular person (including the authority holding that information).

The meeting ended at 5.40 p.m.

CHAIRMAN

Document is Restricted

DRAFT FINANCIAL STRATEGY 2008 – 2011

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

21 FEBRUARY 2008

Wards Affected

County-wide.

Purpose

1. For Cabinet to make its final recommendations to Council on the budget, Council Tax and treasury management strategy for 2008/09. The draft financial strategy for 2008 – 2011 encompasses these issues. Approval of the budget, Council Tax and treasury management strategy for 2008/09 and the financial strategy for 2008 – 2011 is a decision reserved to Council. Council will be meeting on 7th March, 2008 to consider these issues.
2. For Cabinet to consider the Strategic Monitoring Committee's views on the draft financial strategy 2008 – 2011 as it finalises its recommendations to Council.

Key Decision

This is a Key Decision because it is likely to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000; and it is likely to be significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards.

It was included in the Forward Plan.

Recommendation(s)

THAT Cabinet considers the draft financial strategy 2008–2011 attached to this report and recommends its approval to Council on 7 March 2008.

Reasons

To ensure that the Council Tax and supporting decisions are taken in accordance with statutory obligations.

Considerations

3. Cabinet received a report from the Director of Resources on 24th January, 2008 that set out the Corporate Management Board's (CMB) detailed recommendations for updating the current financial strategy to cover the 2008 – 2011 period. A copy of that report is attached for ease of reference.

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

4. Following detailed consideration of that report, Cabinet resolved to approve CMB's recommendations subject to:
 - a. Inclusion of the final local government finance settlement figures for Herefordshire for 2008/09 and the indicative figures for 2009/10 and 2010/11.
 - b. A revised planning assumption for a Council Tax increase of 4.4% in 2008/09.
 - c. Continued discussion on the level of reserves in the light of a. and b. above.
5. The draft Medium Term Financial Management Strategy 2008 – 2011 attached as an appendix to this report takes into account the approach recommended by CMB as amended by Cabinet. It also includes the draft Treasury Management Strategy for 2008/09 as it impacts directly on both the capital and revenue spending plans for the year.
6. The Financial Resource Model included in the financial strategy document attached to this report includes a 4.4% increase in Council Tax for 2008/09 and the final local government finance settlement figures.
7. The Financial Resource Model included in the financial strategy document attached to this report includes further amendments as follows:
 - a. The results of the latest triennial actuarial valuation of the pension fund received since Cabinet on 24th January, 2008. Assumptions in the Financial Resource Model about the likely level of increase have therefore been replaced with firm figures.
 - b. The final local government finance settlement has changed the amount of supported borrowing for capital projects the authority has to repay following a shift from grant to this funding source. Central government had indicated in consultation on the provisional local government finance settlement that this would not happen.
 - c. Revised assumptions on increases in the Council Tax base following a review of this element of the Financial Resource Model.
 - d. Inclusion of the very latest information on the capital programme and related capital financing costs.
8. The effect of the changes outlined in paragraphs 6 and 7 above is a reduction in the total budget for 2009/10 of £142k and a further £145k in 2010/11.
9. The following table shows how the financial capacity figures have changed between those forecast in the report to Cabinet on 24th January, 2008 to those now presented in the Financial Resource Model included in the draft financial strategy 2008 – 2011:

<i>(All figures in £000's)</i>	2008/09	2009/10	2010/11
Estimated financial capacity as reported to Cabinet on 24th January, 2008	542	3,002	4,689
Less:			
Reduction in income resulting from lower planning assumption for Council Tax increase	-221	-234	-247
Reduction in the local government finance settlement figures and transfers in to Formula			

Grant for borrowing costs	-76	-66	-62
Increased superannuation costs	-43	-85	-88
Capital programme updates	+9	-475	-629
Plus:			
Additional growth in Council Tax base	+145	+153	+161
Change in total budget	0	+142	+147
Updated estimate of financial capacity as a result of the above	356	2,437	3,971

10. The overall impact of the above changes is a reduction in estimated financial capacity in 2008/09 of £186k and a corresponding reduction in the amount estimated to be available to establish an earmarked reserve for Modernisation Plans (paragraph 42 of the Cabinet report attached as an appendix refers). The estimated sum now available is £2.056m compared to £2.242m.
11. Cabinet decided to monitor the impact of any reduction in estimated financial capacity on the level of reserves. The month 10 financial monitoring reports will be available when Cabinet considers this report. Further improvement on corporate budget headings is indicated. It is therefore likely that the sum available to establish the earmarked reserve for Modernisation Plans will be greater than the lower level of £2.056m.
12. The proposed revision to the financial policy for general reserves set out in section 6.4 of the financial strategy remains prudent in terms of:
 - a. Best practice guidance.
 - b. Advice from the external auditor to continue developing policies on reserves and balances.
 - c. The level of risk associated with changes in the key variables within the Financial Resource Model as outlined in section 7.5 of the financial strategy.

Financial Implications

As outlined in the draft Medium Term Financial Strategy 2008 – 2011 appended to this report.

Risk Management

As outlined in the draft Medium Term Financial Strategy 2008 – 2011 appended to this report.

Alternative Options

The CMB considered a number of options for managing the financial pressures to produce a balanced revenue budget for 2008/09 with cash allocated to priorities and flexibility for the future. The reasoning underpinning the recommended approach is explained in the body of the report on the draft financial strategy considered by Cabinet on 24th January, 2008.

Consultees

The Strategic Monitoring Committee has been consulted on Cabinet's draft budget and

financial strategy proposals.

Appendices

The Director of Resources' report for Cabinet dated 24th January, 2008 entitled 'Draft Financial Strategy 2008 – 2011' is appended to this report for ease of reference.

The draft Medium Term Financial Management Strategy 2008 – 2011 prepared in the light of Cabinet's decisions on 24th January, 2008 is appended to this report.

Background Papers

None identified.

DRAFT FINANCIAL STRATEGY 2008 – 2011

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

24TH JANUARY 2008

Wards Affected

County-wide.

Purpose

Council approved the Medium Term Financial Strategy (MTFS) for 2007 – 2010 when the budget for 2007/08 was set in March 2007. This report is seeking Cabinet approval to Corporate Management Board's (CMB's) recommendations for updating the current MTFS for the 2008 – 2011 period. The report has been drafted by the Director of Resources in consultation with the CMB.

Cabinet will receive a further report on the MTFS for 2008 – 2011 from the CMB at its meeting on 24th February 2008 that will include details of the final local government finance settlement and any other suggested changes. Cabinet will also consider views expressed by the Strategic Monitoring Committee (SMC) on this report and finalise its recommendations to Council on the financial strategy for 2008 – 2011, budget for 2008/09 and Council Tax for 2008/09 at that meeting.

Key Decision

This is not a Key Decision as Cabinet will not be confirming its financial strategy recommendations to Council until 24th February 2008. Council will be meeting on 7th March 2008 to set the budget and Council Tax for 2008/09.

Recommendation

THAT Cabinet approves the CMB's recommendations for updating the current medium term financial strategy and resource model highlighted in the body of this report.

Reasons

The current financial strategy set the financial framework within which corporate and service planning for 2008 – 2011 has been taking place. This strategy now needs updating in the light of the:

- a) Pressures revealed by the corporate and service planning process.
- b) Provisional local government finance settlement for 2008/09 – 2010/11.
- c) External assessments and reviews that have taken place since March 2007.
- d) Refresh of the Corporate Plan for the 2008 – 2011 period that is currently underway.

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

- e) Continuing need to modernise and improve internal business processes and key services to the public.
- f) Plans to modernise the way in which Herefordshire Council and Herefordshire Primary Care Trust (PCT) work together to better meet the needs of the community.
- g) Latest view of corporate financial risks – reflecting quantifiable pressures within policies for balances and reserves and highlighting other potential issues.
- h) Latest view of likely outturn for the current financial year.

The external auditor commented favourably on the Council's MTFs for 2007 – 2010 in her Use of Resources report for 2007. The CMB's recommended updates endeavour to ensure that the financial strategy continues to support corporate priorities, despite the pressures listed above, whilst maintaining as much flexibility as possible to respond to the emerging agenda for change.

Considerations

2007/08 Revenue Budget Summary

1. Council set a net revenue budget excluding specific grant funding for schools of £122m for 2007/08. Herefordshire Council's element of householders' overall Council Tax bill was increased by 3.8%. This resulted in a Band D Council Tax of £1,083.44 for Herefordshire Council services. Schools funding provided by the government in the form of Dedicated Schools Grant (DSG) amounted to £78m.
2. The net revenue budget excluding schools is funded as follows:

Source of funding	£m	%
Herefordshire's share of national business rates provided by the government	41	34
Revenue Support Grant provided by the government	7	6
Herefordshire's Council Tax	74	60
TOTAL	122	100

3. The revenue budget allocated to each of the Council's core service areas (excluding schools) amounts to £111.4m out of the total net revenue budget available for 2007/08. The remaining £10.6m is spent on corporate budgets such as:
 - a) The net cost of borrowing.
 - b) Local Authority Business Growth Incentive (LABGI) grant.
 - c) Funding set aside for modernising social care services and business processes.
 - d) Contingency funding for social care services.
4. The following table shows how resources for core services have been allocated in the current financial year:

CORE SERVICE BUDGET 2007/08	£m	%
Adult & Community Services	44.5	40
Central Services	3.4	3
Children & Young People's Services	23.2	21
Corporate & Customer Services	7.9	7
Environment	24.8	22
Human Resources	1.4	1
Resources	6.2	6
TOTAL CORE SERVICE BUDGET	111.4	100

5. In setting the budget for 2007/08, Council ensured that cash resources were allocated in line with priorities. A corporate contingency of £1.3m for social care services was maintained within the base budget. A £2.7m 'Invest to Save / Mitigate' (increasing demand pressures) budget was created and held corporately to support a modernisation programme for adult social care services (older people and learning disabilities). A £824k 'Invest to Save / Mitigate' (increasing demand pressures) budget was also created and held corporately to support a modernisation programme for children's social care services. More minor adjustments to core service base budgets were also made. A tough policy of no inflation on non-pay budgets provided the scope to create additional resources for the priority areas of the budget and ensured that all core services continued to deliver improved levels of efficiency.

2007/08 Forecast Outturn

6. The latest forecast of revenue outturn for the current financial year (the Integrated Performance Report for the year to 30th November 2007 refers) predicts an over spend of £4.7m on core service budgets and an under spend of £3.7m on corporate budgets giving rise to an overall over spend of £1m. The position is summarised in the following table:

FORECAST OUTTURN 2007/08	NET BUDGET £m	OVER / UNDER (-) £m	%
Adult & Community Services	44.5	3.7	8.3
Central Services	3.4	- 0.4	- 11.8
Children & Young People's Services	23.2	0.7	3.0
Corporate & Customer Services (including cost of Siemens contract not currently in the revenue budget)	7.9	1.2	15.2
Environment	24.8	- 0.4	- 1.6

Human Resources	1.4	0	0
Resources	6.2	- 0.1	- 1.6
FORECAST OUTTURN FOR SERVICE BUDGETS	111.4	4.7	4.2
FORECAST OUTTURN FOR CORPORATE BUDGETS	10.6	- 3.7	-34.9
FORECAST OUTTURN FOR THE REVENUE BUDGET	122	1.0	0.8

7. The position outlined in the table shown in paragraph 6 could improve further if:
- Delays in revenue and capital programmes continue.
 - The reduction in the forecast over spend for adult social care services detected for the first time between September and November 2007 for 2007/08 continues a downward trend.
 - More LABGI grant is awarded.
 - The outturn cost of the June and July flood repairs and the settlement of the Belwin grant claim.
8. The table in paragraph 6 shows an overall over spend of 0.8% of the total net revenue budget is currently forecast for 2007/08. This is within the Council's current policy of managing to within a +1% tolerance of net budget. There are three points to note however:
- The current practice of holding the social care contingency in the corporate base budget distorts the over spend position for the Adult & Community Services and Children & Young People's core service budgets.
 - The current practice of holding the modernisation funding for adult social care and children's social care in the corporate base budget distorts the over spend position for these service budgets and for corporate budgets.
 - The current policy of requiring core services to manage within a +1% tolerance of net budget means that managers potentially do not achieve excellence in financial management.
9. The presentational issues outlined in 8 a) and 8 b) above are important in terms of the Council's Use of Resource assessment. Given the Comprehensive Spending Review 2007 (CSR07) sets out a challenging agenda for public services within challenging financial constraints, a policy of allowing a +1% tolerance on net revenue spending compared to budget cannot be sustained. Managers at all levels must achieve efficiency and performance improvements in support of corporate plans within the agreed budget.
- 10. The CMB therefore recommends the following amendments to the current MTFs to address the issues identified in paragraph 8:**

- a) That the social care contingency of £1.3m in the corporate base budget be shared equally between the adult and children’s social care base budgets.
- b) That the adult social care modernisation funding of £2.7m be transferred from the corporate base budget to a ring-fenced budget within the Adult & Community Services service budget and that it is released by the Director of Adult & Community Services in consultation with the Director of Resources.
- c) That the children’s social care modernisation funding of £824k be transferred from the corporate base budget to a ring-fenced budget within the Children & Young People’s Services core service budget and that it is released by the Director of Children & Young People’s Services in consultation with the Director of Resources.
- d) That all managers with budget responsibilities shall ensure that spending is within the agreed budget.

Provisional Local Government Finance Settlement 2008/09 – 2010/11

11. The provisional local government finance settlement for 2008/09 – 2010/11 was announced on 6th December 2007. In overall terms, it was in line with the funding allocated within CSR07 for local government spending programmes and was widely heralded as the worst settlement for 10 years.

12. The provisional Formula Grant funding figures for Herefordshire for the next three years are as follows:

Year	Formula Grant £m	Increase £m	Increase
2008/09	53.373	2.569	5.1%
2009/10	55.445	2.143	4.0%
2010/11	57.652	2.234	4.0%

13. The table in paragraph 12 indicates that Herefordshire’s cash increase on a like-for-like basis is 5.1% for 2008/09 falling to 4% in the following two years. Using the government’s inflation figure of 2.75%, this represents a real terms increase of 2.35% in 2008/09 and 1.25% thereafter. The increase for 2008/09 matches the average increase for shire unitaries without fire service responsibilities. Cabinet considered the outcome of the provisional local government finance settlement in more detail at its meeting on 13th December 2007.

14. The current MTFs assumed there would be a cash standstill in Formula Grant for 2008/09 and 2009/10. When the MTFs was agreed in March 2007, the prognosis for CSR07 was that it would prove very challenging and there were concerns that proposed changes to the distribution formulae would have an adverse effect. The Council’s assumptions were in line with those made by most other authorities when setting their budgets for 2007/08.

15. **The CMB recommends that the Financial Resource Model (FRM) within the MTFs is updated with the provisional Formula Grant figures for the next three financial years and for known transfers in and out of the local government finance system.** The resource model will be updated again when the final figures have been announced

later this month. A financial risk is that the final figures may vary from the provisional more significantly than was the experience for 2007/08.

Financial Resource Model (FRM) 2008/09 – 2010/11

16. The CMB has reviewed the FRM within the current MTFS and has a series of recommendations to make to Cabinet for the FRM within the draft MTFS for 2008 – 2011 concerning:
- a) Future Council Tax increases.
 - b) Inflation uplifts.
 - c) Deliverable efficiency gains.
 - d) Base budget adjustments.
 - e) Funding for modernisation and integration programmes.

Future Council Tax Increases

17. The current MTFS assumes Council Tax increases of 4.7%. The government has been clear about its expectation for an **average** Council Tax increase of well below 5% in 2008/09. Whilst the situation will need to be carefully monitored, a 4.7% increase is not expected to present a difficulty in terms of the government's stated policy intention. A 1% increase in Council Tax represents approximately £750k of additional cash resource in the first year it is generated, a figure that compounds over time with subsequent increases. A corresponding reduction in planned spend would be required if the Council Tax were lower than the planning assumption which would affect the Council's ability to improve services in line with corporate priorities. **The CMB therefore recommends that the 4.7% planning assumption for Council Tax increases is retained for the draft MTFS for 2008 – 2011.**

Inflation Uplifts

18. The current FRM for 2007 - 2010 includes 2% for pay inflation in each year in line with government assumptions at the time. The pay award for 2007/08 was settled at 2.475%. The government's assumption for pay inflation for the next three financial years remains at 2% and its stated intention is to negotiate a three-year pay agreement for public sector workers. **The CMB therefore recommends that the 2007/08 salary base budget be uplifted by an additional 0.475% and that the policy of a 2% uplift for pay inflation be retained for the draft MTFS for 2008 – 2011.**
19. The current FRM for 2007 – 2010 does not provide for an inflationary uplift on non pay expenditure budgets. This challenging policy ensures that managers:
- a) Negotiate robust contracts for the provision of services.
 - b) Manage contracts and contractor performance effectively.
 - c) Continually review service delivery arrangements to ensure improvements in efficiency and value for money.
20. The CMB has checked that this approach to securing efficiency gains for 2008/09 – 2010/11 in can be achieved in all service areas through better use of resources without any significant reductions in the level of service provided. The following table identifies

the core services where this policy creates the most financial pressure in absolute terms and explains how CMB expects that pressure to be managed:

Core Service	Estimated Financial Pressure	Management action
Adult social care	£880k	This pressure reduces to £596k after allowing for additional income from Fairer Charging in the FRM and the effect of the proposed efficiency targets outlined in paragraph 23 of this report. The Director of Adult & Community Services advises that this pressure cannot be managed without a reduction in the level of service provided. He further advises that he will have an efficiency plan in place by the end of March 2008 designed to manage this pressure without a reduction in the level of service provided. The CMB recommends that the adult social care base budget should be increased by £596k in order to avoid service cuts.
Waste	£360k	The Environment Directorate's efficiency plan is designed to manage this pressure without a reduction in the level of service provided.
Children's social care	£220k	This pressure can be managed by allocating £650k from the social care contingency currently in the corporate base budget to the service base budget.
Highways	£200k	The Environment Directorate's efficiency plan is designed to manage this pressure without a reduction in the level of service provided.
Schools Transport	£180k	The Director of Children's Services plans to review the school transport policy.

21. The CMB has only identified one significant example of the current policy for efficiency gains causing difficulty if retained for the FRM for 2008 – 2011. A reduction in the level of adult social care services that can be provided is clearly not acceptable given this service is a corporate priority. **The CMB therefore recommends that the current policy is retained as an incentive to improve efficiency and value for money with the exception of a one-off increase of £596k to the base budget for adult social care.**

22. The current FRM assumes inflation on client and customer receipts budgets of 2.5%. The key exceptions are income budgets where the fee is dictated by a statutory arrangement. **The CMB recommends that this policy is retained for the draft FRM for 2008 – 2011 and that the review of all fees and charges is integrated into the budget policy framework.**

Deliverable Efficiency Gains

23. The CMB has assessed corporate opportunities to reflect the efficiencies managers deliver on a day-to-day basis in the base budget for core services. **The CMB recommends that the following efficiency gains that are already delivered on a routine basis are included in the draft FRM for 2008 – 2011:**

- a) **A vacancy turnover rate of 1% thereby reducing the Council's overall pay bill by £500k.**

b) **A reduction in expenditure on supplies and services of 1% thereby reducing overall expenditure by £200k.**

c) **A further reduction in the cost of employing agency and temporary staff of £100k through consistent use of the new framework contract.**

24. The CMB has also reviewed proposals from the Benefits Group that exists as part of the governance arrangements for the Herefordshire Connects programme on efficiencies both within that programme and outside of it that can be delivered whilst waiting for final approval to proceed with the programme. In total, further efficiency gains totalling £750k a year from 1st April 2008 have been identified as follows:

Efficiency Gain	Estimated Saving
Printer / copier rationalisation	£100k
New mobile telephone tariff	£25k
New postal services contract	£70k
New BT line rental contract	£10k
New PC supplier contract	£10k
Improved WMS usage	£50k
Increase in WMS dividend	£90k
Externalise travel management arrangements	£10k
Standardisation of PC specification	£200k
Purchasing card rebate	£25k
Strategic sourcing	£160k
TOTAL	£750k

25. **The CMB recommends that the efficiency gains outlined in the table in paragraph 24 are included in the FRM within the draft MTFS for 2008 – 2011.**

26. The Director of Environment is in the process of implementing a plan to achieve efficiencies and improvements in service delivery within the limits of the cash allocations for his area of responsibility. The CMB supports this proactive approach to financial management and service improvement as an example of good practice in obtaining value for money from public money.

27. The Director of Adult & Community Services is currently preparing an efficiency plan to ensure services are delivered within budget without the need for any significant change in the level of service provided. This efficiency plan will need to complement the service modernisation plan for adult social care. The CMB endorses this approach as an essential component of every Director's financial management responsibilities. The plans need to be finalised and formally approved as a matter of urgency in readiness for the new financial year.

Base Budget Adjustments

28. The current FRM needs to be continually reviewed to refine the way the model works and to reflect the most up-to-date information that is available.

29. **The CMB recommends removing grant budgets from the list of income budgets to be inflated by the agreed uplift of 2.5%.** This will make the model more precise and avoid creating unrealistic income expectations.

30. **The CMB recommends that the following adjustments to the FRM are made to reflect the latest available information:**

- a) **Updating capital financing costs to reflect slippage in the approved capital programme and a prudent level of additional borrowing to fund new capital investment.**
- b) **Removing £100k spare capacity in corporate budgets such as banking, insurance and audit fees.**
- c) **Adding £1.1m to revenue to cover the net revenue cost of the Siemens contract (Community Network Upgrade or CNU project).**
- d) **Additional property related pressures due to changes in the empty properties rate relief scheme (£126k), loss of income following the sale of industrial units (£201k) and service charges for Plough Lane (£100k).**
- e) **Additional funding needed to prepare the Local Development Framework (£500k in 2009/10 and 2010/11).**

Modernisation Funding

31. The current FRM allows £2.7m a year to support the modernisation of adult social care services for older people and those with learning disabilities. This funding was allocated following a detailed needs analysis for these particular client groups. The needs analysis for adults with mental health and physical disabilities has now been completed and modernisation funding for these services of £275k in 2008/09 rising to £550k in 2009/10 is required. **The CMB recommends that modernisation funding for adult social care services:**
- a) **Is included in the FRM within the draft MTFS for 2008 – 2011 as modernisation of these services is a key corporate priority.**
 - b) **Is ring-fenced within the base budget for adult social care for modernisation purposes only.**
 - c) **Is released by the Director of Adult & Community Services following consultation with the Director of Resources.**
32. The CMB anticipate that plans to modernise both service provision and support services will start to take shape now that the new joint Chief Executive has taken up post. The PCT has already taken an opportunity to set aside some cash to help support implementation of emergent plans for modernisation. The PCT will transfer £300k to the Council to manage on its behalf. **The CMB recommends that the FRM within the draft MTFS for 2008 – 2011 includes a Council match funding contribution to be held in an earmarked reserve called ‘Modernisation Plans’ until such times as an modernisation plan for the two organisations has been formally approved.**
33. The Council has been developing a corporate programme to modernise the way in which day-to-day business is transacted to deliver improved value for money and better services for the community. That programme – Herefordshire Connects – is poised at a strategic decision making point pending conclusion of discussions on the affordability of the programme in the context of the MTFS and to give the new Chief Executive the opportunity to influence the way forward.
34. The FRM within the MTFS for 2007 – 2010 includes the financial envelope for Herefordshire Connects programme as outlined in April 2006 but adjusted to reflect

estimated timings of investment and benefits as at March 2007. The passage of time means that the original financial model is now too old to be a reliable basis for the FRM within the draft MTFs for 2008 – 2011. Much work has been done since Deloitte were appointed as the preferred supplier to revise the financial envelope. **However, the CMB recommends that the assumptions in the current FRM about the Herefordshire Connects programme are removed and replaced with the following:**

- a) **The investment requirement for a replacement social care management information system (£706k in 2008/09 reducing to £154k thereafter – subject to the call-in process).**
- b) **Funding for the Herefordshire Connects Core Team so there is a resource to maintain a Council-wide modernisation programme (£450k in 2008/09 reducing to £300k in 2009/10 and £200k in 2010/11).**
- c) **Funding for urgent ICT strategy work needed to support the Herefordshire Connects programme and ICT infrastructure (£247k in 2008/09 rising to £647k thereafter).**
- d) **The Herefordshire Connects programme is a modernisation programme awaiting review and formal decision. Detailed financial information is yet to be finalised pending that review and may not be available in time for decisions on the budget for 2008/09. The CMB therefore recommends that the financial capacity to support the programme is provided through a new earmarked reserve called 'Modernisation Plans' rather than through the FRM until such times as a formal decision on the way forward has been taken.**

Financial Capacity 2008 - 2011

35. Were Cabinet minded to agree the CMB's recommendations for updating the MTFs and FRM outlined in this report so far, the updated FRM for 2008 – 2011 indicates financial capacity figures as follows:

- a) 2008/09 – financial capacity £542k.
- b) 2009/10 – financial capacity £3.002m.
- c) 2010/11 – financial capacity £4.689m.

36. The CMB is acutely aware that the agenda for change is significant in terms of the need to modernise:

- a) Transactional business processes – the Herefordshire Connects programme.
- b) Working practices – introducing alternatives to having a fixed office base where that supports business need more efficiently and supporting better use of ICT.
- c) Schools infrastructure – supporting plans to make more efficient use of cash and assets to release resources for improving educational attainment and supporting plans to structure the Children & Young People's Directorate by September 2008.
- d) Services other than those mentioned already in this report – the learning disability service is one such proposal in the pipeline. A new accommodation and support contract may be agreed by Cabinet in 2008.

- e) Office accommodation – improving value for money and efficiency.
 - f) Positively in response to the Crookall report – including investing in additional strategic procurement and ICT audit capacity.
 - g) Council and PCT service provision and support functions (paragraph 32 refers).
37. There are a range of strategic issues that need to be brought together into one coherent plan for modernisation that the Council will need help and support to develop over the next 5 – 6 months. **The CMB therefore propose that the financial capacity available in 2008/09 (currently estimated at £542k) is used as an initial contribution to a proposed earmarked reserve to be called ‘Modernisation Plans’ to be released as such plans are formally approved.**
38. The FRM indicates financial capacity of approximately £3.0m for 2009/10 and £4.7m for 2010/11. This flexibility is most welcome but CMB would caution against allocating that resource in advance of the modernisation plan referred to in the preceding paragraph so that cash can be allocated in line with corporate priorities yet to be established. **The CMB therefore recommends that the financial capacity indicated in the updated FRM for 2009/10 and 2010/11 be allocated in line with corporate priorities for modernisation as these are distilled in the coming months.**

Reserves and Balances

39. The CMB has identified an opportunity to use an earmarked reserve that is no longer needed to provide for another purpose. An earmarked reserve was created at the end of 2007/08 for £505k to deal with an expected change in the accounting treatment for a certain type of loan instrument. The proposed change has been dropped and the earmarked reserve is no longer needed for this purpose. **The CMB recommend that this funding is used to create an earmarked reserve to cover the Bellwin threshold to be called the ‘Bellwin Threshold Reserve’ in the event it is triggered due to flooding or other eligible emergency.**
40. The audited accounts for the 2006/07 financial year confirmed an opening position on the general reserve for the current financial year of £8m. The MTFs for 2007 – 2010 included planned use of balances of £1.4m that would reduce this figure to £6.6m. This figure may reduce by up to a £1m on the basis of the current forecast for outturn. At £5.6m, the level of general reserve balance is comfortably in excess of the Council’s current policy to retain a minimum of £3m. However, the £3m minimum represents just 2.5% of the current net revenue budget and is at the low end of the 2.5% to 5% recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA).
41. The external auditor commented favourably on the Council’s improved approach to managing reserves and balances as set out in the MTFs for 2007 – 2010 but she also noted that there was scope for further improvement. **The CMB therefore recommends the following changes to the current MTFs for the draft MTFs for 2008 – 2011:**
- a) **The policy for a minimum general reserve balance be increased to £4.5m (approximately 3.5% of the net revenue budget) to provide adequate cover for demand pressures that are volatile, difficult to predict or unforeseen at the time the budget is set.**
 - b) **That the excess above the £4.5m minimum requirement for the general reserve is allocated to the proposed earmarked reserve to be called ‘Modernisation Plans’ to be released as such plans are formally approved.**

42. Application of this policy, based on the latest assessment of outturn for the current financial year, the changes to the FRM outlined in this report and the provisional local government finance settlement figures, would establish an earmarked reserve for Modernisation Plans totalling approximately £2.242m (estimated £1.1m excess on the general reserve, estimated financial capacity in 2008/09 of £542k and £600k funding set aside by the Council and PCT for modernising health & social care services).

Financial Implications

43. As outlined in the body of the report.

Risk Management

44. The CMB recognises that core service areas need to manage financial pressures within the resources made available for each area. This section of the report highlights potential risks that Directors consider might be difficult to contain within the resource allocation. This list will be kept under review and may change as new pressures emerge or potential ones are absorbed within budget. Formal agreement to over spend must be sought (emergency situations are allowed for within the Constitution) before a commitment to over spend is entered into.
45. ICT budgets could potentially experience pressure in the future as measures to balance the budget in the current financial year have been incisive. It has not yet certain that the cuts are sustainable in the long term. There may be a need for further investment in the ICT infrastructure due to the increasing level of risk associated with some elements of the ICT platform that have not be upgraded due to expected replacement through the Herefordshire Connects programme.
46. Customer Services budgets are supported through to the end of 2008/09 with additional funding of £500k a year as frontline services transfer from Directorates to the Customer Services team. Progress with implementing this policy needs to be carefully tracked against the current financial resource provision.
47. There may be financial pressure on the Coroners budget if the Herefordshire Coroner is required to assist with an increased number of inquests into the deaths in service of members of the armed forces.
48. Pressure on Democratic Services continues to grow with the volume of scrutiny work that is under way that requires officer support. This is a position that is being carefully monitored.
49. If Council opts to carry out a strategic consultation exercise on corporate priorities later in the year, this would involve currently unplanned expenditure of approximately £32k.
50. Full details of how the new Area Based Grant (ABG) will work are awaited. The ABG will comprise 38 former specific and special grants totalling approximately £8.8m that currently make a significant contribution to the Council's financial capacity and ability to deliver core services.

Alternative Options

The CMB considered a number of options for managing the financial pressures to produce a balanced revenue budget for 2008/09 with cash allocated to priorities and flexibility for the

future. The reasoning underpinning CMB's recommended approach is explained in the body of the report.

Consultees

The CMB and the Monitoring Officer have been consulted on the content of this report.

Appendices

Appendix 1 – CMB's draft Financial Resource Model (FRM) 2008 – 2011.

Background Papers

Medium Term Financial Management Strategy 2007 – 2010.

Provisional local government finance settlement 2008/09 – 2010/11.

Glossary

CMB – Corporate Management Board; the most senior management team within the Council.

CSR07 – Comprehensive Spending Review 2007; the government's review of its public spending priorities for 2008 – 2011 published in October 2007.

DoH – Department of Health; the government department responsible for the National Health Service.

DSG – Dedicated Schools Grant; ring-fenced grant funding provided for the government to run schools, calculated on a per capita basis.

FRM – Financial Resource Model; a term used within the Council to refer to the financial model for the revenue account in future years.

LABGI – Local Authority Business Growth Incentive; a grant allocation from government redistributing additional national business rate income.

MTFS – Medium Term Financial Strategy; a term used within the Council to refer to the financial strategy for the revenue account, the capital account, treasury management, reserves and balances, financial management etc.

NHS – National Health Service; needs no further explanation.

PCT – Primary Care Trust; commissioners / providers of public health services.

SHA – Strategic Health Service; represent the Department of Health at regional level.

SMC – Strategic Monitoring Committee; the Council's over-arching policy scrutiny committee.

Foreword by the Leader & Cabinet Member (Resources)

This is Herefordshire's refreshed Medium Term Financial Management Strategy (MTFMS). Its predecessor was agreed by Council in early 2007 and at that time represented a significant shift in the Council's financial management. It is not too dramatic to say that the move to a three year financial plan was evidence of the need to change the Council's financial culture from one centred on short-term budget setting to a more considered and adaptable medium-term model able to support service improvement.

Since the original MTFMS was agreed last year much has changed. Herefordshire is the first place in the country to have a single chief executive running both the council and the primary care trust and at a national level a new Prime Minister has confirmed that the pace of change in the public sector will not slow down. We will shortly see our performance measured within a new Comprehensive Area Assessment (CAA) framework. The new Area Based Grant (ABG) will be a significant force for change in 2008 as it pools over £8m of Herefordshire's specific grants into a single "pot" to deliver area based improvements. The MTFMS has had to reflect all these developments along with the outcome of national reports such as the Lyons Review.

Locally we have continued to see challenges and change affect the way we do business. The MTFMS is accompanied by a new set of Contract Procedure Rules and Financial Procedure Rules that support implementation of the financial strategy. Our new set of detailed policies and procedures will ensure budget holders have proper regard to the management of finance and ensure that the cash follows our priorities.

The challenges and opportunities that modernisation of service provision will bring are supported by the way we allocate our money. The refreshed MTFMS signals the establishment of a Modernisation Fund built up with the limited financial headroom we have in 2008/09 and the funds available after we have implemented a new policy covering the level of general reserves we hold. Perhaps most significantly the fund will include a £300,000 contribution from the Herefordshire Primary Care Trust (PCT). This is matched by the same amount from the Council and is strong evidence of a clear commitment by Herefordshire to ensure greater partnership working and value for money, ensuring Herefordshire continues to make decisions on how public services are delivered.

Cllr Roger Phillips
Leader of the Council

Cllr Harry Bramer
Cabinet Member (Resources)

Foreword by the Chief Executive & Director of Resources

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

The outcome of the Comprehensive Spending Review 2007 (CSR07) will provide a financial challenge over the next three years every bit as challenging as we predicted last year. Whilst Herefordshire's Financial Settlement provided some headroom the Council must meet increasing demands for services in the years ahead. The Medium-Term Financial Management Strategy (MTFMS) now forms an important part of our financial governance and leadership arrangements. It sets out our approach to strategic financial management, concentrating on longer-term financial planning in support of longer-term corporate and service priorities.

The MTFMS is helping to ensure a change in Herefordshire's financial management culture takes shape and we change the way we use our financial resources. Whilst the Director of Resources is responsible and accountable for leading and advising on financial issues, all managers have a collective responsibility for financial management, including efficiency review and Value for Money, and treating cash as a corporate resource. The 'non-negotiables' in the job descriptions of all our Heads of Service underline this responsibility at Corporate Management Board and Senior Management Team level.

Financial management must be part of everyone's job and is a critical success factor for the Council as growth in public spending reduces significantly.

151 Statement by Chief Finance Officer

The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance officer, in the Council's case the Corporate Head of Finance and Resources must report on:

- a) the robustness of the estimates made for the purposes of the budget calculations; and
- b) the adequacy of the proposed financial reserves.

Chris Bull
Chief Executive

Sonia Rees
Director of Resources

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1. Executive Summary

- 1.1 Herefordshire Council's Medium-Term Financial Management Strategy 2008-2011 (MTFMS) sets out how the Council intends to maintain financial stability, support investment in priority services, allocate resources, deliver improved Value for Money and manage risk as we face up to very challenging times for local government.
- 1.2 Whilst building on the previous strategy the emphasis remains one that supports the Council's financial management culture where everyone strives for a greater shared understanding of the pressures the Council is working to address. Financial objectives and policies are no longer something that is only of interest to accountants but to all colleagues concerned with service delivery and improvement.
- 1.3 In the year since the publication of the MTFMS 2007-2010, public service reform has remained high on the government's agenda, with local providers required to work together more closely than ever before. In Herefordshire, the agreement to develop proposals for establishing Herefordshire Public Services (HPS) is evidence of a commitment to deliver modern effective services.
- 1.4 Herefordshire is an under-resourced council, stretched to deliver services throughout a large, sparsely populated area. Our government funding is approximately 18% lower per head of population than the average for similar authorities and we have a lower than average Council Tax too. Capital resources are also limited.
- 1.5 Sound financial governance is vital as we enter the most challenging period the Council has faced since it came into being. Our key financial objectives for improving our service and financial performance are to continue to ensure that budget plans are realistic and support corporate priorities, to maintain an affordable Council Tax, to protect the vulnerable, to deliver services within budget and to ensure an integrated approach to service and financial planning.
- 1.6 The MTFMS encompasses revenue spending, capital investment, efficiency improvement and treasury management in order to achieve these objectives, ensuring complete transparency about what is and what is not resourced. The factors that will underpin the Council's ability to maintain its current financial standing into the future and achieve its service improvement aspirations are strong corporate working supported by open book accounting and good financial management systems.

2. Introduction

2.1 Background

2.1.1 This is a comprehensive Medium-Term Financial Management Strategy (MTFMS) for Herefordshire covering the financial years 2008/09 to 2010/11 and it sets out Herefordshire's key financial aims and objectives. It shows how it intends to manage its financial affairs in order to maintain financial stability over the challenging period faced by local government.

2.1.2 The MTFMS forms part of Herefordshire's integrated corporate, service and financial planning cycle. This cycle is designed to ensure that corporate and service plans are developed in the context of available resources and that those resources are allocated in line with corporate priorities.

2.1.3 The MTFMS is reviewed annually at the start of the integrated financial and service planning cycle. Any material changes to the assumptions it contains will be reported in the routine Integrated Performance Reports produced for Cabinet at the end of months 4, 6, 8 and 10.

2.2 Aim

2.2.1 The MTFMS aims to ensure that the Council has a stable and sustainable financial basis for supporting investment in priority services.

2.3 Purpose

2.3.1 The purpose of this strategy is to show how the Council's cash resources will be used to support achievement of the objectives set out in the:

- a) Herefordshire Community Strategy (HCS).
- b) Local Area Agreement (LAA).
- c) Local Public Service Agreement (LPSA2).
- d) Corporate Plan.
- e) Annual Operating Plan (AOP).

2.4 Objectives

2.4.1 The objectives of the MTFMS are to:

- a) Define the financial context for future service improvement decisions.
- b) Set a baseline for reviewing resource availability & financial performance.
- c) Establish and maintain a balanced budget.
- d) Ensure corporate priorities drive the allocation of cash resources.
- e) Promote strong financial governance at all levels within the Council.
- f) Manage risks by keeping reserve funding and debt at appropriate levels.
- g) Plan for Council Tax increases in line with national guidance.
- h) Provide a focus on delivering improving efficiency & Value for Money.

2.5 Coverage

2.5.1 The MTFMS contains:

- a) An overview of the financial outlook for local government and how we expect that to impact on Herefordshire.
- b) A revenue budget strategy that sets out how we will achieve improving efficiency and Value for Money.
- c) A medium-term financial plan for the revenue account.
- d) A capital strategy covering investment decisions including ICT.
- e) A medium-term capital investment plan.
- f) A treasury management strategy setting out our view of likely interest rate movements, timing of investment and borrowing decisions, how we will deal with risk in our treasury management activities and our view on affordable debt limits.
- g) A detailed financial risk assessment that shows the major areas of financial uncertainty, their likelihood of occurrence, their potential impact and how we propose to mitigate those risks.
- h) A sensitivity analysis that shows the impact of adverse variations in key assumptions in the Financial Resource Model (FRM) included in the MTFMS.

2.6 Summary

2.6.1 Herefordshire faces a series of significant challenges and opportunities over the next three years. This situation can be assisted by adopting a corporate approach to financial management as outlined in the MTFMS.

3. National Policy Context

3.1 Introduction

3.1.1 Change in the public sector has been extensive in recent years and this trend is set to continue for the foreseeable future, not least because the UK has a new Prime Minister and Cabinet. It is important to set the MTFMS in the context of the changing policy context at national level so we have the financial capacity and flexibility to deal with the change as it happens.

3.1.2 The following national policy documents have been published in the last 12 months that have significant implications for local government:

- a) The Local Government and Public Involvement in Health Bill (December 2006).
- b) The Transition from Comprehensive Performance Assessment to Comprehensive Area Assessment (Audit Commission - April 2007).
- c) Place-shaping: a shared ambition for the future of local government (final report of the Lyons Inquiry - March 2007).
- d) Review of sub-national economic development and regeneration (HM Treasury - July 2007).
- e) Comprehensive Spending Review 2007 (CSR07).

3.1.3 These build on and develop ideas from the Local Government Association (Closer to People and Places – a new vision for Local Government); the Local Government White Paper – strong and prosperous communities as well as the Prime Minister’s Strategy Unit’s report – the UK government’s approach to public service reform.

3.1.4 A brief summary of these papers is provided below in sections 3.2 to 3.5 respectively.

3.1.5 Finally, section 3.6 of the MTFMS identifies the key pieces of new legislation that are likely to impact on service delivery.

3.2 Place-shaping: a shared ambition for the future of local government

3.2.1 Sir Michael Lyons published his final report on the future role and function of local government on 21 March 2007.

3.2.2 In his report, Sir Michael called for a new partnership between central and local government. This needed to be based on changes in behaviour from all tiers of government to achieve a stronger relationship – creating a shared ambition for the future.

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- 3.2.3 Sir Michael argued that central government needed to leave more room for local discretion and recognise the value of local choice; while local government needed to strengthen its own confidence and capability, engage more effectively with local people, make the best use of existing powers and stop asking for central direction.
- 3.2.4 Sir Michael concluded that council tax was not 'broken' but is seen as unfair and had been put under too much pressure.
- 3.2.5 The budget statement confirmed the Government's response to the Lyons report and indicated it would:
- a) Examine the local government grant system for potential to provide greater rewards to councils delivering increased economic prosperity in their areas.
 - b) Set targets for reducing specific grants, ring fenced funding, complex time consuming reporting and data provision.
 - c) Continue with capping powers.
 - d) Consider the proposal relating to Council tax benefit.
 - e) Modernise the empty business property rate scheme.
 - f) Not revalue Council Tax during this Parliament thus ruling out any changes to the banding structure.
 - g) Not introduce any tourism tax.

3.3 Review of sub-national economic development and regeneration

- 3.3.1 This further piece of work also provided context for the CSR07 and was published in July. This policy document proposed significant changes to the roles and balance between regional and sub-regional bodies and placed emphasis on improving their working relationships in future.
- 3.3.2 The review was based on three principles:
- a) Managing policy at a spatial level.
 - b) Ensuring clarity of roles.
 - c) Enabling places to reach their potential.
- 3.3.3 Key policy proposals were:
- a) A duty on upper tier local authorities to carry out an economic assessment of their area along with a requirement / duty for named bodies to co-operate in its production.
 - b) To devolve budgets to local authorities and to strengthen local decision making and leadership.
 - c) To transfer funding for 14-19 year olds back from the Learning and Skills Councils to local authorities.

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- d) To encourage sub regional working through the development of Multi Area Agreements (MAAs), with the first MAAs in place by mid 2008.
- e) To enable local authorities to pool resources and develop / implement policies on a sub regional level.
- f) That Regional Development Agencies (RDAs) produce a combined regional economic and spatial strategy, taking the role of Regional Planning Body from the Regional Assembly.
- g) That local authorities be given responsibility for scrutinising RDA performance.
- h) The government would strengthen the RDA performance management framework.
- i) Regional assemblies would be abolished by 2010.
- j) That each region have a ministerial champion – Liam Burn MP has since been appointed for the West Midlands.

3.3.4 In summary, the sub national review is a package of change across government in response to the Lyons Inquiry into local government, the Barker Review of land use planning, the Eddington transport study and the Leitch review of skills.

3.4 The Local Government and Public Involvement in Health Bill

3.4.1 This contains proposals on council restructuring, designated political leadership models, creating a new inspection and scrutiny regime, enabling broader and stronger local area agreements, empowering frontline councillors and creating a duty for councils to develop and create local involvement networks (LINKS).

3.4.2 The Bill takes forward the decentralisation and deregulation proposals in the Local Government White Paper 2006 but does not address the recommendation in the Lyons Inquiry report on the future role and funding of local government. If enacted, the Bill would pave the way for:

- a) Restructuring in nine areas of the country and the creation of new unitary authorities in what are currently two tier areas.
- b) The introduction of Comprehensive Area Assessments from 2009.
- c) A reduced national data set of performance indicators for local government.
- d) The adoption of one of three forms of political management arrangements.
- e) A statutory framework for local area agreements across the country supported by a duty of co-operation on a wide range of public bodies.

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- f) The introduction of community calls for action and LINKS to offer more health and social care accountability.

3.5 The transition from CPA

3.5.1 Work has already begun on the practical aspects of the new performance framework for local government – the Comprehensive Area Assessment (CAA) - set out in the Local Government and Public Involvement in Health Bill. The Audit Commission have published three reports:

- a) The evolution of regulation.
- b) The transition from CPA to CAA.
- c) CPA - the harder test framework.

3.5.2 The CAA is a fundamentally different approach to assessment that is area based, risk focussed and more forward looking than CPA. It will take account of how services are delivered across areas and focus on outcomes and the active engagement of people in the design, delivery and assessment of services.

3.5.3 At the core of CAA lie:

- a) An area based risk assessment on the chances of the successful achievement of an area's priority outcomes.
- b) A direction of travel assessment building on those that already exist for individual public bodies.
- c) A use of resources judgement.
- d) A national data set of 198 indicators with an emphasis on perception indicators.

3.5.4 Future inspection will be targeted on areas with specific weaknesses in any respect. CAA will be introduced in the Spring of 2009.

3.6 Other Government Policy Initiatives

3.6.1 On Tuesday 6th November 2007 the Queen's speech indicated the Government will bring forward legislation that will have varying levels on impact on local government. The Key Bills for local government and their potential impact are set out below:

3.6.2 Housing and Regeneration Bill:

- a) Establishes the **Homes and Communities Agency (HCA)** in England – merging the Housing Corporation and English partnerships.

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- b) Creates the Office for Tenants and Social Landlords – a new, independent regulator for the social housing sector.
- c) Introduces the statutory planning charge to fund infrastructure, this is the government's alternative to the Planning Gain Supplement.
- d) Allows “eco towns” – with zero or low carbon housing – to be built more quickly.

3.6.3 Health & Social Care Bill:

- a) The creation of a new single and integrated regulator for health and adult social care – the Care Quality Commission - bringing together the three existing health and social care regulators.
- b) Following on from the Shipman inquiry, this Bill will form part of government's response to reform professional regulation which will enhance public and professional confidence and strengthen clinical governance.
- c) Amending the Public Health (Control of Diseases) Act 1984 including port health requirements, to take into account emerging threats, human rights legislation and worldwide developments.
- d) The bill announces new provisions where a one off payment will be made to all expectant mothers from the 29th week of pregnancy.

3.6.4 Climate Change Bill:

- a) Pilot scheme for reducing waste – provide a power for local authority incentives for household waste minimising and recycling.
- b) Setting a 60% reduction in CO₂ by 2050 in statute – along with a set of measures to pave the way to this target.
- c) The establishment of a Committee on Climate Change – to provide an institutional framework to manage the transition to a lower carbon economy.
- d) Powers to introduce trading schemes – the draft bill proposes powers to enable the government to introduce measures to help achieve the targets through secondary legislation.
- e) Proposals for reporting – the proposed Committee on Climate Change will be required to review progress on adaptation.

3.6.5 Draft Constitutional Renewal Bill:

- a) Aims to rebalance power between parliament and government, and to give parliament more ability to hold government to account.
- b) Measures to strengthen democracy and increase participation in decision-making.
- c) Clarification of the role of both central and local government.
- d) Placing on a statutory footing the role of parliament in the process for ratifying treaties.

3.6.6 Children and Young Persons Bill:

- a) Reforms the statutory framework around the care system focussed on the needs of the child.
- b) Councils given power to test a different model of organising social care, by commissioning and regulating services from “Social Work Practices”.
- c) Placing the role of the designated teacher on a statutory footing, and ensuring that children in care do not move schools in Year 10 and 11 except in exceptional circumstances.
- d) Improving the financial support available to care leavers who go on higher education.
- e) Ensuring children in care and custody are visited regularly and have a voice in the decision making when they move into independence.
- f) Extending the duty to visit children in youth custody.
- g) Seeking to improve the support for children cared for by family and friend carers.

3.6.7 Citizenship and Immigration Bill:

- a) This Bill will take forward recommendations emerging from the Goldsmith review of Citizenship. The review was trailed in *The Governance of Britain*, launched formally on 5th October 2007 and due to report by the end of March 2008.
- b) Much of the review – and likely focus of subsequent legislation – will focus on technical and legal issues around the formal rights, responsibilities and status of British citizenship.

3.6.8 Education and Skills Bill:

- a) Provisions to raise the minimum age at which young people can leave education or training to 18. It also establishes an enforcement process with a system of penalties for those who do not participate up to 18.
- b) Implement key elements of the Leitch Review into the long term skills needs.
- c) New duties which will be placed on young people and on parents and employers to take reasonable steps to ensure or encourage children to participate in education.
- d) New registration duties on providers and local authorities in relation to young people with special educational needs, and possibly some other groups.

3.6.9 Local Transport Bill:

- a) The bill, published in draft in May 2007, aims to tackle congestion and improve public transport by giving councils more power to develop local solutions to local transport challenges.

3.6.10 Planning Reform Bill:

- a) Establishes an infrastructure planning commission, its powers and functions; a single consent regime for nationally significant projects and a streamlined process for considering applications.
- b) Changes to process for local development plan documents and establishing arrangements for local authorities to decide appeals on minor planning applications.
- c) Introduces Housing and Planning Delivery Grant to incentivise local planning authorities.

3.6.11 Adult & Community Services:

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

- a) **Herefordshire Public Services Trust:** the Council has committed to establishing joint working arrangements between health and social care services in Herefordshire.
- b) **Housing Related Funding:** responding to the government's changed approach to funding the Supporting People Programme and allocating capital resources for housing renewal to focus resources on affordable housing.
- c) **City Region Proposals:** responding to government proposals for the establishment of a City Region for the West Midlands

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based on the metropolitan areas. The governance and funding arrangements will have implications for the non-metropolitan areas.

3.6.12 Children & Young People:

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

- a) **Every Child Matters Change Programme:** will require continued effort to put planned reforms in place.
- b) **Youth Matters Change Programme:** will require strengthened links to the Youth Council and new service approaches.
- c) **Education & Inspections Bill:** will require new relationships with schools.
- d) **Dedicated Schools Grant (DSG):** this grant covers both individual schools budgets and support services provided for schools such as Special Education Needs (SEN) support services. DSG gives schools much greater choice on how to procure such services. Over spends on DSG are carried forward to count against the following year's grant allocation. Under spends are returned to the Department for Children, Schools and Families (DCFS). Efficiency gains within DSG can be kept within DSG and will be essential to help offset reductions in DSG from falling pupil numbers. DSG distribution was reviewed for the 3-year period covered by Comprehensive Spending Review (CSR07).
- e) **E-learning, E-admissions, Integrated Children's System and Information Sharing Index:** will require transformation of service arrangements.
- f) **Safeguarding Guidance & Looked After Children Green Paper:** will require new arrangements and targets to be resourced.

3.6.13 Corporate & Customer Services (including Human Resources):

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

- a) **Unification Project for Registration Services:** potential for significant changes in existing service delivery arrangements.
- b) **Further development of the LAA framework:** with potentially both corporate and directorate implications.
- c) **Support services:** ensuring all support services are adequately resourced to provide the level of service needed to achieve national and local priorities.

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- d) **Adult & Children's Services Workforce Strategies:** the requirement to deliver integrated strategies with health.
- e) **Welfare to Work Reforms:** ongoing requirement including reducing the numbers of people on benefit by providing work.
- f) **Local Government Pension Scheme:** advising employees on the agreed changes as from 1st April 2008.
- g) **Changes in employment legislation:** embedding age and disability legislation.
- h) **National Skills Agenda:** new frameworks for social work and priority training for minimum skills standards.

3.6.14 Environment:

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

- a) **Landfill Diversion:** targets are increasingly more challenging requiring either increased resources and / or radical changes to service delivery.
- b) **Respect Agenda:** community safety including anti-social behaviour, cleaner neighbourhoods and improvements to the street scene.
- c) **Transport Innovation:** funding based on innovative proposals to relieve congestion, create better integrated transport provision and in particular better quality bus services and national concessionary travel.
- d) **Reform of the Planning System:** roll-out of the local development framework and proactive response to further proposals for change from the government.
- e) **Improving Road Conditions:** government targets require sustained and increasing investment.

3.6.15 Resources:

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

- a) **Reform of the local government finance system:** may affect billing services.
- b) **Comprehensive Spending Review 2007:** extra demands on the Resources Directorate to provide leadership in the management of corporate resources.
- c) **Green Paper on Welfare Reform:** Local Housing Allowances will impact on benefit services.

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- d) **Efficiency gains:** increasing pressure on strategic procurement services to make significant and demonstrable efficiency gains was confirmed in CSR07.
- e) **National Procurement Strategy for Local Government:** increasing need to deliver key milestones in the Council's procurement strategy.
- f) **Use of Resources Assessment:** increasing pressure to demonstrate the effectiveness of the Council's overall governance arrangements. There will be a new assessment framework for 2008.

3.7 Summary

3.7.1 The evidence is that the new Prime Minister will continue to reform public services over the medium-term.

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

- a) The agenda will accelerate the move to greater localism, not just to local authorities but also to the individual neighbourhoods within them.
- b) Integral to this will be an even stronger expectation, amounting to a requirement, that public services in an area will deliver measurable improvements by working together to a common agenda.
- c) There will be more powers and duties underpinning local government's community leadership and well-being responsibilities.
- d) Greater freedom for local government will be matched by more effective and more streamlined systems of performance management.
- e) Achieving quality, efficiency and Value for Money in service provision will remain a high priority.
- f) Services will need to be citizen-centred and service users will have a greater say in the design of services.
- g) More will be done to ensure social justice and close the widening social divisions.
- h) There will be greater pooling of resources as LAAs are developed and funded by the new Area Based Grant.

4. National Financial Context

4.1 Introduction

4.1.1 This section of the MTFMS sets out the financial context at national level for local government. It provides an assessment of the outcome of CSR07 following its announcement on 9th October 2007.

4.2 National economy

4.2.1 The government has signalled that the growth expectation for the UK economy will be lower in the future. This has a direct impact on local government and the rest of the public sector. Much of the increased investment in recent years has been provided by an unprecedented economic expansion.

4.3 Comprehensive Spending Review 2007

4.3.1 In July 2005, the Chief Secretary to the Treasury announced that the government intended to launch a second Comprehensive Spending Review (CSR07) report in 2007 to identify what further investments and reforms were needed to equip the UK for the global challenges of the decade ahead.

4.3.2 CSR07 sets the Departmental Expenditure Limits (DEL) for all Government departments including local government spending programmes. The announcement of Public Service Agreements (PSA), alongside these, details the key improvements the public can expect from these resources.

Key challenges for local government

4.3.3 Adult social care and waste have been included as key challenging areas for local government. The four key headlines were:

- a) Adult social care - rising demands due to long-term demographic changes.
- b) Waste - pressure to radically reduce household landfill to meet EU commitments.
- c) Communities - increasing place-shaping role for local councils.
- d) Services - rising expectation for modern and personalised services.

Value for Money

4.3.4 For the three-year CSR07 period authorities can now expect:

- a) 3% annual cashable efficiency savings.
- b) 5% annual Council Tax cap with actual increases expected to be “well below” that figure.

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- c) £150m efficiency support over the CSR07 period.

4.3.5 The Government has also published a corporate report on Value for Money entitled '**Delivering Value for Money in Local Government: Meeting the challenge of CSR07**'. The document outlines the ways in which councils may deliver this expectation and the activities planned to support their implementation.

Performance Framework

4.3.6 Announcements surrounding the performance framework for local government were as follows:

- a) A single set of local government priorities in Public Service Agreements and Departmental Strategic Objectives.
- b) 198 national performance indicators (still to be advised).
- c) Maximum of 35 national targets (plus a statutory 17 for education) negotiated through the LAAs.
- d) A third round of LAA Reward Grant (to be announced in November) to incentivise partnership working.
- e) Asset Management Programme to help improve Local Authority's capacity - updating existing guidance to place a greater emphasis on asset management.

Funding Streams

4.3.7 Enforcing the Government's commitment to reduce specific and ring-fenced grant, local authority funding will be delivered through Formula Grant and Area Based Grant (ABG). Specific grants that will be delivered via Formula Grant from 2008/09 include:

- a) Access and Systems Capacity
- b) Delayed Discharges
- c) Children's Services
- d) Waste Performance and Efficiency

4.3.8 Area-Based Grant (ABG) (previously known as LAA grant) includes various previous specific grants. Ring fenced grants will only be used where a programme is particularly novel or expenditure has little or no discretionary element at local level.

4.3.9 The ABG includes the following grants:

Grant	Government Dept
14-19 Flexible Funding Pot	DCSF
Adult Social Care Workforce	DH
Aggregates Levy Sustainability Fund	DEFRA
Care Matters White Paper	DCSF

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Carers	DH
Child and Adolescent Mental Health Services	DH
Children's Social Care Workforce	DCSF
Children's Fund	DCSF
Choice Advisers	DCSF
Cohesion	DCLG
Connexions	DCSF
Crime Reduction, Drugs Strategy and Anti Social Behaviour	HO
Detrunking	DfT
Education Health Partnerships	DCSF
Extended Rights to Free Transport	DCSF
Extended Schools Start Up Costs	DCSF
Local Enterprise Growth Initiative	DCLG
Local Involvement Networks	DH
Mental Capacity Act and Independent Mental Capacity Advocate Service	DH
Mental Health	DH
Positive Activities for Young People	DCSF
Preserved Rights	DH
Secondary National Strategy–Behaviour and Attendance	DCSF
Secondary National Strategy – Central Coordination	DCSF
Preventing Extremism	DCLG
Primary National Strategy – Central Coordination	DCSF
Respect	HO
Road Safety Grant	DfT
Rural Bus Subsidy	DfT
School Development Grant	DCSF
School Improvement Partners	DCSF
School Intervention Grant	DCSF

4.3.9 In addition, CLG aim to include the Supporting People programme grant within the Area Based Grant from 2009/10. The DCSF aim to include Contact Point (formerly Sharing IS Index grant in ABG) from 2010/11.

4.4 Formula Grant Review Issues

4.4.1 Consultation on proposed changes to the system of local government finances was released by the Department for Communities and Local Government in July.

4.4.2 The document, like the series of settlement working group (SWG) meetings that preceded it, looks at the assumptions the system for distributing formula grant makes about local authorities' needs. These

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relate to the provision of fire and police services; adult and children's social services; highways maintenance; and environmental, protective and cultural services. It questions their validity and suggests options for change.

- 4.4.3 One of the biggest issues noted was to find a way to distribute the extra £212m for national concessionary bus fares for older and disabled people without adverse impacts on other services. The various local government groups were in agreement: allocate the cash through a specific grant.
- 4.4.4 There were other topics of discussion, none more contentious than the potential removal of damping in the children and younger adults relative needs formulae.
- 4.4.5 The consultation paper is clear about the problem. It says "the government remains committed to fully implementing the new formulae which better reflect the current patterns of relative need than those they replaced. This however needs to take account of the government's policy in favour of stability and predictability".
- 4.4.6 The consultation document also raises the prospect of the grant floors themselves being tapered down through the three years of the next spending review. The gradual removal of grant floor will be a slow torture for councils who find themselves there purely because of issues – such as concessionary bus fares – that don't affect them.

4.5 Summary

- 4.5.1 Since Council approved the MTFMS 2007-2010 for consultation in March 2007 we know the future financial pressures for local government will increase as public sector expenditure has tightened as evidenced in CSR07.
- 4.5.2 The local government finance settlement and DSG settlement announcements that followed on from CSR07 set out the level of funding we can expect for non-school and school services respectively for 2008/09 to 2010/11.

5. Herefordshire's Policy Context

5.1 Introduction

5.1.1 This section of the MTFMS describes the local policy context for Herefordshire. Our priorities are closely aligned with the government's priorities for public services as described in section 3. The vision for Herefordshire and how it will be achieved are set out in the *Herefordshire Community Strategy (HCS) 2006 – 2020*. This has been developed, and is being delivered, by *The Herefordshire Partnership*, which comprises the Council and its major partner organisations across the public, private and voluntary and community sectors.

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

5.2 Herefordshire Community Strategy

5.2.1 The Herefordshire Community Strategy – A Sustainable Future for the County was the culmination of a major review in 2005 of the Herefordshire Plan.

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

5.2.3 To achieve the vision, organisations, groups and service providers work together in the Herefordshire Partnership. This is a non-statutory, voluntary partnership, otherwise known as the Local Strategic Partnership (LSP). Partners include:

- a) Chamber of Commerce Herefordshire and Worcestershire, and Business Link West Mercia.
- b) Herefordshire Association of Local Councils.
- c) Herefordshire Council.
- d) Herefordshire Primary Care Trust.
- e) Learning & Skills Council, Herefordshire and Worcestershire.
- f) Voluntary Organisations.
- g) West Mercia Constabulary.

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

5.2.5 The HCS consists of:

One vision – Herefordshire will be a place where people, organisations and businesses, working together within an outstanding natural environment, will bring about sustainable prosperity and well-being for all.

Five guiding principles - to:

- a) Realise the potential of Herefordshire, its people and communities.
- b) Integrate sustainability into all our actions.
- c) Ensure an equal and inclusive society.
- d) Build on achievements of partnerships working and ensure continual improvement.
- e) Protect and improve Herefordshire's distinctive environment.

Outcomes covering four themes – which are:

- a) Economic development and enterprise.
- b) Healthier communities and older people.
- c) Children and young people.
- d) Safer and stronger communities.

5.3 Herefordshire Corporate Plan & Annual Operating Plan

5.3.1 Herefordshire's Corporate Plan for 2008 – 2011 sets out the Council's objectives for the next three years in support of the Herefordshire Community Strategy. This is under review for the next three year period.

5.3.2 The Council's top priorities for the period of the Plan are:

- a) To maximise the health, safety, economic well-being, achievements and contribution of every child, with special emphasis on sound arrangements for safeguarding vulnerable children and sustained improvements in educational attainment.
- b) To reshape adult social care, enabling vulnerable adults to live independently and, in particular, enabling many more older people to continue to live in their own homes.
- c) To secure the essential infrastructure for a successful economy.

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- d) To streamline its processes, assets and structures, and secure significant efficiency savings, particularly by delivering the *Herefordshire Connects* programme.

5.3.3 The Council's other priorities are:

- a) To sustain thriving communities, including by securing more efficient, effective and customer-focused services, clean streets, tackling homelessness and effective emergency planning.
- b) To protect the environment, including by producing much less waste, recycling much more of what remains and significantly reducing carbon emissions.
- c) To improve transport and the safety of roads, including further reductions in the numbers of people killed or seriously injured.
- d) To promote diversity and community harmony and strive for equal opportunities for all the people of Herefordshire, regardless of race, religion, disability, sex, sexual orientation, geographical location, income or age.
- e) To give effective community leadership, working with partners to deliver the *Herefordshire Community Strategy*, including the *Local Area Agreement*.

5.3.4 To make these things possible, the Council's organisational priorities, in addition to securing significant efficiency savings, are:

- a) To ensure that its essential assets, including schools, other buildings, roads and ICT, are in the right condition for the long-term cost-effective delivery of services, and ensure business continuity in the face of emergencies.
- b) Better to understand the needs and preferences of service users and Council Tax-payers, and to tailor services accordingly.
- c) To recruit, retain and motivate high quality staff, ensuring that they are trained and developed so as to maximise their ability and performance.
- d) To embed corporate planning, performance management and project management systems so as to continue to drive up service standards and efficiency.

5.4 The Performance Challenge

5.4.1 Under the Comprehensive Performance Assessment (CPA) Harder Test, Herefordshire's score is currently 3 (out of a possible 4). The Council's underlying CPA score is 2, but all upper tier Councils' score are protected until all authorities have been assessed under the Harder Test.

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5.4.2 The Council for the second year running has been adjudged in 2006 to be improving adequately and overall, to, have maintained services at the same level as in the previous year. The judgement for 2007 is awaited. Whilst there are some signs of improvement (e.g. Benefits and Children & Young Peoples Services), the Council has been assessed as level 2 for Use of Resources Score for 2007 which may affect the overall rating.

5.5 Herefordshire's Business Transformation Programme

5.5.1 At the time of drafting, the Herefordshire Connects programme is on hold and the Council's financial model now includes delivery of a social care management system and capacity for modernising the way we provide our services.

5.5.2 One of the key themes of the Herefordshire Connects programme is improving customer interfaces and improving customer information management. This will be delivered through our Customer Services Strategy improving access to services by extending our Info and Info by Phone services.

5.5.3 Particular attention is also being given to the continued improvement of customer interfaces and information management in respect of Children and Young People.

5.6 Office Accommodation

5.6.1 The Council originally approved an Accommodation Strategy in May 2005. It approved an updated business case in May 2006 and put both the revenue and capital budget in place to implement the strategy.

5.6.2 It became clear at the end of September 2006 that the full 2-phase plan for occupying Plough Lane with the option to extend the building was no longer available as the landlord had revised its plans for the site.

5.6.3 The Plough Lane building has been secured until 31st December 2010 – including the middle floor. This provides the certainty needed to reconsider both medium term and long term options for office accommodation in conjunction with the Council's strategic partners.

5.7 Summary

5.7.1 This section of the MTFMS shows how the Council's objectives and targets cascade down the organisation to ensure we work as one organisation with all parts pulling in the same direction. It also shows how corporate priorities are being progressively integrated to the maximum extent possible with our key partners and the Herefordshire Partnership generally.

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- 5.6.2 Herefordshire has entered the most challenging period it has faced since it came into being in 1998, with demands all round for improvement at a time when cash resources are not going to increase at the rate previously experienced by local government. Sound financial governance will be essential to ensure the Council's continued financial health.
- 5.6.3 The next section of this MTFMS sets out the financial context at the local level before moving on in the following section to describe the Council's approach to strategic financial management during this difficult period.

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6. Herefordshire's Financial Context

6.1 Introduction

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

6.2 Background

6.2.1 On 6th December 2007 the Minister of State for Local Government announced the provisional three year settlement for local government covering 2008/09 to 2010/11. The announcement has a direct impact on the level of financial resources Herefordshire will have over the next three years and is reflected in the Medium Term Financial Management Strategy (MTFMS). The final settlement was announced on 24th January 2008.

6.2.2 Key national points:

- a) In total, government revenue funding for local authority services will be £70.4 billion in 2008/09; £73.5 billion in 2009/10 and £76.7 billion in 2010/11.
- b) These are increases of 4.0%, 4.4% and 4.3% respectively – an annual average increase of 1.5% above inflation.
- c) Every authority will receive a Formula Grant increase in every year.
- d) The Formula Grant is made up of Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR). For 2008/09 the amount of NNDR for England has increased by 10.8% to £20.5bn. This is due to the extension of business rates to empty properties.

6.2.3 Key points for Herefordshire:

- a) The announcement on 24th January provided notification of the level of Formula Grant to be received by Herefordshire over the next three years as follows:

	Formula Grant Amount £m	Adjusted Increase £m	Percentage Increase
2008/09	53.307	2.419	4.8%
2009/10	55.379	2.143	4.0%
2010/11	57.584	2.232	4.0%

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- b) The above indicates that Herefordshire's 2008/09 increase on a like-for-like basis is 4.8%. Herefordshire, in common with most unitary authorities and county councils, had a better than expected settlement.
- c) Herefordshire's assumptions about a cash standstill and likely efficiency savings for 2008/09 were in line with other authorities and based on the widely accepted assessment that Comprehensive Spending Review 2007 (CSR07) would be "tight". There was also concern that changes made to the distribution formula would adversely affect Herefordshire.
- d) As part of the CSR07, it was announced that the following grants would be delivered via the overall Formula Grant. The adjustments to base budgets for 2008/09 are in brackets:
 - i) Children's Services (£490k).
 - ii) Delayed Discharges (£384k).
 - iii) Access and Systems Capacity (£2.059m).
 - iv) Waste Performance and Efficiency (£183k).
 - v) Contaminated Land (£1k).
 - vi) Food Hygiene Enforcement on Farms (£28k).
 - vii) New Conduct Regime (£9k).
 - viii) Animal Feed (£4k).
 - ix) New Conduct Regime (£9k).
 - x) Student Finance (a reduction of £24k).
- e) Councils are expected to agree Council Tax increases 'well below 5%'. There is some debate about whether the Government means an individual council must set its Council Tax 'well below 5%' or whether this refers to the overall position across the country. With some councils getting a settlement in high single figures it may be that the Government will expect very low or no increase in some cases.

6.3 Relative Funding Position

- 6.3.1 As our inspectors have acknowledged, government funding per head of population in Herefordshire is significantly below the average for all-purpose authorities. The inspectors noted that our funding per head of population was 18% below the average in our last Corporate Assessment report.

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6.3.2 Updating the position for the 2008/09 settlement figures reveals that the gap in funding has widened. The figures for this year are as follows:

- a) Formula Grant per head of population is £296 – 23% below the unitary authority average of £383.
- b) Indicative Dedicated Schools Grant per head of population is £469 – 19% below the unitary authority average of £575.
- c) Formula Grant plus indicative Dedicated Schools Grant per head of population is £764 – 19% below the unitary authority average of £946.

6.4 Reserves

Revenue Reserves

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

6.4.2 The following table shows the balance on the General Fund and the level of Specific Reserves at the end of the last 4 financial years plus an indicative forecast of the position at the end of 2007/08.

(All figures £000k)

Balance as at:	General Fund	Specific Reserves		Total
		Schools	Other	
31st March 2004	9,847	6,845	2,562	19,254
31st March 2005	14,491	8,919	2,325	25,735
31st March 2006	14,525	8,739	5,203	28,467
31st March 2007	8,023	8,137	11,637	27,797
31st March 2008 (estimated)	5,861	7,730	6,226	19,817

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

- a) A significant proportion of the Specific Reserves belong to our schools and cannot be used to help pay for non-schools services.
- b) The General Fund balance at 31st March 2007 included £157,000 of budgets carried forward into the current financial year and £1m of LABGI grant to be used in 2007/08.
- c) The large increase in Other Specific Reserves as at 31st March 2007 was due to a specific policy change signalled in last year's MTFMS of earmarking funds for specific purposes in order to give greater transparency.

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6.4.4 The Council's policy of having at least £3m in the General Reserve will be increased to £4.5m (approximately 3.5% of the net revenue budget) from 1st April 2008 to provide adequate cover for demand pressures that are volatile, difficult to predict or unforeseen at the time the budget is set. The excess above the £4.5m minimum requirement for the general reserve is to be allocated to a proposed earmarked reserve to be called 'Modernisation Plans' with money to be released as such plans are formally approved.

Capital Reserves

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

6.4.6 The following table compares the final capital budgets for the last 3 financial years to actual spend together with a forecast outturn for the current year.

(All figures in £000k)

Financial Year	Original capital budget	Capital outturn	Over / (under) spend for year
2004/05	40,100	33,198	(6,902)
2005/06	37,131	31,845	(5,286)
2006/07	58,977	39,542	(19,435)
2007/08 (Estimate)	65,462	53,168	(12,294)

6.4.7 The Council agreed a strategy for disposing of surplus assets as part of the Asset Management Plan (AMP). Capital receipts will be generated over the medium-term as these assets are vacated and sold but they will be used to reduce the potential borrowing requirement for future years.

6.4.8 The Council has set the Smallholdings Estate an annual target of realising £1m capital receipts net of capitalised repairs and maintenance expenditure. This policy ensures a steady but modest stream of new capital receipts each year.

6.4.9 The Council has a policy that ensures capital cash resources are used effectively in support of corporate priorities. As a result all capital receipts are a corporate resource unless allocated for a specific purpose.

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6.5 Trends in Outturn

Revenue Overview

- 6.5.1 The table below compares the actual use of General Fund balances to planned use for the last 4 financial years and an estimate for 2007/08 based on the latest Integrated Performance Report covering the period to the end of November 2007.

(All figures in £000k.)

Financial Year	Planned use of General Fund balances ¹	Actual use of General Fund balances ²	Improvement in financial performance ³
31st March 2004	(2,942)	3,479	+6,421
31st March 2005	(3,176)	4,644	+7,820
31st March 2006	(4,063)	34	+4,097
31st March 2007	(8,890)	(6,502)	+2,388
31st March 2008 (estimated)	(1,157)	(2,162)	-1,005

Notes

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

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

3 - a plus sign means actual financial performance was better than planned whilst a minus sign means that actual performance is worse than planned.

- 6.5.2 The table in the preceding paragraph shows that financial capacity is decreasing year on year. There is an urgent need for all Directors to commit their emerging budget strategies to paper and seek help and guidance from Financial Services to assess the benefits and cash savings.

6.6 Local Spending Pressures

- 6.6.1 The audited outturn position for 2006/07 provided evidence of Herefordshire's spending pressures for the future, many of which reflect the national trends identified in section 4.4 of the MTFMS. The projected outturn for 2007/08 is further evidence of these pressures.

- 6.6.2 As in the MTFMS for 2007-2010 the key concern is the Adult Social Care service budgets. The base budget funding position for these services in 2006/07 was enhanced with real terms growth for at least the 3rd successive year in a row. In 2007/08 this area also received

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£2.7m of additional recurring funding to improve outcomes for the Older People and Learning Disabilities service areas.

- 6.6.3 The additional resource for Adult Services is based on the findings of research into the impact that Herefordshire's ageing population and other factors will have on demand for social care services and the options for the patterns and levels of services needed to meet them. Further needs analysis work on Mental Health and Physical Disabilities services indicates financial support is required. In 2008/09 an additional £275k will be provided with a further £275k in 2009/10. these amounts will be ring-fenced to these service areas.
- 6.6.4 The 2007/08 projected outturn for social care across both adults and children's services is an overspend of £4.2m before use of the £1.3m centrally held contingency and spend to save resources.
- 6.6.5 Other spending pressures that need consideration include:
- a) Waste disposal – the Specific Reserve for this issue stands at £2.3m but needs review as the date for agreeing changes to the original PFI contract continues to slip and waste tonnages continue to grow.
 - b) Contingent liabilities – there is no provision for these items of expenditure which could cost up to £726,000 if the liability was confirmed (the Statement of Accounts for 2006/07 refers).
 - c) The Council has committed to a programme of review of its school provision. This may create spending pressures for the future.

6.7 Summary

- 6.7.1 Herefordshire is not a well-resourced council. Government grant systems attempt to make allowance for the additional cost and complexity of delivering services in a sparsely populated area but do not do enough for councils like Herefordshire where its sparse population is more evenly distributed throughout the area. Many sparsely populated councils – such as Cornwall, Devon or Cumbria – have great tracts of land that people just do not live in.
- 6.7.2 Despite the challenges to date, financial performance has been good in overall terms providing a healthy level of reserves. There are however some areas – notably social care – that continue to need attention.
- 6.7.3 The MTFMS thus far has set out the national and local policy and financial context for Herefordshire. Having set the scene, it is now possible to describe a medium-term financial management strategy to ensure that we preserve our financial health through a period of significant change and improvement whilst growth in financial support from the government decreases.

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7. Financial Management Strategy

7.1 Introduction

7.1.1 The first Herefordshire MTFMS 2007-2010 indicated it supported all of Herefordshire's other resource management and service delivery strategies. This remains the case in this update.

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

- a) Revenue spending.
- b) Capital investment.
- c) Efficiency review and improving Value for Money.
- d) Treasury management.

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

7.2 Corporate Financial Objectives

7.2.1 Herefordshire's corporate financial management objectives are to:

- a) Ensure budget plans are realistic, balanced and support corporate priorities – especially those that protect the vulnerable in our communities.
- b) Maintain an affordable Council Tax – the Financial Resource Model (FRM) in the MTFMS assumes a sub-5% increase. This has proven correct given the recent CSR07 announcement.
- c) Manage spending within budgets – Directorates are required as a 'non-negotiable' to manage outturn expenditure for each financial year within budget.
- d) Ensure sustainable balances, reserves and provisions – within a reasonable limit consistent with the corporate financial risks without tying up public resources unnecessarily.
- e) Create the financial capacity for strategic priorities for service improvement.
- f) Support a prudent level of capital investment to meet the Council's strategic requirements.
- g) Maintain a strong balance sheet position.
- h) Deliver year on year efficiency and Value for Money improvements.
- i) Ensure an integrated approach to corporate, service and financial planning in full consultation with key stakeholders.

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- j) Ensure a whole-life costing approach is taken to both revenue and capital spending decisions.

7.3 Financial Management Strategy for the Revenue Account

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

Managing the General Fund Balance & Specific Reserves

7.3.2 Herefordshire's General Fund balance at the start of 2007/08 was £8.023m. This is significantly in excess of the policy in place at that time to maintain a minimum balance of £3m.

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

7.3.4 All Directorates will be expected to manage budget pressures within the overall requirement to deliver an outturn at or below budget.

7.3.5 The need for the range and level of Specific Reserves and the policy for minimum General Fund balances will be continually reviewed as part of the financial planning, monitoring and outturn processes. The strategy described here provides cover for the key corporate financial risks. Part of the review of General Fund balances indicates it is now appropriate to maintain a level of £4.5m (3.5%) to provide adequate cover for demand pressures. The excess above £4.5m will be allocated to the proposed earmarked reserve to be called Modernisation Plans.

Managing a balanced budget

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

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7.3.7 The impact on General Fund balances in 2007/08 is illustrated in the following table:

	£000	£000
General Fund balance on 1st April 2007		8,023
Less		
Possible 2007/08 overspends (Month 8 IPR)	1,005	
LABGI grant carried forward	1,000	
Carry forward budgets from 2006/07	157	-2,162
General Fund Balance on 31st March 2008		5,861

7.3.8 The above table makes a number of assumptions but shows the likely pressure on General Fund balances. The key pressure will arise from possible overspends in 2007/08 that will need to be covered by the General Fund.

Managing financial performance

7.3.9 Maintaining strong financial control is a prerequisite to achieving the Council's corporate priorities and the integrity of the MTFMS. Good systems and procedures are in place for reporting on financial performance as part of the Integrated Performance Reporting framework.

7.3.10 Non-financial information was incorporated into the routine bi-monthly financial performance reports that form part of the Integrated Performance Report.

7.3.11 Certain types of income and expenditure budgets are classified as 'non-controllable'. In the main, these are budgets that are allocated to Directorates on a recharge basis (e.g. support service recharges, insurances). The support service provider will exercise the budgetary control for these services.

Managing budget carry forwards

7.3.12 The Council's Financial Procedure Rules have been amended to ensure the cash resource redeployed through the year-end budget carry forward arrangement is allocated in line with corporate priorities.

7.3.13 Budgets are now only carried forward if there is an under spend on the Council's overall Revenue Account and at Directorate level. Such under spends are top-sliced if necessary to ensure corporate priorities and financial risks are funded. Budget carry forwards can only be used to fund one-off spending.

7.3.14 Budget carry forwards on support service and other recharged items are not to be permitted. Budget carry forwards on income budgets such as car park charges, planning fees and investment property income will not generally be permitted either.

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Managing Directorate base budgets

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

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

Managing growth and inflationary pressures

7.3.17 The current FRM includes 2% for pay inflation in each year in line with government assumptions at the time. The pay award for 2007/08 was settled at 2.475%. The government's assumption for pay inflation for the next three financial years remains at 2% and its stated intention is to negotiate a three-year pay agreement for public sector workers. The CMB therefore recommends that the 2007/08 salary base budget be uplifted by an additional 0.475% and that the policy of a 2% uplift for pay inflation be retained for the draft MTFS for 2008 – 2011.

7.3.18 The current FRM for 2007 – 2010 does not provide for an inflationary uplift on non pay expenditure budgets as an inbuilt efficiency target. This challenging policy ensures that managers:

- a) Negotiate appropriate contracts for the provision of services.
- b) Manage contracts and contractor performance effectively.
- c) Continually review service delivery arrangements to ensure improvements in efficiency and value for money.

7.3.19 Corporate Management Board (CMB) has checked that this approach to securing efficiency gains for 2008/09 – 2010/11 can be achieved in all service areas through better use of resources without any significant reductions in the level of service provided. The following table identifies the core services where this policy creates the most financial pressure in 2008/09 and explains how CMB expects that pressure to be managed:

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Core Service	Estimated Financial Pressure	Management action
Adult social care	£880k	This pressure reduces to £596k after allowing for additional income from Fairer Charging in the FRM and the effect of the proposed efficiency targets. The Director of Adult & Community Services advised that this pressure could not be managed without a reduction in the level of service provided. He further advised that he will have an efficiency plan in place by the end of March 2008 designed to manage this pressure without a reduction in the level of service provided. The FRM allows for the adult social care base budget to be increased by £596k in order to avoid service cuts.
Waste	£360k	The Environment Directorate's efficiency plan is designed to manage this pressure without a reduction in the level of service provided.
Children's social care	£220k	This pressure can be managed by allocating £650k from the social care contingency currently in the corporate base budget to the service base budget.
Highways	£200k	The Environment Directorate's efficiency plan is designed to manage this pressure without a reduction in the level of service provided.
Schools Transport	£180k	The Director of Children's Services plans to review the school transport policy.

7.3.20 CMB has only identified one significant example of the current policy for efficiency gains causing difficulty if retained for the FRM for 2008 – 2011. A reduction in the level of adult social care services that can be provided is clearly not acceptable given this service is a corporate priority. The CMB therefore recommends that the current policy is retained as an incentive to improve efficiency and value for money with the exception of a one-off increase of £596k to the base budget for adult social care.

7.3.21 The current FRM assumes inflation on client and customer receipts budgets of 2.5%. The key exceptions are income budgets where the fee is dictated by a statutory arrangement. This policy is to be retained for the draft FRM for 2008 – 2011 and there will be a review of all fees and charges so that these can be integrated into the budget policy framework.

7.3.22 The MTFMS covers income generation. The overall approach is to:

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- a) Ensure income budgets reside with the client service where the service is responsible for determining service strategy.
- b) Adopt an entrepreneurial approach to generating income from investment properties, commercial properties and trading activities with risks being managed in line with the Council's risk management procedures.
- c) Focus on debt collection by setting targets for improvement.
- d) Building on the agreed revised charging structure for Adult Services consider the scope for higher levels of charging for services elsewhere especially where there is clear evidence that Herefordshire attracts much lower levels of income than comparator authorities.
- e) Investigate new freedoms to charge for services.

Managing partnership resources

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

- a) The financial viability of partners before committing to an agreement.
- b) There is clarity of respective responsibilities and liabilities.
- c) The accounting arrangements are established in advance of operation.
- d) The implications of terms and conditions on any associated funding are considered in advance of operation.

7.3.24 From 2008/09 the new Area Based Grant will be a significant component of partnership working. It is likely that governance arrangements will be shaped by forthcoming guidance from central government.

Managing external funding

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

- a) Match funding requirements are considered in advance.
- b) They support corporate priorities.
- c) They do not conflict or distract from corporate priorities.
- d) They have no ongoing commitment that cannot be met by base budget savings.
- e) They do not put undue pressure on existing resources.

Managing Developer Contributions

7.3.26 This is another source of external funding that can be secured through the planning system. It may be possible to secure funding to support

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the cost of day-to-day services (e.g. commuted sums for maintenance of public open spaces). Support for capital infrastructure can also be achieved in this way (e.g. developer contributing to cost of new access roads).

7.3.27 The MTFMS is to maximise the potential for increasing financial capacity and / or managing growth in volumes through s106 agreements. This will involve a much more commercial and co-ordinated approach to such opportunities. To achieve better monitoring of these agreements a new post has been agreed with the Environment Directorate.

Managing Modernisation Initiatives in Social Care Services

7.3.28 The following amendments to the current MTFMS reflect the relevant Director's accountability for financial management:

- a) The social care contingency of £1.3m in the corporate base budget be allocated in equal shares to the adult and children's social care base budgets.
- b) The adult social care modernisation funding of £2.7m will be transferred from the corporate base budget to a ring-fenced budget within the Adult & Community Services service budget for release by the Director of Adult & Community Services in consultation with the Director of Resources in support of modernisation plans.
- c) The children's social care modernisation funding of £824k will be transferred from the corporate base budget to a ring-fenced budget within the Children & Young People's Services core service budget for release by the Director of Children & Young People's Services in consultation with the Director of Resources in support of modernisation plans.

Modernisation Plans:

7.3.29 The needs analysis for adults with mental health and physical disabilities has now been completed and modernisation funding for these services of £275k in 2008/09 rising to £550k in 2009/10 is required. It is recommended that modernisation funding for adult social care services:

- a) Is included in the FRM within the draft MTFMS for 2008 – 2011 as modernisation of these services is a key corporate priority.
- b) Is ring-fenced within the base budget for adult social care for modernisation purposes only.
- c) Is released by the Director of Adult & Community Services following consultation with the Director of Resources.

Managing Value Added Tax (VAT)

7.3.30 To preserve financial capacity, Herefordshire will continue to actively manage business activity that is classed as 'exempt' under current VAT

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legislation to ensure that the partial exemption limit is not breached. We are allowed to reclaim the VAT on exempt business activities providing it does not exceed 5% of our total VAT liability. If we breach the 5% limit, HM Customs & Revenues will expect us to hand over the VAT on exempt activity too – approximately £750k a year.

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

7.4 Medium-Term Financial Resource Model (FRM)

7.4.1 The FRM is designed to provide an assessment of the overall resource availability for the revenue account over the medium-term. This sets the financial context for the corporate and service planning so that the two planning processes are fully integrated. It covers the period from 2008/09 to 2010/11.

7.4.2 Cabinet has decided to retain the policy for a planned increase in council tax of 4.7%. The actual increase for 2007/08 was 3.8% which reduced council tax income by £560k per annum. The proposed council tax level for 2008/09 is a 4.4% increase representing a potential £225k reduction in council tax income.

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

- a) **Herefordshire Connects** – the FRM includes funding the social care solution.
- b) **Office Accommodation Strategy** – the FRM reflects the latest financial assessment approved by Cabinet in May 2006.
- c) **Customer Services Strategy** – the FRM provides £500k per annum in each of 2007/08 and 2008/09 to support the strategy. It should be noted this ends in 2009/10 by which time the service model is to deliver compensating savings thus removing the needs for financial support.
- d) **Capital Investment** – the FRM reflects the revenue implications (cost of prudential borrowing) of the capital programme approved by Council in 2007 plus slippage from 2006/07 and 2007/08 as well as the draft capital programme presented to Cabinet on 24th January 2008. It allows for £1m of new prudential borrowing in 2008/09 and each year thereafter.

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- e) **Formula Grant** – the FRM reflects the final local government finance settlement for 2008/09 and indicative figures provided by the government for 2009/10 and 2010/11.
- f) **Dedicated Schools Grant** – the FRM reflects the 4.3% increase for 2008/09 and assumes a 2% increase in following years.
- g) **Employers’ superannuation costs** – the FRM includes increases in employers’ contributions rates in line with latest actuarial advice.
- h) **Interest Rates** – the FRM reflects interest rate assumptions for investment income and new borrowing costs in line with the Treasury Management Strategy for 2008/09 included at Appendix C.
- i) **National Taxation** – the FRM assumes there will be no significant change to national taxation systems.
- j) **Local government finance system** – the FRM assumes the status quo with no change to the grant distribution system, Council Tax or National Non-Domestic Rates. This is a key area and will be amended in the future for the outcome of the Government’s review when it is announced.
- k) **Housing Benefit / Council Tax Benefit Administration Subsidy** – the FRM reflects the implications of a 5% real terms cut in this subsidy each year starting from 2007/08;
- l) **Local Authority Business Growth Incentive Grant** – the FRM assumes no further grant income after the current scheme ceases in March 2008.
- m) **Council Tax Income** – 4.4% for 2008/09 and 4.7% for the remaining two years of the MTFMS.
- n) **Local Development Plan** - £500k allowed in 2009/10 and 2010/11 for implementing the new planning framework.

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

	2008/09	2009/10	2010/11
Potential financial capacity in the base budget.	£356k	£2.437m	£3.971m

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- 7.4.5 The above table demonstrates that the total budget in 2008/09 exceeds estimated resource requirements by £356k given current planning assumptions.
- 7.4.6 To summarise, the FRM looks at the totality of the revenue account and identifies indicative cash limits at the corporate level.
- 7.6.1 Plans to modernise both service provision and support services will start to take shape now that the new joint Chief Executive has taken up post. The Primary Care Trust (PCT) has already taken an opportunity to set aside some cash to help support implementation of emergent plans for modernisation. The PCT will transfer £300k to the Council to manage on its behalf. The FRM within the draft MTFMS for 2008 – 2011 includes a Council match funding contribution to be held in an earmarked reserve called 'Modernisation Plans' until such times as a modernisation plan for the two organisations has been formally approved.
- 7.6.1 The Council has been developing a corporate programme to modernise the way in which day-to-day business is transacted to deliver improved value for money and better services for the community. That programme – Herefordshire Connects – is poised at a strategic decision making point pending conclusion of discussions on the affordability of the programme in the context of the MTFMS and to give the new Chief Executive the opportunity to influence the way forward.
- 7.6.1 The FRM within the MTFMS for 2007 – 2010 includes the financial envelope for Herefordshire Connects programme as outlined in April 2006 but adjusted to reflect estimated timings of investment and benefits as at March 2007. The passage of time means that the original financial model is now too old to be a reliable basis for the FRM within the draft MTFMS for 2008 – 2011. Much work has been done since Deloitte were appointed as the preferred supplier to revise the financial envelope. However, CMB recommends that the assumptions in the current FRM about the Herefordshire Connects programme are removed and replaced with the following:
- a) The investment requirement for a replacement social care management information system (£687k in 2008/09 reducing to £154k thereafter – subject to the call-in process).
 - b) Funding for the Herefordshire Connects Core Team so there is a resource to maintain a Council-wide modernisation programme (£450k in 2008/09 reducing to £300k in 2009/10 and £200k in 2010/11).
 - c) Funding for urgent ICT strategy work needed to support the Herefordshire Connects programme and ICT infrastructure (£247k in 2008/09 rising to £647k thereafter).

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7.6.1 The Herefordshire Connects programme is a modernisation programme awaiting review and formal decision. Detailed financial information is yet to be finalised pending that review and may not be available in time for decisions on the budget for 2008/09. The CMB therefore recommends that the financial capacity to support the programme is provided through a new earmarked reserve called 'Modernisation Plans' rather than through the FRM until such times as a formal decision on the way forward has been taken.

7.5 Sensitivity Analysis

7.5.1 The projected budgets make assumptions about likely levels of funding. The variable nature of these factors could impact on the budget and the following gives an indication of the extent of the possible changes:

- a) An increase or decrease of 0.5% in the Council Tax Base impacts the budget by £410k in 2008/09.
- b) 1% variance in Council Tax inflation impacts the budget by £765k for 2008/09, increasing to £840k by 2010/2011.
- c) A 0.5% loss on collection in the tax base would see a reduction of 346 units of collection.
- d) A £100k increase in budget increases council tax by up to 0.13%.
- e) An increase of 1% in average base rates would also have an impact. Existing debt is at fixed rate and increases in base rates have little impact upon long term (50 year) borrowing rates from the Public Works Loan Board (PWLb), so the impact on cost of borrowing is marginal. Investments would generate an extra £272k, based on an average cash balance of £27.2m (Historically); therefore an increase in base rates means the net effect is we generate greater investment income.
- f) A variance in the average cash holding of £8m would impact on investment returns by between £400k - £420k a year, depending on the average base rate for the year.
- g) If the pay settlement varies by 1% from the FRM's assumption this has an impact of approximately £560k.

7.6 Financial Management Strategy for Capital Investment

7.6.1 The capital receipts reserve totalled £22.426m as at 1st April, 2007. Receipts of £1.8m have been received to date in 2007/08. Expected capital receipt reserve spending in 2007/08 totals £7.104m leaving a balance of £17.122m to be carried forward into 2008/09. This may change if additional receipts arise before 31st March 2008 and depending on final funding decisions for capital spending in 2007/08 when the annual accounts are prepared.

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- 7.6.2 Capital receipts reserve funding of £10.108m has been committed to fund the 2008/09 capital programme however additional capital receipts from the sale of smallholdings and the old Whitecross High School site are expected.
- 7.6.3 The FRM for the revenue account reflects the new borrowing requirement implied by the Treasury Management Strategy (see section 7.8) to support the capital programme. Potential capacity in the revenue account to absorb the revenue implications of yet more borrowing is limited.
- 7.6.4 This leaves limited capacity in the revenue account to accommodate new projects unless ongoing efficiency savings can match the additional borrowing costs. This is a problem because there are a number of projects that are likely to be a high priority for the Council such as:
- a) The provision of a new Cattle Market.
 - b) Repairs, maintenance and enhancement of corporate assets such as property assets and ICT.
 - c) Investment in property assets needed to deliver the changes needed in adult social care.
 - d) ICT Strategy to support the Business Transformation programme.
 - e) Edgar Street Grid (ESG).
 - f) Office Accommodation Strategy.
- 7.6.5 The Council has an Asset Management Plan and Capital Strategy that has been given top marks by the Government Office for the West Midlands. These documents need fine-tuning to help address the impact of there being a scarcity of capital resources.
- 7.6.6 The financial management strategy for increasing capital investment capacity centres on:
- a) Maximising developers' contributions as outlined in the financial management strategy for the revenue account.
 - b) Effective project management of capital schemes to ensure they stay within budget.
 - c) Creating the capacity to implement the property review arrangements set out in the Asset Management Plan to see what further opportunities there are for rationalising property assets and releasing resources (capital and revenue).
 - d) Maintaining our successful track record for innovative capital investment schemes – e.g. the Whitecross PFI project and the Edgar Street Grid redevelopment project.

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- e) Attracting external funding such as the recent grant allocation under the government's Building Schools for the Future programme.

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

- a) Treat property assets as a corporate resource and move to a corporate landlord arrangement to provide greater flexibility in matching property assets to service needs.
- b) Ensure that corporate assets (including property assets and ICT infrastructure) are not neglected.
- c) Develop a corporate approach to maintaining and developing corporate assets.
- d) Reallocate existing resources in Directorate base budgets used for this purpose to boost the corporate maintenance fund.

Capital Programme 2008/09

7.6.8 Schemes recommended for funding by Prudential Borrowing are as follows:

- a) Strangford landfill site
There is a legal requirement to assess the impact of the landfill site on groundwater. The scheme will provide groundwater monitoring boreholes.
- b) Holmer School Flood alleviation
This will fund remedial works to the school to prevent a re-occurrence of the flooding problems experienced in July 2007.
- c) Legionella prevention work
This scheme upgrades hot water installations to meet code of practice requirements in council owned buildings across the county.
- d) Prospect Wall repairs
Part of the existing retaining wall between The Prospect in Ross-on-Wye and the adjacent graveyard has collapsed. A large section of the wall needs to be rebuilt.
- e) Sustrans Lottery Match Funding
This covers the estimated match funding needed for a walking and cycling route exploiting an existing bridge over the River Wye by the Welsh Water treatment works. The current scheme includes extending the route along the disused Hereford to Ross railway line between Rotherwas and Holme Lacy. There is a requirement to get clarity from Sustrans about the timing of funding and the £300k represents an estimate of the 2008/09 requirement.

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7.6.9 Directorates have been encouraged to bring forward schemes that can be funded by revenue savings or budget to make the prudential borrowing repayments. The following fall into this category:

- a) Development of Specialised Adults With Learning Difficulties Day Opportunities
A scheme funded by £40k annual savings. Savings need to be signed off, but once this is confirmed the scheme could proceed.
- b) Development of Community Support Centres
A scheme funded by £65k annual savings. Scheme rises to £100k in 2009/10. Savings need to be signed off, but once confirmed the scheme could proceed.
- c) Server virtualisation
This scheme can be funded by the additional resources for the ICT Strategy built in to the financial model. The scheme is one of the 'top 10' projects identified by ICT.
- (d) Salix funded Schemes
The Council has been awarded £100k towards carbon reduction works. This grant is based on match funding of £100k from the Council. The £200k is then 'lent' to the relevant properties and paid back. The ability to fund repayments needs to be signed off.

7.6.10 The estimated capital financing costs for the above schemes totals £61k in 2008/09, £168k in 2009/10 and £175k in 2010/11 with annual reductions in repayments thereafter.

7.6.11 The Council is involved in either facilitating or delivering a number of capital schemes funded from external sources. In some cases these schemes have cash flow implications that may have an impact in future years. The opportunity cost to the Council of temporarily funding external capital expenditure pending receipt of the anticipated external funding contribution has been built into the FRM. Schemes where this may apply are as follows:

- Rotherwas Futures
- Edgar Street Grid.
- Grant funded schemes such as the Building Schools for the Future programme.

7.7 Medium-Term Capital Plan

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

7.7.2 The following table summarises the existing capital investment programme updated for slippage. The table sets out the updated position.

Medium Term Financial Management Strategy (MTFMS)

	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000
Investment by directorate: -				
Children and Young People's Services	12,235	15,380	30,120	26,354
Environment Services	27,566	16,369	12,847	13,266
Corporate and Customer Services	322	669	-	-
Resources	1,966	4,436	2,890	8,600
Adult and Community Services	10,135	15,794	3,005	844
Herefordshire Connects	944	508	-	-
	53,168	53,156	48,862	49,064
Which is funded by:-				
Supported Capital Expenditure (Revenue) and Grants	36,608	32,012	43,650	40,124
Capital Receipts Reserve and Revenue contribution	7,264	10,278	1,858	300
Prudential Borrowing	9,296	10,866	3,354	8,640
	53,168	53,156	48,862	49,064

7.8 Efficiency Review & Value for Money

Efficiency Review

- 7.8.1 Herefordshire's strategy for securing efficiency gains is to seek continual improvement in the productivity of all our resources – people, land & property, ICT and cash.
- 7.8.2 Herefordshire has had a good track record for delivering on its 2.5% overall Gershon efficiency gains target as can be evidenced in its Annual Efficiency Statements. This is helpful given the move to a 3% cashable target in 2008/09.
- 7.8.3 Given the tight funding levels for local government over the period covered by CSR07, and that the government has indicated a 3% "cashable" target over the term of the CSR we will use our existing experience of exceeding government targets to deliver the new required level of efficiencies.
- 7.8.4 Under the requirement of the annual efficiency process Herefordshire Council needs to identify as a minimum a cumulative savings target of £6.619m by the end of 2007/08 to meet the 'Gershon' savings target.
- 7.8.5 The target for 2008/09 will be an additional £3.75m which must be cashable. The resulting cumulative target to be achieved by the end of 2008/09 is £10.4m.
- 7.8.6 CMB has also reviewed proposals from the Benefits Group (that exists as part of the governance arrangements for the Herefordshire Connects programme) on efficiencies both within that programme and outside of it that can be delivered whilst waiting for final approval to proceed with the programme. In total, further efficiency gains totalling £750k a year from 1st April 2008 have been identified as follows:

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Efficiency Gain	Estimated Saving
Printer / copier rationalisation	£100k
New mobile telephone tariff	£25k
New postal services contract	£70k
New BT line rental contract	£10k
New PC supplier contract	£10k
Improved WMS usage	£50k
Increase in WMS dividend	£90k
Externalise travel management arrangements	£10k
Standardisation of PC specification	£200k
Purchasing card rebate	£25k
Strategic sourcing	£160k
TOTAL	£750k

7.8.7 The Director of Environment is in the process of implementing a plan to achieve efficiencies and improvements in service delivery within the limits of the cash allocations for his area of responsibility. The CMB supports this proactive approach to financial management and service improvement as an example of good practice in obtaining value for money from public money.

7.8.8 The Director of Adult & Community Services is currently preparing an efficiency plan to ensure services are delivered within budget without the need for any significant change in the level of service provided. This efficiency plan will need to complement the service modernisation plan for adult social care. The CMB endorses this approach as an essential component of every Director's financial management responsibilities. The plans need to be finalised and formally approved as a matter of urgency in readiness for the new financial year.

Value for Money (VfM)

7.8.9 Herefordshire is committed to routinely using VfM information and benchmarking data to review and challenge VfM throughout services and corporately, supporting continuous service improvement and the drive for efficiencies. This is an integral component of the new Performance Improvement Cycle.

7.8.10 We support the drive for VfM through the following mechanisms:

- a) Ensuring service managers deliver the outputs and outcomes agreed for their service area within budget – managing within budget is a key responsibility for all budget holders embedded in our staff review and development procedures.
- b) Appointment of a Procurement & Efficiency Review Manager and reviewing the level of corporate resource for this critical function with the West Midlands Centre for Excellence.
- c) Integrating corporate, service and financial planning processes.
- d) Planning over the medium-term as well as the short-term.

Medium Term Financial Management Strategy (MTFMS)

- e) Developing our routine financial performance monitoring reports for Cabinet to include VfM reviews.
- f) Benchmarking our costs and activities with other authorities.
- g) Through internal and external audit reviews.
- h) Through scrutiny reviews.

7.8.11 A key development is including non-financial performance information in our routine financial performance monitoring.

7.9 Treasury Management Strategy

7.9.1 The Council is required to approve an annual treasury management strategy each year as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2007/08 complies with the detailed regulations that have to be followed. The 2008/09 strategy and prudential indicators is attached at Appendix C.

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

7.9.3 It is not necessary to include the full Treasury Management Strategy in the MTFMS although the two documents do complement each other.

7.9.4 In summary, the Treasury Management Strategy sets out the Council's strategy for making borrowing and investment decisions during the year in the light of its view on future interest rates. It identifies the types of investment the Council will use and the limits for non-specified investments. On the borrowing side, it deals with the balance of fixed to variable rate loan instruments, debt maturity profiles and rescheduling opportunities.

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

7.9.6 The current forecast for interest rates as suggested by Sector Treasury Services Limited, who are the Councils external Treasury Management advisors, is that the bank base rate will:

- Peak at 5.75% (current rate) in quarter 4 2007.
- Then fall to 5.50% in the first quarter of 2008.
- Then fall to 5.25% in the second quarter of 2008.
- Then fall to 5% by in the second quarter of 2009.

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7.9.7 These forecasts form part of our Treasury Management Strategy helping us to plan our borrowing and investment activity. Crucially the assessments inform decisions about changing any existing investments activity to increase the level of interest we receive.

7.10 Key Corporate & Financial Risks

7.10.1 Herefordshire sees risk management as an essential element of the corporate governance framework. We have done much in recent months to promote our corporate Risk Management Strategy with our Audit Committee, councillors, Corporate Management Board, Directorate Management Team and our Senior Management Team. In late 2007 and early 2008 we held additional training to ensure this is part of Service Planning arrangements.

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

7.10.3 Corporate Management Board and Directorate Management Teams can demonstrate that their risk registers are regularly reviewed. Risks are regularly discussed in performance review meetings at all levels although at lower levels they might not be recognised as such. To help deliver this change the Insurance Manager's post was redesignated Corporate Risk Manager in April 2007.

7.10.4 The most recent update of the Corporate Risk Register is provided for information at Appendix D.

7.10.5 The assumptions underpinning the MTFMS and the FRM and Capital Investment Plan are identified in the relevant section of this document.

7.110 Summary

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

- a) Strong corporate working supported by open book accounting.
- b) Strong financial management.
- c) Successful and timely delivery of the business transformation programme.

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

Medium Term Financial Management Strategy (MTFMS)

Appendix A

MTFRM	2008/2009 Budget £'000	2009/2010 Budget £'000	2010/2011 Budget £'000
Base Budget	122,371	131,778	138,455
Inflation – Staff	1,602	1,375	1,450
Inflation - Income	(310)	(318)	(326)
	123,663	132,835	139,579
Deliverable Efficiency Gains			
- Audit Fees/bank charges/insurance	(100)	0	0
- Employee savings	(500)	0	0
- Supplies & Services savings	(200)	0	0
- Pertemps Saving	(100)	0	0
- Improved procurement processes	(750)	0	0
Transfers to/from RSG			
- Children's Services Grant	490	0	0
- Delayed Discharge	384	0	0
- Access Systems Capacity	2,059	0	0
- Waste PEG	183	0	0
- Gower Review	13	0	0
- Dog Control	12	0	0
- Food Hygiene Enforcement on Farms	28	0	0
- Animal feed	4	0	0
- Contaminated land	1	0	0
- New conduct regime	7	0	0
MTFMS changes			
- Waste management - PFI Contract	450	500	500
- Whitecross PFI requirement (net of schools contribution)	0	0	168
- ESG	0	0	(225)
- Local Development Framework	0	500	0
Herefordshire Connects (revenue)			
- Social Care System	687	(533)	0
- Core team costs	450	(150)	(100)
Capital Financing Costs			
- Accommodation Strategy	146	254	492
- Repayment of LGR SCA	(453)	(334)	(230)
- Existing SCE(R) & Prudential Borrowing	482	1,088	1,015
- New Prudential Borrowing Bids	23	112	112
- Social Care System	225	89	(13)
Funding Sources			
- Use of existing Herefordshire Connects Reserve	1,500	0	0
- Transfer of Part of Social Care Contingency Reserve	1,300	0	0
- Transfer of Budget Management Reserve	1,100	0	0
- LABGI Grant	2,000	0	0
- Balance Sheet Review	300	0	0
- Use of 2008/09 capacity reserve	(1,500)	1,500	0
Emerging Pressures			
- Student Finance	12	(18)	(69)
- Customer Services Division	0	(500)	0

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- Community Network Upgrade	1,100	0	0
- ICT Strategy	247	400	0
- Adult Social Care	596	0	0
- Match funding contribution to proposed Integration Reserve	300	0	0
- Plough Lane Service Charge	100	0	0
- NNDR Empty Properties	126	0	0
- Rotherwas Loss of Income	201	0	0

Capacity to achieve desired Tax increase			
2008/09 capacity reserve	(1,500)	0	0
Herefordshire Connects	(1,939)	0	0
Invest to save			
Needs Analysis Mental Health/Physical Disabilities	275	275	
Capacity	356	2,437	3,971

TOTAL BUDGET	131,778	138,455	145,200
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Council Tax increase	4.40%	4.70%	4.70%
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Assumptions

Assumed Pay and Price Increase			
Employees	2.5%	2.0%	2.0%
Employers pension contributions - additional on basic pay	0.7%	0.7%	0.8%
Other Expenditure	0.0%	0.0%	0.0%
Income C & CR only 08/09,09/10,10/11	2.5%	2.5%	2.5%
Prov Formula Grant increase on adjusted baseline	4.8%	4.0%	4.0%
Assumed Collection Fund Surplus (£'000)	-	300	300
Assumed Taxbase Increase	0.75%	0.75%	0.75%
New prudential borrowing (£m)	1.00	1.00	1.00

Dedicated Schools Grant b/fwd	81,892	84,484	86,272
Increase	2,592	1,788	2,707
Dedicated Schools Grant	84,484	86,272	88,979
DSG % increase	3.2%	2.1%	3.1%

Medium Term Financial Management Strategy (MTFMS)

APPENDIX B

MEDIUM-TERM CAPITAL PLAN

	2007/08	2008/09	2009/10	2010/11
	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000
Children and Young People's Services	12,235	15,380	30,120	26,354
Resources	1,966	4,436	2,890	8,600
Corporate and Customer Services	322	669	-	-
Adult and Community Services	10,135	15,794	3,005	844
Environment Services	27,566	16,369	12,847	13,266
Herefordshire Connects	944	508	-	-
	53,168	53,156	48,862	49,064
Funded by:				
Supported Capital Expenditure (Revenue)	9,963	12,750	12,695	13,814
Prudential Code Borrowing	9,296	10,866	3,354	8,640
Capital Receipts Reserve	7,104	10,108	1,858	300
Revenue Contribution	160	170	-	-
Government Grants & Contributions	26,645	19,262	30,955	26,310
	53,168	53,156	48,862	49,064

TREASURY MANAGEMENT STRATEGY 2008/09

1. INTRODUCTION

- 1.1 The Head of Financial Services is responsible, under the direction of the Director of Resources, for the day-to-day management of the Council's treasury management activities. The Treasury Management Strategy for borrowing and Annual Investment Strategy for 2008/09 details the expected activities in the coming financial year and has been produced in accordance with the Council's approved Treasury Management Policy Statement.
- 1.2 The 2003 Prudential Code for Capital Finance in local authorities introduced new requirements for the manner in which capital spending plans are to be considered and approved and, in conjunction with this, the development of this integrated Treasury Management Strategy.
- 1.3 The Treasury Management Strategy covers the:
- a) Current treasury portfolio position.
 - b) Treasury limits for 2008/09.
 - c) Prudential indicators for 2008/09 – 2010/11.
 - d) Prospects for the economy and interest rates.
 - e) Borrowing strategy.
 - f) Debt rescheduling opportunities.
 - g) Specified and non-specified investments.
 - h) Investment objectives.
 - i) Security of capital: the use of credit ratings.
 - j) Investment strategy.
 - k) Externally managed funds.
 - l) End of year report.
- 1.4 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. A local authority is required to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from either:
- a) Increases in interest payments caused by increased borrowing to finance additional capital expenditure, and/or
 - b) any increases in running costs from new capital projects
- are limited to a level that is affordable within the projected income of the Council for the foreseeable future.

Medium Term Financial Management Strategy (MTFMS)

2. CURRENT TREASURY PORTFOLIO POSITION

2.1 The Council's debt position as at 7th January 2008 is as follows:

DEBT POSITION	Principal (£)	Borrowing Rate (%)
Public Works Loan Board	91,572,716	4.5
Market Debt *	12,000,000	4.5
Total Debt	103,572,716	4.5

* The Market debt refers to two LOBO (Lender Option Borrower Option) loans that were taken out at low interest rates fixed for 2 years with the remaining 48 years of the loans currently running at an interest rate of 4.50%

2.2 Estimated Borrowing Requirement 2008/09 – supported borrowing approvals of approximately £12.75 million, plus the potential for an additional £17.83 million unsupported borrowing under the Prudential Code (which includes slippage from previous year). In addition refinancing of maturing debt of £486,000 in the year will be required, plus there is the potential for the market debt of £12,000,000 to be recalled and require refinancing.

2.3 The Council's investment position as at 7th January 2008 is as follows:

INVESTMENT POSITION	Principal (£)	Rate of Return (%)
Internally managed funds	55,460,000	6.16
Externally managed funds**	0	n/a
Total Investments	55,460,000	6.16

**The externally invested funds were brought back in house during 2007/08 because the fund manager under performed.

3. TREASURY LIMITS FOR 2008/09

3.1 It is a statutory duty under Section 3 of the Local Government Act 2003, and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit". The authorised limit represents the legislative limit specified in Section 3 of the Local Government Act 2003.

3.2 The Council must have regard to the Prudential Code when setting their Affordable Borrowing Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is 'acceptable'.

3.3 Whilst termed an "Affordable Borrowing Limit", the capital plans to be considered for inclusion incorporate those planned to be financed by both external borrowing and other forms of liability, such as credit arrangements. The affordable borrowing limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years.

Medium Term Financial Management Strategy (MTFMS)

4. PRUDENTIAL INDICATORS FOR 2008/09 – 2010/11

4.1 The following prudential indicators are relevant for the purposes of setting an integrated Treasury Management Strategy.

PRUDENTIAL INDICATOR	2007/08	2008/09	2009/10	2010/11
(1). Budget Setting Indicators				
	£'000	£'000	£'000	£'000
Capital Expenditure	53,168	60,123	50,268	49,064
Ratio of financing costs to net revenue stream				
Net Revenue Stream	122,371	132,073	138,762	145,525
Financing Costs	9,364	10,434	13,072	14,310
Ratio of financing costs to net revenue stream	7.65%	7.90%	9.42%	9.83%
Incremental effect of Prudential Borrowing				
		2008/09	2009/10	2010/11
		£ p	£ p	£ p
Existing Prudential Borrowing allocations		44.96	76.64	83.80
New Prudential Borrowing bids		0.32	1.92	3.49
Total		45.28	78.56	87.29
Contributions from existing revenue budgets		(9.11)	(8.67)	(3.71)
Net Band D Impact		36.17	69.89	83.58
Capital Financing Requirement (as at 31/3)				
	£'000	£'000	£'000	£'000
Total	138,207	161,775	171,324	185,368
(2). Treasury Management Prudential Indicators				
Authorised Limit for External Debt				
	£'000	£'000	£'000	£'000
Borrowing	166,000	175,000	195,000	210,000
Other Long Term Liabilities	3,000	10,000	10,000	10,000
Total	169,000	185,000	205,000	220,000
Operational Boundary				
	£'000	£'000	£'000	£'000
Borrowing	130,500	154,000	164,000	174,000
Other Long Term Liabilities	1,500	6,000	6,000	6,000
Total	132,000	160,000	170,000	180,000
Upper Limit for Fixed Interest Rate Exposure				
	£ or %	£ or %	£ or %	£ or %
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure				
	£ or %	£ or %	£ or %	£ or %
Net principal re variable rate borrowing / investments	50%	50%	50%	50%

Medium Term Financial Management Strategy (MTFMS)

investments

Maturity Structure of new fixed rate borrowing during 2007/08	Upper Limit	Lower Limit			
Under 12 Months	50%	0%			
12 months and within 24 months	50%	0%			
24 months and within 5 years	100%	0%			
5 years and within 10 years	100%	0%			
10 years and above	100%	0%			
Upper Limit for total principal sums invested for over 364 days	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	
	10,000	10,000	10,000	10,000	

5. PROSPECTS FOR THE ECONOMY & INTEREST RATES

5.1 The Council currently has Sector Treasury Services Limited as its treasury advisers and part of their service is to assist in forming a view on economic trends and the effect on interest rates. This section of the strategy outlines the Council's view of the economy and interest rates based on the advice of its treasury advisers.

Economic Background – UK

5.2 The key points to note are:

- a) Gross Domestic Product (GDP): growth has been strong during 2007 and hit 3.3% year on year towards the second half of the year. Growth is expected to cool from 3.0% in 2007 as a whole to 2.0% in 2008.
- b) Higher than expected immigration from Eastern Europe has underpinned strong growth and dampened wage inflation.
- c) House prices started on the downswing in 2007 and this is expected to continue into 2008.
- d) The combination of increases in bank rate and hence mortgage rates, short term mortgage fixes expiring and being renewed at higher rates, food prices rising at their fastest rate since 1993 and increases in petrol prices, have all put consumer spending power under major pressure.
- e) Banks have also tightened their lending criteria since the sub prime crisis started and that will also dampen consumer expenditure via credit cards and on buying houses through obtaining mortgages.
- f) Government expenditure will be held under a tight reign for the next few years, undermining one of the main props of strong growth during this decade.
- g) The Monetary Policy Committee (MPC) is very concerned at the build up of inflationary pressures especially the rise in the oil price to \$90 – \$100 per barrel (was \$30 in 2003) and the consequent likely knock on effects on general prices. The prices of UK manufactured goods have

Medium Term Financial Management Strategy (MTFMS)

risen at the fastest rate in 16 years in November 2007 – 4.5%. Food prices have also risen at their fastest rate for fourteen years (6.6% annual increase) driven by strong demand from China and India. Consequently, the MPC is going to be much more cautious about cutting rates in the face of these very visible inflationary pressures. In addition, UK growth was still exceptionally strong in the third quarter of 2007, as has also been the growth in the money supply. The downward trend in Bank Rate is now expected to be faster than at first thought after the initial cut in December 2007 to 5.50% in view of the MPC minutes which showed a unanimous MPC vote for a cut and the consideration given to a half per cent cut. This demonstrated how concerned the MPC is at the potential impact of the credit crunch on the economies of the western world. However, the MPC's room for cutting rates is currently limited by concerns over inflationary pressures. However, if those pressures subside, then there is a possibility of lower rates than the current Sector forecast which only allows for 0.25% cuts in the first and second quarters of 2008 before Bank Rate stabilises at 5.0% for the next two years.

5.3 Economic Background – International

- a) The US, UK and EU economies have all been on the upswing of the economic cycle during 2005 and 2006 and so interest rates were successively raised in order to cool their economies and to counter the build up of inflationary pressures.
- b) The US is ahead of both the UK and EU in the business cycle and started on the downswing of the economic cycle during 2007. The Federal Bank rate peaked at 5.25% and was first cut in September by 0.5% to 4.75%. This was a response to the rapidly deteriorating prospects for the economy in the face of the downturn in the housing market, the sub prime mortgage crisis and the ensuing liquidity crisis which started in August 2007 and has subsequently resulted in banks making some major write offs of losses on debt instruments containing sub prime mortgages. Banks have also tightened their lending criteria which has hit hard those consumers with poor credit standing.
- c) The Federal Bank has cut its rate again, to 4.5% in October 2007 and to 4.25% in December and is expected to cut by another 0.25% to 0.75% by April 2008 to try to stimulate the economy and to ameliorate the extent of the downturn. However, the speed and extent of these cuts will be inhibited by inflationary pressures arising from oil prices, the falling dollar increasing the costs of imports, etc. The US could well be heading into stagflation in 2008 – a combination of inflation and a static economy (but the economy could even tip into recession if the housing downturn becomes severe enough).
- d) The major feature of the US economy is a steepening downturn in the housing market which is being undermined by an excess stock of unsold houses stoked by defaulting sub prime borrowers pushed into forced sales. Falling house prices will also undermine household wealth and so lead to an increase in savings (which fell while house prices were rising healthily) and so conversely will lead to a fall in consumer expenditure. Petrol prices have trebled since 2003 and, with similar increases in the price of home heating oil, this will also depress consumer spending with knock on effects on house building, employment etc.

Medium Term Financial Management Strategy (MTFMS)

- e) The downturn in economic growth in the US in 2008 will depress world growth, especially in the western economies, which will also suffer directly under the impact of high oil prices. However strong growth in China and India will partially counteract some of this negative pressure. EU growth has been strong during 2006 and 2007 but will be caught by the general downturn in world growth in 2008.

5.4 Interest rate forecast

The prospects for interest rates are summarized below:

Sector's current interest rate view is that the Bank (base) Rate: -

- Started on a downward trend from 5.75% to 5.50% in December 2007.
- To be followed by further cuts in Q1 2008 to 5.25% and to 5.00% in Q2 2008.
- Then unchanged for the following two years.

There is downside risk to this forecast if inflation concerns subside and so open the way for the MPC to be able to make further cuts in Bank Rate

- 5.5 Having set the scene in economic terms, the likely impact for interest rates can be assessed and is illustrated in the following tables.

Table 1 Sector Treasury - Interest Rate Forecast

(This table represents the view of the Council's Treasury advisors as at December 2007)

%	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Base Rate	5.50	5.25	5.00	5.00	5.00
5 Year PWLB	4.70	4.65	4.55	4.55	4.60
10 Year PWLB	4.70	4.60	4.55	4.55	4.55
25 Year PWLB	4.60	4.55	4.55	4.50	4.55
50 Year PWLB	4.50	4.45	4.45	4.45	4.45

Table 2 Summary of Independent Forecasts of Base Rate

(This table represents the views of independent forecasters' views of base rate as at December 2007)

%	2008 Q4	2009 average	2010 average	2011 average
Median	5.30%	5.24%	5.22%	5.26%
Highest	6.30%	6.00%	6.00%	6.00%
Lowest	4.80%	4.50%	4.06%	4.00%

6. BORROWING STRATEGY

Medium Term Financial Management Strategy (MTFMS)

- 6.1 Based upon the prospects for interest rates outlined above, the forecast indicates that the borrowing strategy for 2008/09 should be set to take longer term borrowing towards the end of the financial year. However, as there is expected to be little variation in interest rates throughout the year there may be attractive rates at any time in the year when there is a dip down in rates. Variable rate borrowing and borrowing in the five year area are expected to be more expensive than long term borrowing and will therefore be unattractive throughout the financial year compared to taking long term borrowing.
- 6.2 The main strategy is therefore as follows:
- a) To undertake new borrowing over the longer term (25 years and above) at any time in the financial year. A suitable trigger point for considering new fixed rate long term borrowing would be 4.60%.
 - b) If shorter term rates become available around this rate they will also be considered.
 - c) To take account of future rescheduling opportunities by reviewing the differentials between new borrowing rates and rates for early repayment of debt, which are the basis of the calculation of premiums and discounts. Currently the 25 -30 year loans are more attractive for rescheduling.
 - d) To maintain an even spread debt maturity profile.
 - e) Money Market debt will also be considered where opportunities are available to minimise borrowing costs. The Director of Resources will carefully monitor the interest rates available and take advice from the Treasury Management Consultants.
- 6.3 Against this background caution will be adopted with the 2008/09 treasury operations. The Director of Resources will monitor the interest rate market and adopt a pragmatic approach to any changing circumstances.
- 6.4 The main sensitivities of the forecast are likely to be the two scenarios below. The Council's officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of sentiment:
- ***if it were felt that there was a significant risk of a sharp rise in long and short term rates***, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.
 - ***if it were felt that there was a significant risk of a sharp fall in long and short term rates***, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

7. DEBT RESCHEDULING OPPORTUNITIES

- 7.1 The introduction of different PWLB rates on 1 November 2007 for new borrowing as opposed to early repayment of debt, and the setting of a spread between the two rates (of about 40 – 50 basis points for the longest period

Medium Term Financial Management Strategy (MTFMS)

loans narrowing down to 25 – 30 basis points for the shortest loans), has meant that PWLB to PWLB debt restructuring is now much less attractive than before that date. However, significant interest savings may still be achievable through using LOBOs (Lenders Option Borrowers Option) loans and other market loans.

- 7.2 The Director of Resources will actively give consideration during the year to undertaking rescheduling in line with the strategy set out in paragraph 6 above.
- 7.3 The reasons for any rescheduling to take place will include:
- a) The generation of cash savings and / or discounted cash flow savings.
 - b) Fulfil the borrowing strategy.
 - c) Enhance the balance of the portfolio (e.g. amend the maturity profile and/or the balance of volatility).

8. SPECIFIED AND NON-SPECIFIED INVESTMENTS

- 8.1 Under CIPFA's Treasury Management Code of Practice and the ODPM's Guidance on Local Government Investments issued in March 2004 the Council is required to formulate a strategy each year regarding its investments.
- 8.2 This Annual Investment Strategy states which investments the Council may use for the prudent management of its treasury balances during the financial year under the headings of **Specified Investments** and **Non-Specified Investments** as detailed in **Annex A**.
- 8.3 This Annex sets out:
- a) The procedures for determining the use of each category of investment (advantages and associated risk), particularly if the investment falls under the category of "non-specified investments."
 - b) The maximum periods for which funds may be prudently committed in each category.
 - c) If non-specified investments are to be used, whether prior professional advice is to be sought from the Council's treasury advisors (Sector Treasury Services Ltd).
- 8.4 With regard to the Council's Joint Ownership of West Mercia Supplies and the level of balances held by this organisation; the Council may, if deemed in the best interest of prudent management of the West Mercia business undertake transactions pertaining to foreign currencies, such as foreign exchange deals and investments. Such dealings must have **relevance to the course of business of West Mercia Supplies**. These dealings will be classified as **non-specified** as they are not sterling denominated.

9. INVESTMENT OBJECTIVES

- 9.1 All investments will be in sterling. The general policy objective for Herefordshire Council is the prudent investment of its treasury balances, including monies borrowed for the purpose of expenditure in the reasonably near future (i.e. borrowed 12-18 months in advance of need). The Council's

Medium Term Financial Management Strategy (MTFMS)

investment priorities are:

- a) The **security** of capital.
- b) **Liquidity** of its investments.

9.2 The Council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

9.3 The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Council will not engage in such activity.

10. SECURITY OF CAPITAL: THE USE OF CREDIT RATINGS

10.1 The Council relies on credit ratings published by *Fitch Ratings* and *Moody's Investors Service* to establish the credit quality of counterparties and investment schemes. The Council has also determined the minimum long-term, short-term and other credit ratings it deems to be "high" for each category of investment in conjunction with its Treasury Management advisor.

10.2 All credit ratings will be monitored monthly: The Council has access to Fitch and Moody's Investors Service credit ratings and is alerted to changes from its Treasury Management advisor.

10.3 If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Council's minimum criteria, the further use of that counterparty/investment scheme as a new investment will be withdrawn immediately. Any intra-month credit rating downgrade, which the Council has identified, that affects the Council's pre-set criteria will also be similarly dealt with.

11. INVESTMENT STRATEGY

11.1 The Director of Resources manages the Council's investment portfolio. Investments managed by the in-house team are generally temporary in nature and short-term. All decisions are made in the light of the Council's forecast cash flow requirements.

11.2 Sector is forecasting that Bank Rate has now started on a downward trend from 5.75% to 5.50% in December 2007. This will continue with further cuts forecast to 5.25% in Q1 2008 and again to 5.00% in Q2 2008. It is then expected to remain unchanged for the next two years

12. EXTERNALLY MANAGED FUNDS

12.1 For a number of years the Council had a fund management agreement with Investec, who managed a proportion of the Council's investments. However, during 2007/08 these funds were called back to be managed internally as the fund had not been performing as well as expected.

13. END OF YEAR REPORT

13.1 At the end of the financial year, the Council will prepare a report on its investment activity as part of its Annual Treasury Report.

Medium Term Financial Management Strategy (MTFMS)

HEREFORDSHIRE COUNCIL

PRUDENTIAL INDICATORS 2008/09

1. INTRODUCTION

The PIs set out below are recommended by the Prudential Code. However members may prefer additional or alternative indicators that will help with the decision making process.

2. ACTUAL AND ESTIMATED CAPITAL EXPENDITURE

This table takes into account new borrowing for which the government is providing support, government grants, capital receipts, other funding (including s106 receipts) and Prudential Borrowing. The second table shows how this programme would be funded.

Any further allocations of funding will be added to the Capital Programme and reported as part of the Capital Monitoring process.

	Forecast Outturn 2007/08 £'000	Estimated 2008/09 £'000	Estimated 2009/10 £'000	Estimated 2010/11 £'000
Capital Programme Area:				
Children and Young Peoples Services	12,235	15,380	30,120	26,354
Environment Services	27,566	16,369	12,847	13,266
Corporate and Customer Services Resources	1,266	8,144	1,406	8,600
Adult and Community Services	1,966	4,436	2,890	
	10,135	15,794	3,005	844
	53,168	60,123	50,268	49,064
By funding				
Capital Receipts Reserve	7,104	10,108	1,858	300
Grants and Contributions	26,645	19,262	30,955	26,310
Supported Capital Expenditure	9,963	12,750	12,695	13,814
Revenue Contribution	160	170		
Prudential Borrowing	9,296	17,833	4,760	8,640
	53,168	60,123	50,268	49,064

3. RATIO OF FINANCING COSTS TO NET REVENUE STREAM

The net revenue stream is the budget amount to be met from Formula Grant and Council Tax income (the budget requirement) and no longer includes the Education element now funded by the Dedicated Schools Grant. The ratio is the proportion of the budget requirement that relates to the ongoing capital financing costs.

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Net Revenue Stream	122,371	132,073	138,762	145,525
Capital Financing Costs	9,364	10,434	13,072	14,310
Ratio of financing costs to net revenue stream	7.65%	7.90%	9.42%	9.83%

Medium Term Financial Management Strategy (MTFMS)

4. CAPITAL FINANCING REQUIREMENT

This indicator represents the underlying need to borrow for a capital purpose.

	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000
Capital Financing Requirement (as at 31/3)	138,207	161,775	171,324	185,368

5. AUTHORISED LIMIT FOR EXTERNAL DEBT

The Authorised Limit for external debt represents the absolute maximum level of debt that may be incurred. This limit would only be reached in exceptional circumstances.

	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000
Borrowing	166,000	175,000	195,000	210,000
Other Long Term Liabilities	3,000	10,000	10,000	10,000
Total	169,000	185,000	205,000	220,000

6. OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

The Operational Boundary for external debt is the prudent expectation of the maximum level of external debt.

	2007/08	2008/09	2010/11	2010/11
	£'000	£'000	£'000	£'000
Borrowing	130,500	154,000	164,000	174,000
Other Long Term Liabilities	1,500	6,000	6,000	6,000
Total	132,000	160,000	170,000	180,000

7. COUNCIL TAX IMPLICATIONS OF THE INCREMENTAL EFFECT OF CAPITAL DECISIONS

This indicator represents the increases in Council Tax resulting from unsupported Prudential Borrowing decisions taken by Council.

Increase in council tax (Band D, per annum) for the Capital Financing costs of the following:	2008/09	2009/10	2010/11
	£ p	£ p	£ p
Existing Prudential Borrowing allocations	44.96	76.64	83.80
New Prudential Borrowing bids	0.32	1.92	3.49
Total	45.28	78.56	87.29
Contributions from existing revenue budgets	(9.11)	(8.67)	(3.71)
Net Band D Impact	36.17	69.89	83.58

Medium Term Financial Management Strategy (MTFMS)

8. TREASURY MANAGEMENT INDICATORS

These are specific indicators which relate to the management of the Treasury Management process.

	2007/08	2008/09	2009/10	2010/11
Upper Limit for Fixed Interest Rate Exposure				
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure				
Net principal re variable rate borrowing / investments	50%	50%	50%	50%
Maturity Structure of new fixed rate borrowing during 2006/07				
	Upper Limit	Lower Limit		
Under 12 Months	50%	0%		
12 months and within 24 months	50%	0%		
24 months and within 5 years	100%	0%		
5 years and within 10 years	100%	0%		
10 years and above	100%	0%		
Upper Limit for total principal sums invested for over 364 days				
	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000
(per maturity date)	10,000	10,000	10,000	10,000

SPECIFIED INVESTMENTS

All specified investments will be sterling-denominated with maturities up to a maximum of 1 year.

Investment	Security / Credit Rating	Circumstance of use
Debt Management Agency Deposit Facility (DMADF)	Govt-backed	In-house
Term deposits with the UK government or with UK local authorities (<i>i.e. deposits with local authorities as defined under Section 23 of the 2003 Act</i>)	High security although LAs not credit rated.	In-house
Term deposits with credit-rated deposit takers <i>i.e. deposits with banks and building societies, (including callable deposits), with maturities up to 1 year</i>	Yes-varied Minimum rating "A" Long-term and "F1" Short-term (or equivalent)	In-house
Certificates of Deposit issued by credit-rated deposit takers (<i>i.e. a certificate issued for deposits made with a bank or building society, who agree to pay a fixed rate of interest for the specified period of time and repay the principal at maturity</i>) up to 1 year. <i>Custodial arrangement required prior to purchase</i>	Yes-varied Minimum rating "F1+" Short-term (or equivalent)	External fund manager
Gilts: up to 1 year (<i>a fixed interest security issued or secured by the British Government</i>) <i>Custodial arrangement required prior to purchase</i>	Govt-backed	Buy and hold to maturity: to be used in-house after consultation with Treasury Management advisor
Money Market Funds (<i>a AAA credit rated collective investment scheme such as a mutual fund or a unit trust, as defined in Statutory Instrument 2004 No. 534, that invests exclusively in money market securities</i>)	Yes-varied Minimum AAA credit rated	In-house after consultation with Treasury Management advisor
Forward deals with credit rated banks and building societies < 1 year (<i>i.e. a deal negotiated before the deposit is paid, with the negotiated deal period plus period of deposit < 1 year</i>)	Yes-varied Minimum rating "A" Long-term and "F1" Short-term (or equivalent)	In-house

Medium Term Financial Management Strategy (MTFMS)

ANNEX A

NON-SPECIFIED INVESTMENTS

All investments listed below must be sterling-denominated

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
Term deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house	25%	5 years
Certificates of Deposit with credit rated deposit takers (banks and building societies) with maturities greater than 1 year <i>Custodial arrangement required prior to purchase</i>	YES-varied <i>Minimum rating "AA" Long-term and "F1+" Short-term (or equivalent)</i>	In-house after consultation with Treasury Management advisor	20%	5 years
Callable deposits with credit rated deposit takers (banks and building societies)	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house after consultation with Treasury Management advisor	20%	5 years in aggregate
Range trade deposits with credit rated deposit takers (banks and building societies)	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house after consultation with Treasury Management advisor	20%	5 years
Snowballs with credit rated deposit takers (banks and building societies)	YES-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house after consultation with Treasury Management advisor	20%	5 years
Gilt Funds and other Bond Funds***. <i>[These are open-end mutual funds investing predominantly in UK govt gilts and corporate bonds. These funds do not have any maturity date. These funds hold highly liquid instruments and the Council's investments in these funds can be sold at any time.]</i>	<i>Minimum rating "AA-"</i>	External fund manager only subject to guidelines and parameters agreed with them	20%	10 years

Medium Term Financial Management Strategy (MTFMS)

ANNEX A

Investment	Security / Minimum credit rating	Circumstance of use	Max % of overall investments	Maximum maturity of investment
UK government gilts <i>Custodial arrangement required prior to purchase</i>	Govt backed	Buy and hold to maturity: in-house after consultation with Treasury Management advisor	20%	10 years (but also including the 10 year benchmark gilt)
Treasury bills <i>[Government debt security] Custodial arrangement required prior to purchase</i>	Govt backed	In-house after consultation with Treasury Management advisor	20%	5 years
Forward deposits with credit rated banks and building societies for periods > 1 year (i.e. negotiated deal period plus period of deposit)	Yes-varied <i>Minimum rating "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house after consultation with Treasury Management advisor	20%	5 years
Deposits with unrated deposit takers (banks and building societies) but with unconditional financial guarantee from HMG or credit-rated parent institution: any maturity	Not rated in their own right, but parent must be rated. <i>Minimum rating for parent "AA-" Long-term and "F1" Short-term (or equivalent) Support 1,2 or equivalent</i>	In-house	20%	1 year
Bonds issued by a financial institution that is guaranteed by the UK Government (as defined in Statutory Instrument 2004 No. 534) <i>Custodial arrangement required prior to purchase</i>	AAA / Govt guaranteed	Buy and hold to maturity: in-house after consultation with Treasury Management advisor	20%	10 years
Bonds issued by multilateral development banks (as defined in Statutory Instrument 2004 No. 534) <i>Custodial arrangement required prior to purchase</i>	AAA / Govt guaranteed	Buy and hold to maturity: in-house after consultation with Treasury Management advisor	20%	10 years

Medium Term Financial Management Strategy (MTFMS)

HEREFORDSHIRE COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

Statement of Purpose

1. Herefordshire Council adopts the key recommendations of CIPFA's *Treasury Management in the Public Services: Code of Practice*) and:
 - will put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury management activities
 - will make effective management and control of risk the prime objectives of its treasury management activities
 - acknowledge that the pursuit of best value in treasury management, and the use of suitable measures of performance measures, are valid and important tools to employ in support of business and service objectives;
 - that, within the context of effective risk management, will ensure that its treasury management policies and practices reflect the pursuit of best value;
 - formally adopts Section 5 of the Code
 - will adopt a treasury management policy statement as recommended in Section 6 of the Code
 - will follow the recommendations in Section 7 of the Code concerning treasury management practice statements.

Definition of Treasury Management

2. Herefordshire Council defines its treasury management activities as:

'The management of the organisations cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

Policy Objectives

3. Herefordshire Council regards the successful identification, monitoring and control of risk as the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
4. Herefordshire Council acknowledges that effective treasury management will provide support towards the achievement of its business and services objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques within the context of effective risk management.

Medium Term Financial Management Strategy (MTFMS)

Delegation & Reporting

5. Herefordshire Council retains responsibility for approving the Council's Treasury Management Policy and will consider amendments to it on the advice of Cabinet.
6. Herefordshire Council delegates responsibility for approving an annual Treasury Management Strategy to Cabinet as the mechanism for implementing the Treasury Management Policy.
7. Herefordshire Council delegates responsibility for monitoring that treasury management activity is in accordance with the approved policies, strategies and practices to Cabinet.
8. Herefordshire Council delegates responsibility for the development and maintenance of suitable Treasury Management Practice Statements to the Director of Resources.
9. Herefordshire Council delegates responsibility for the administration of treasury management decisions to the Director of Resources who will act in accordance with the approved Treasury Management Policy Statement, Treasury Management Strategy and Treasury Management Practice Statements. If the Director of Resources is a member of CIPFA, he/she shall also comply with CIPFA's Standard of Professional Practice on Treasury Management.
10. Herefordshire Council will receive reports from the Director of Resources on its treasury management policies, strategy, practices and activities, including, as a minimum, an annual strategy in advance of the year and an annual report after its close, in the form prescribed in the Council's Treasury Management Practice Statements.

Medium Term Financial Management Strategy (MTFMS)

APPENDIX D

Managing Risks – Corporate Risks November 2007

Stage 1					Stage 2					Stage 3		
Identified Risk Area	Risk Ref No	Impact (Severity)	Likelihood (Probability)	Priority Rating	Potential Mitigation Strategy Summary	Responsible Directors	Impact (Severity)	Likelihood (Probability)	Residual Priority Rating	Action Description	Action Owner	Target/ Review Date
Corporate spending pressures outweigh the level of resources available to meet them. Particular pressures prevalent in Adult Social Care, Childrens Social Care and ICT & Customer Services	CR2	4	4	High	The Council's Medium Term Financial Management Strategy highlights the requirements for all Directorate budgets to be managed within a 1% overspend tolerance. Budgetary pressures continue for both adult and children social care services. Contingency funding has been set aside within the Council's budget plan to help mitigate this risk. A significant overspend on social care budgets is currently expected. The forecast outturn for ICT & Customer Services is now expected to be within budget for the year but there will be significant under and over spends within that position. Additional budget pressures include flood recovery costs and unbudgeted revenue costs of the Siemens contract. A new potential pressure is grant clawback on the ARCH programme.	ALL/SR	3	3	High	1. Budget management plan for A&CS agreed. 2. Budget management plan for C&YP agreed. 3. ICT base budget issues being examined by DC&CS with support from financial services. 4. Robust challenge of monthly budget monitoring reports from Directorates by financial services. 5. Robust challenge of Directorate budget management plans for the further through the Performance Improvement Cycle process. 6. Medium Term Financial Strategy being reviewed.	GH SM JEJ DP DP DP	Ongoing Complete Jan 2008
Failure to maintain CPA 3 start rating and move from Improving adequately to improving strongly	CR4	4	4	High	The key threats to the direction of travel are now a failure to increase the proportion of satisfaction indicators that are improving year on year, data quality and adverse inspection results, recent governance/control issues and uneven annual service scores. The removal of the Council's current 'protected' corporate assessment score in 12008/09 will affect our start rating unless the national rules are changed or we achieve at least a score of ¾ in each of the three 'first tier' services. The impact of the rules base approach to service scores could mean a drop in our start rating if any service dropped below a 2/4. Use of Resources Improvement Plan for 2006 has been implemented. Considerable work has taken place embedding a strong performance management framework including structured meetings between Chief Executive and Directors. Performance Improvement Managers have been appointed for all Directorates. Additional support is being given to the service planning for 2008 through a series of training modules.	ALL/CB SR CB/JJ	3	3	High	a) Continue to respond positively to all corporate audits e.g. performance indicators and data quality, b) develop and implement robust improvement plans where audit results are poor, d) direction of travel audit handled well, e) getting agreement for a standard approach prior to all future audits/inspections, f) redirect PIMs to the areas that need most support, g) Herefordshire Connects provides corporate performance management solution – interim solution to be investigated. Use of Resources assessment for 2007 expected shortly, SR to lead on development of an improvement plans. Action plans resulting from internal audit reviews implemented to agreed timescales	a) TF b) relevant HoS/ Director d) TG e) TG f) TG g) Hfds Connects Board/ TG SR/ALL ALL	d) Nov 07 e) Jan 08 f) as required g) visits to other authorities from Jan 08 Ongoing Nov 07 – Mar 08
The inability to provide critical services due to the failure of the ICT networks	CR5	3	4	High	Substantial capital investment has been made in ICT network and disaster recovery arrangements. Extensive ICT specific service continuity plans have been developed. Workshops held for all directorates and service continuity plans have been prepared and due for testing during the year in business critical systems and services. Monthly checks made to ensure amendments are made to all plans. The Council is reviewing the Community Network Contract with Siemens to ensure it provides value for money.	ALL/CB	3	3	High			

Medium Term Financial Management Strategy (MTFMS)

Stage 1					Stage 2					Stage 3		
Assessment of Risk (Assume NO controls in place) using risk matrix					Assessment of Residual Risk (With control measures implemented)							
Identified Risk Area	Risk Ref No	Impact (Severity)	Likelihood (Probability)	Priority Rating	Potential Mitigation Strategy Summary	Responsible Directors	Impact (Severity)	Likelihood (Probability)	Residual Priority Rating	Action Description	Action Owner	Target/ Review Date
Approach to Diversity: risk of not achieving level and not improving standard	CR12	3	2	Medium	Long term development produced. EIA action plans to be incorporated into service plans and monitored through the performance management process. The approach needs improving for 2007/08	JEJ	3	2	Medium	a) increased/improved training provision focused on critical service. b) improved service planning guidance and adherence to this c) corporate focus in contracts and consultation requirements d) external assessment during 2007/08	a) CT b) TG/all HoS c) CT/DH/MHR d) CT	a) from Jun 07 b) Oct 07-Mar08 c) Jul 07-Mar 08 d) by Mar 08
Review of Accommodation Strategy	CR13	4	4	High	An Accommodation Strategy Group has been established to review future options for the new Council to consider in Autumn 2007. Cabinet are considering officer recommendations. An emerging risk is the move towards flexible working. An initial observation/data analysis study has been commissioned to identify potential flexible working solutions.	SR MH	3 3	2 3	Medium High	Future options for consideration by Council have been developed by the Accommodation Strategy Group	SR	Jan 08
Timetable for the establishment of a Public Service Trust for Herefordshire	CR15	3	2	Medium	A Project Manager appointed. Steering group and work streams established.	CB	3	2	Medium			
Failure of Waste Management Contract leading to failure to meet diversion targets and the potential for the Authority to be paying £150 per tonne extra on our missed target tonnages. Failure of the contract would also lead to the loss of PFI credits	CR16	4	3	High	Ongoing commitment from Herefordshire and Worcestershire (H&W) to retaining the existing contract. The incorporation of subcontractors into the existing contract as a variation should enable adequate waste to be diverted to ensure the authority does not become subject to penalties under the Landfill Allowance Trading Scheme (LATS)	MH	4	2	Medium	H&W have an agreement to Trade LATS between the two authorities at "no cost" to offset risks – this risk needs to be formalised. The failure of negotiations with ReEnergy means that the issue of MWM identifying and introducing a new sub-contractor will need to be monitored to ensure early warning can be given of likely timescales for the negotiations and implementation of a varied contract. Because of the timescales involved in delivering a variation to the Contract it will be necessary to offset our risks of LATS penalties by maximising our recycling performance through Waste Collection to deliver increased diversion from landfill. In addition the two authorities are now also negotiating a contract to secure capacity at an Energy from Waste Plant to ensure we collectively meet our diversion targets. The contracts are both "out of county" and are designed to deliver the minimum quantity of waste to meet our LATS target and to minimise the amount of waste being transported out of the counties. In addition further work is being undertaken to secure appropriate diversion technology to secure the longer term viability of the contract.	MH	
Reduction in the Use of Resources overall assessment	CR17	4	2	Medium	Adverse opinion on Value of Money in Annual Governance letter, due to the financial governance issues in ICT & Customer Services highlighted in the Section 151 Officer report dated 20.09.07 and the Crookall report, will impact on the 2007 Use of Resources score for Internal Control and Value for Money	SR	3	4	High	Directorate Management Teams to review progress implementing actions arising from internal audit reviews on a monthly basis.	ALL	Ongoing
Benefits CPA Score 2007	CR18	2	2	Low	The BFI Performance Measures have been monitored closely. We have regained a 3 score.	SR	2	1	Low	The BFI has confirmed the self assessment in November 2007. This is now a "good" service.	SR	Completed for 2007

Medium Term Financial Management Strategy (MTFMS)

Stage 1					Stage 2					Stage 3		
Identified Risk Area	Risk Ref No	Assessment of Risk (Assume NO controls in place) using risk matrix			Potential Mitigation Strategy Summary	Responsible Directors	Assessment of Residual Risk (With control measures implemented)			Action Description	Action Owner	Target/ Review Date
		Impact (Severity)	Likelihood (Probability)	Priority Rating			Impact (Severity)	Likelihood (Probability)	Residual Priority Rating			
The inability of the Council to provide critical services and an effective emergency response due to non-IT related failures (Loss of accommodation, staff or resources)	CR19	4	3	High	Service continuity plans are in place to mitigate the effects of major incidents on the delivery of essential services. A monthly review of service impact assessments and continuity plans ensures the plans meet the changing requirements of the Council. Annual update of Council emergency response plans in support of the emergency services and the Council's arrangements to assist recovery and return to normality of the community and environment following an emergency. Bi-annual exercising of the Emergency Response Team. Annual exercising of emergency response plans.	ALL/CB	2	2	Low	A major review of service continuity plans to be undertaken in 2007/08 to ensure compliance with BS25999	ALL	Ongoing
CRB process not carried out to an appropriate and reliable level	CR27	4	3	High	Officers agreed areas of concern and an action plan to be drawn up to redress the issues as quickly as possible.	SM	4	2	Medium	Action plan to be developed that will address the 7 areas of concern as raised by the Director of Children's Services. Appropriate financial support to be allocated so that the recommendations of the plan can be actioned speedily and readily. Report to members.	SM	
Deliverable benefits from Herefordshire Connects not realised	CR28	4	3	High	The MTFMS highlights the investment and expected savings in the short and long term whilst minimising service costs to balance the budget. Benefit realisation framework in place and being managed through Benefits and Commercials Group (BCG), IPG and Programme Board. The Herefordshire Connects programme is in "strategic" pause. Savings are being utilised to balance Directorate budgets.	JEJ	3	3	High	a) BCG in place and meeting regularly, benefits envisaged to be assessed at each meeting b) Programme Board receive regular exception reports c) actual investment and savings monitored against the MTFMS	a) DP b) AK c) DP	Monthly, next review Jan 08
Both Data Centres are in leased accommodation, are near capacity, plus there are environment issues such as power and fire suppression that need to be addressed. Loss of data centres will affect delivery of all services. This is linked with accommodation strategy CR13	CR29	4	4	High	Decisions required from accommodation strategy to establish where future data centres should be located. Project to be established to relocate data centres to these locations. Investment required, server virtualisation will reduce risk in part.	JJ/SR	4	4	High	To be completed by risk owner		
Legacy systems out of support with vendors and on old hardware. Compounded by CR28 Benefits from Herefordshire Connects e.g. Cedar	CR30	4	4	High	Establish which systems are deemed critical and make good the systems. Any expenditure may need to be deducted from Herefordshire Connects benefits.	JJ/SR	1	1	Low	To be completed by risk owner		
Disaster recovery and business continuity does not fully support critical systems	CR31	4	4	High	Immediately establish some recovery process for each system. Then in conjunction with Data Centre relocation CR29 implement DR to support systems to agreed recovery parameters and business continuity	JJ/SR	1	1	Low	To be completed by risk owner		

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Medium Term Financial Management Strategy (MTFMS)

Stage 1					Stage 2					Stage 3		
Assessment of Risk (Assume NO controls in place) using risk matrix					Assessment of Residual Risk (With control measures implemented)							
Identified Risk Area	Risk Ref No	Impact (Severity)	Likelihood (Probability)	Priority Rating	Potential Mitigation Strategy Summary	Responsible Directors	Impact (Severity)	Likelihood (Probability)	Residual Priority Rating	Action Description	Action Owner	Target/ Review Date
Currently the Council's websites use the Star internet feed which is becoming increasingly unreliable. The TOM target is to move the internet feed to the 16Mbytes pipe as soon as possible however feedback from Networks is that this is already reaching capacity usage at peak times from school traffic which already uses this feed. In addition the MLE/VLE hosted externally will place additional demands on this bandwidth but the level of additional traffic is not known	CR32	4	4	High	<p>Siemens are currently working on an alternative supplies to BT, whose costs are very high and they hope to significantly reduce the costs provided so far. These costs will also take into consideration any cancellation charges as the BT circuits were procured on a 3 year rental basis. Also these costs will be based on the service being provided to the 2 current data centres; if internet feeds are required at any new data centres it would require a "B" end shift(s). In reality this will be a new circuit and no provider will provide costs for doing this until the final destinations are known and the route/fibre capacity etc checked out.</p> <p>The technology used by BT the current feeds can only be incremented up to a total bearer bandwidth of 34Mb which gives 32Mb of usable bandwidth (limitation of ATM (Asynchronous Transfer Mode) over SDH (Synchronous Digital Hierarchy)). As mentioned above Siemens are looking at other technology options that can provide bandwidths from 30Mb up to 120Mb for HC to consider. Another option is to retain the existing 16Mb feeds for corporate and install totally new ISP Internet feed for schools.</p>	ALL	4	4	High	To be completed by risk owner		

Signed: _____

Position: _____

Date: _____

Key to Assessment of Risk Scores

Impact Rating	Score	Description/Examples
Catastrophic	4	One or more fatalities Service disruption for more than 5 days Adverse national publicity Financial loss up to 75% of budget Litigation almost certain and difficult to defend Breaches of law punishable with imprisonment
Critical	3	Extensive, permanent injuries, long term sick Service disruption 3-5 days Adverse local publicity Major injury to individual/several people Litigation is expected Financial loss up to 50% of budget
Significant	2	Severe injury to individual/several people Service disruption 2-3 days Needs careful public relations Financial loss of up to 25% of budget Higher potential for complaint, litigation possible Breaches of regulations/standards
Negligible	1	No injuries beyond first aid level No significant disruption of service capability Unlikely to cause any adverse publicity Financial loss of up to 10% of budget Unlikely to cause complaint/litigation Breaches of local procedures/standards

Likelihood Rating	Score	Description
Very Likely	4	Is expected to occur in most circumstances i.e. there is a more than 75% chance of occurrence.
Likely	3	Will probably occur in most circumstances i.e. there is a 40-75% chance of occurrence.
Unlikely	2	May occur in exceptional circumstances i.e. there is a 10-40% chance of occurrence.
Very Unlikely	1	Is never likely to occur i.e. a less than 20% chance of occurrence.

Medium Term Financial Management Strategy (MTFMS)

Appendix E

Glossary of Terms

ABG	Area Based Grant
AES	Annual Efficiency Statements
AOP	Annual Operating Plan
CAA	Comprehensive Area Assessment
DCLG	Department for Communities & Local Government
CMB	Corporate Management Board
CPA	Comprehensive Performance Assessment
CSR07	Comprehensive Spending Review 2007
DCSF	Department for Children, Schools & Families
DEFRA	Department for Environment, Food & Rural Affairs
DEL	Departmental Expenditure Limits
DfT	Department for Transport
DH	Department of Health
DSG	Dedicated Schools Grant
FRM	Financial Review Model
GDP	Gross Domestic Product
HCA	Homes and Communities Agency
HCS	Herefordshire Community Strategy
HO	Home Office
HPS	Herefordshire Public Services
IPR	Integrated Performance Report
LAA	Local Area Agreement
LABGI	Local Area Business Growth Incentive Grant
LINKs	Local Involvement Networks

Medium Term Financial Management Strategy (MTFMS)

LOBO	Lender Option Borrower Option
LPSA2	Local Public Service Agreement
LSP	Local Strategic Partnership
MAA	Multi Area Agreements
MPC	Monetary Policy Committee
MTFMS	Medium Term Financial Management Strategy
NNDR	National Non-Domestic Rates
PIC	Performance Improvement Cycle
PCT	Primary Care Trust
PFI	Public Finance Initiative
PSA	Public Service Agreements
PWLB	Public Works Loan Board
RDA	Regional Development Agency
RSG	Revenue Support Grant
SEN	Special Educational Needs
SWG	Settlement Working Group
TMS	Treasury Management Strategy
VfM	Value for Money

DRAFT CAPITAL PROGRAMME 2008/09

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

21 FEBRUARY 2008

Wards Affected

County-wide

Purpose

To propose the draft capital programme for 2008/09.

Key Decision

This is a Key Decision because it is likely to result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000 and it is likely to be significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards.

It was included in the Forward Plan.

Recommendation(s)

THAT Cabinet recommends to Council that:

- (a) the funding available be noted;**
- (b) the funding allocations to capital bids be endorsed;**
- (c) the impact of capital spend on the replacement Social Care system (Core Logic) in 2008/09 be noted; and**
- (d) the position on the capital receipts reserve be noted.**

Reasons

To bring the Council's capital spending plans up to date, noting the available funding and capital bid funding recommendations.

Considerations

OVERALL

1. The Council has received funding notifications from central government for 2008/09 and subsequent years. A table showing the anticipated position for the next three years (taking into account 2007/08 slippage as reported in the November IPR) is

detailed in **Appendix 1**. These indicative budgets include corporate accommodation forecasts as included in the Financial Resource Model (FRM) of £3.25m in 2008/09, £2.89m in 2009/10 and £8.6m in 2010/11.

2. Supported Capital Expenditure (Revenue) allocations for 2008/09 receiving Revenue Support Grant (RSG) support total £12.75m, split £2.373m towards children's services (compared to an indicative allocation of £1.5m for provisional budget setting processes) and £10.377m towards environmental services (compared to an indicative allocation of £8.023m for provisional budget setting processes).
3. The Council faces a number of uncertainties around future capital projects with the precise likely financial commitment being unknown. These areas include the Schools Review, office accommodation, the Master's House at Ledbury as well as Edgar Street Grid and the Livestock Market. It is for this reason that the Council needs to exercise caution when releasing funding for the capital programme. An additional area of uncertainty is the Council's claim under the Bellwin Scheme for the July floods. If any unfunded repair work is not supported by central government the Council will need to look at possible use of capital funding.

CAPITAL BIDS

4. Prudential borrowing commitments already allocated in previous years following the submission of successful capital bids totals £9.01m in 2008/09. The financing costs of existing allocations, including allocations previously committed to for future years, are included in the FRM along with a capacity for additional financing costs of £1m per annum. Capacity is also generated each year through slippage in capital schemes but this cannot be relied upon.
5. The current Financial Resources Model includes funding for the Core Logic capital programme of £508k in 2008/09. The overall capital requirement is £1.452m.
6. The total capital bids received are noted in **Appendix 2**. A total of 27 bids for £8.793m was received. Of these bids £665k is recommended to be funded through the capital receipt reserve and £1.015m through prudential borrowing. The prudential borrowing funded bids have future year commitments of £414k in 2009/10, £354k in 2010/11 and £354k in 2011/12. Bids of £839k are recommended to be funded through prudential borrowing from anticipated revenue savings and base budget. This leaves bids totalling £6.274m not recommended for funding at this stage.
7. Schemes recommended for funding by Prudential Borrowing are as follows:
 - a) Strangford landfill site
There is a legal requirement to assess the impact of the landfill site on groundwater. The scheme will provide groundwater monitoring boreholes.
 - b) Holmer School Flood alleviation
This will fund remedial works to the school to prevent a re-occurrence of the flooding problems experienced in July 2007.
 - c) Legionella prevention work
This scheme upgrades hot water installations to meet code of practice

requirements in council owned buildings across the county.

- d) Prospect Wall repairs
Part of the existing retaining wall between The Prospect in Ross-on-Wye and the adjacent graveyard has collapsed. A large section of the wall needs to be rebuilt.
 - e) Sustrans Lottery Match Funding
This covers the estimated match funding needed for a walking and cycling route exploiting an existing bridge over the River Wye by the Welsh Water treatment works. The current scheme includes extending the route along the disused Hereford to Ross railway line between Rotherwas and Holme Lacy. There is a requirement to get clarity from Sustrans about the timing of funding and the £300k represents an estimate of the 2008/09 requirement.
8. Schemes recommended for funding through Right to Buy Capital Receipts Reserve are as follows:
- a) Disabled Facilities Grant
This is to fund adaptations to clients' homes in order to facilitate independent living. There is a direct link with the independent living agenda and helps reduce pressure on the adult social care budget. The funding contributes towards matched grant funding.
 - b) Empty Property Scheme
This will bring empty properties back into use and tackles homelessness and reduces the use of B & B accommodation for homeless families. The funding assists the Registered Social Landlord (RSL) (together with their own funding) to bring a property up to a lettable standard.
 - c) Sold/Own Home
This scheme assists people with mental health and learning disabilities to purchase their own homes through shared ownership. The scheme is operated through an RSL partner.
9. Directorates have been encouraged to bring forward schemes that can be funded by revenue savings or budget to make the prudential borrowing repayments. The following fall into this category:
- a) Development of Specialised AWLD Day opportunities
A scheme funded by £40k annual savings. Savings need to be signed off, but once this is confirmed the scheme could proceed.
 - b) Development of Community Support Centres
A scheme funded by £65k annual savings. Scheme rises to £100k in 2009/10. Savings need to be signed off, but once confirmed the scheme could proceed.
 - c) Server virtualisation
This scheme can be funded by the additional resources for the ICT Strategy built in to the financial model. The scheme is one of the 'top 10' projects identified by ICT.
 - d) Salix funded Schemes

The Council has been awarded £100k towards carbon reduction works. This grant is based on match funding of £100k from the Council. The £200k is then 'lent' to the relevant properties and paid back. The ability to fund repayments needs to be signed off.

10. A capital bid was submitted for the Ledbury Centre at Masters House however due to the uncertainty surrounding any external funding available and the requirement to fund other options this bid has not been recommended at this stage.
11. The funding of the temporary Bailey Bridge at Colwall has been secured using £450k of the Council's Local Transport Plan allocation. The benefit of using this source is that it gives funding certainty. However, it is clear that the use of this source will mean less funds being available for maintenance of bridges across the county. A capital bid to backfill the use of the £450k was not agreed because other projects did not have access to any alternative funding sources and in some cases match funding was needed.
12. Other bids were brought forward at this stage including improvements to High Town. It was not possible to put this forward at this stage because of affordability in 2008/09 and a need to assess consistency of the scheme in the context of the Edgar Street Grid.
13. The council has or will have access to developers' contributions for schemes over the coming year. This includes the provision of youth facilities in Leominster for which £250k will be available if the relevant "trigger" point is reached. There is also £250k for a replacement playing pitch at Aylestone Park that is likely to be available in 2008/09.

CAPITAL RECEIPTS RESERVE POSITION

14. The capital receipts reserve totalled £22.426m as at 1st April, 2007. Receipts of £1.8m have been received to date in 2007/08 and expected capital receipt reserve spending in 2007/08 totals £7.104m leaving a balance of £17.122m to be carried forward into 2008/09. This may change if additional receipts arise before 31st March.
15. Capital receipts reserve funding of £10.108m has been committed to fund the 2008/09 capital programme however additional capital receipts from the sale of smallholdings and the old Whitecross High School site are expected.

Risk Management

The risks associated with proceeding or not with each bid need to be considered on an individual basis.

The risk of committing funding needs to be considered as part of the FRM and revised Prudential Indicators. These can be mitigated through careful financial management and monitoring of the programme's funding against the relevant Prudential Indicators.

Appendices

- Appendix 1 Medium Term Capital Plan
- Appendix 2 Summary of 2008/09 Prudential Borrowing bids

Background Papers

Medium term Financial Management Strategy
Capital strategy

Consultees

None identified

APPENDIX 1

MEDIUM-TERM CAPITAL PLAN

	2007/08	2008/09	2009/10	2010/11
	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000
Children and Young People's Services	12,235	15,380	30,120	26,354
Resources	1,966	4,436	2,890	8,600
Corporate and Customer Services	322	669	-	-
Adult and Community Services	10,135	15,794	3,005	844
Environment Services	27,566	16,369	12,847	13,266
Herefordshire Connects	944	508	-	-
	53,168	53,156	48,862	49,064
Funded by:				
Supported Capital Expenditure (Revenue)	9,963	12,750	12,695	13,814
Prudential Code Borrowing	9,296	10,866	3,354	8,640
Capital Receipts Reserve	7,104	10,108	1,858	300
Revenue Contribution	161	170	-	-
Government Grants & Contributions	26,644	19,262	30,955	26,310
	53,168	53,156	48,862	49,064

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £

Recommended to be funded by Prudential Borrowing

Strangford Landfill Site	65,000				10	2,925	9,133	8,840	8,548	51,643
The provision and monitoring of these boreholes will provide additional information which will help to better define the groundwater regime in the vicinity of the landfill & enable a more reliable assessment of any potential pollution from the wastes in the landfill site. There are revenue implications.										
Holmer School Flood Alleviation	190,000				25	8,550	15,808	15,466	15,124	246,202
Remedial works to school site to prevent recurrence of the flooding problems experienced in July. It will include remodelling the contours, pumps barriers and the access doors and improve drainage. There will be revenue implications of servicing the pumps										

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
every year.										
Legionella Upgrade Works	80,000				15	3,600	8,693	8,453	8,213	79,840
Upgrading of hot water installations to meet Code of Practice requirements are being undertaken in council owned buildings and across the county. A number of poor installations have been identified which could result in a Legionella problem.										
The Prospect Wall, Ross on Wye	380,000	20,000			25	17,100	32,516	32,596	31,876	519,912
Part of the existing retaining wall between The Prospect and the adjacent graveyard has collapsed. A survey by a structural engineer has identified the need to rebuild a large section of the wall.										
Sustran Lottery Match Funding	300,000	393,550	353,550	353,550	25	13,500	42,670	74,873	106,368	2,109,485

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
A walking & cycling route with radial links exploiting an existing bridge over the River Wye by the Welsh Water treatment works & the disused Hereford – Ross line between Rotherwas & Holme Lacy. It is supported by the Rotherwas Travel plan and envisaged in the UDP. There are revenue implications.	1,015,000	413,550	353,550	353,550		45,675	108,820	140,228	170,129	3,007,082

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £

Recommended to be funded by RTB capital receipts reserve funding

Disabled Facilities Grant	215,000				1	N/A				
DFG adaptations within client homes are made in order to facilitate independent living & assist in early hospital discharge. The funding contributes towards 40% of the grants paid with the other 60% funding from the DCLG. Implications will result in a loss of grant funding. Any shortcomings will increase the waiting list which will impact on social care & health services. There are revenue implications.										
Empty Property Scheme	150,000				1	N/A				
In partnership with RSL, the scheme is to bring back empty properties into use, primarily through leasing the property from the owner										

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
for 6 years. If not agreed there will be an increase in revenue due to using B&B										
Sold/Own Home	300,000				1	N/A				
Sold and own home assists people with mental health & learning disabilities to purchase their own homes through Shared Ownership providing independence & security. The Scheme is operated through Advance (RSL partner). Key priority with Housing Strategy & Supporting People Strategy.										
	665,000									

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £

Recommended to be funded by revenue savings

Development of Specialised AWLD Day Opportunities	296,000				25	13,320	24,627	24,094	23,562	383,557
Provide & improve appropriate workforce training & skills development. Help to improve the quality of health & social care for vulnerable adults. There are revenue implications.										
Development of Community Support Centres	30,000	100,000	100,000	100,000	1	30,000	100,000	100,000	100,000	-
To provide a wide range of re-ablement, therapy & social facilities, it is an integral part of the Target Operating Model for Adult Social Care. In turn this is a key component of the overall Hfds Connects Transformation Programme. There will be revenue implications.										
Server Virtualisation	412,862				5	18,579	97,435	93,720	90,004	168,861

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
Most of the Council's servers are over 5 years old and are difficult to replace and expensive to maintain. Server virtualisation allows virtual servers to be run on a pool of physical computer servers with no loss of functionality or speed. There will be revenue implications.										
Salix Funding	100,000				5	4,500	23,600	22,700	21,800	40,900
The council has been awarded £100,000 towards reduction works. This grant is based upon £100,000 coming from the council. The £200,000 is then lent to properties and paid back over a 5-year period.										
	838,862	100,000	100,000	100,000		66,399	245,662	240,514	235,366	593,318

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £

Not recommended at this stage

Ledbury Centre	900,000	1,100,000			25	40,500	124,380	164,780	161,180	2,679,160
The scheme is to create a multi-use & combined centre in Ledbury, bringing together services as reflected in the Corporate Customer Services Strategy. The current library is not DDA compliant. It is likely that a cultural service priority will be included in the new LAA and this project once completed will contribute to an upturn in performance.										
Replacement Talis Servers	37,184				5	1,673	8,775	8,441	8,106	15,208
Capital to purchase new self-service PC booking & print management system for libraries & info shops. The new system will provide management information – not provided at the moment.										

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
Self Service PC Booking System	34,000				5	1,530	8,024	7,718	7,412	13,906
The purchase of new self-service PC booking system for libraries & info shops. Will reduce the amount of paper used in printing and so contribute to a sustainable service. Current system requires excessive amount of ICT support. No traceable booking in info shops. No GEM benefits.										
Networking of Old House & Ross Heritage Centre	11,876				5	534	2,803	2,696	2,589	4,857
A number of Heritage Services sites remain remote from the council network, Old House, Ledbury Heritage Centre & Ross Heritage Centre, the lack of network access is becoming a problem. There will be revenue support costs.										
Transfer of TICs to	40,000	63,000			25	1,800	6,163	8,498	8,312	138,482

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
Alternative Sites										
To support & facilitate the transfer of tourist information centres to alternative sites to maximise resources & create a "shared service model" with reduced service in the market towns with Hereford TIC acting as a central hub. There are revenue implications.										
Transport Asset Mgt Planning/Network Mgt Inventory Overhaul	190,000	300,000	315,000		5	8,550	58,340	128,105	183,860	534,820
The Council has set out its commitments to TAMP in its Local Transport Plan. It is also developing its Network Mgt Plan as needed to meet its Network Management duty under the Traffic Mgt Act 2004. Both must be supported by systems. This scheme will overhaul the inventory to ensure that it is a true representation of the Adopted Highway, the Council's transport assets which extends										

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
over £200k has an estimated gross replacement value of £2.5 billion. There are revenue implications.										
Colwall Railway Bridge – Temporary Bailey Bridge	500,000				3	2,250	181,667	174,167	166,667	-
The bridge is beyond normal maintenance requirements & now requires full reconstruction. The community is split in ½ and their businesses. Paddles Lane has become dangerous and cannot be left in this state. There are revenue implications.										
Elmhurst	1,200,000				1	1,200,000				
Redevelopment of Elmhurst to provide affordable housing to meet the needs of vulnerable households which could include potentially those with learning disabilities or mental health problems. If not proceeded with alternative funding will										

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
be needed to ensure the property does not stay empty.										
LCHO	2,220,000	2,560,000	2,780,000		1	2,220,000	2,560,000	2,780,000		
Scheme includes DIY Ownership, Festival Property Purchase and Mortgage Rescue all schemes assisting those with housing needs to either gain a foot on the housing ladder or retain their existing accommodation. DIYSO and FFP provide grant funding through a RSL partner. Those assisted are registered with Home Point as being in Housing needs and are unable to access the open market without grant assistance. The 3 schemes together could potentially assist 29 households.										
Building Energy Management Out Stations	288,000				15	12,960	31,296	30,432	29,568	287,424

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
Leominster Broad St Car Park	265,000				25	11,925	22,048	21,571	21,094	343,387
New petrol interceptor and drainage layout to protect river. This is the second phase of the scheme.										
Butter Market	150,000				25	6,750	12,480	12,210	11,940	194,370
Upgrading Works Phase 1 Butter Market. Essential maintenance works and improvements to the section of the Butter Market at the rear of the properties in Widemarsh Street. Work includes re-surfacing and fire precaution improvements to ensure safe means of access.										
Small Holdings Capital Work	300,000	600,000	1,000,000		25	13,500	51,960	119,340	155,920	2,630,780
This is essential maintenance and some improvements works to the houses and farm buildings within the council's smallholdings										

2008/09 PRUDENTIAL BORROWING BIDS

BID	AMOUNT				LIFE	ESTIMATED CAPITAL FINANCING COSTS				
	2008/09 £	2009/10 £	2010/11 £	2011/12 £		2008/09 £	2009/10 £	2010/11 £	2011/12 £	FUTURE YEARS £
estate. The work includes electrical re-wiring, re-roofing, replacement windows and heating.										
Hereford Art Gallery	8,000				N/A					N/A
Creation of a small exhibition space within the Art Gallery at Hereford Museum & Art Gallery to display the works of Brian Hatton, the reputation of the gallery is at risk without the possibility of loans of major works.										
Broad St Library	130,000				N/A					N/A
Essential maintenance works to a Grade II listed building involving repairs to coping stones, corbel brickwork and lead valley areas.										
Total of Bids not Recommended	6,274,060	4,623,000	4,095,000	0		3,821,972	3,367,936	3,757,958	756,648	6,842,394
TOTAL BIDS RECEIVED	8,792,922	5,136,550	4,548,550	453,550		3,934,046	3,722,418	4,138,700	1,162,143	10,442,794

BUDGET MONITORING 2007/08

PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

21 FEBRUARY 2008

Wards Affected

County-wide

Purpose

To report on the Council's performance against revenue capital budgets as at 31 January 2008 and provide an update of the corporate risk register. The report provides details of the remedial action being taken to address areas of underperformance.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT Financial performance to the end of January 2008 be considered.

Reasons

The Council's revenue, capital and risk management position is reported to Cabinet every second month. The information provides an indication of the Council's performance against budgets.

Considerations

1. Details of the revenue budget, capital budget and risk management position are attached in summary and then further detail is given by directorate.
2. The overall position shows a projected overspend of £698k compared with the projected overspend of £1.005m at the end of November 2007. This total is 0.6% of the Council's £122.371m net revenue budget (excluding Dedicated Schools Grant). The projected position is after allowing for the use of the £1.3m Social Care contingency, an estimated £2.8m underspend on modernisation funding for social care services, additional Local Authority Business Growth Incentive (LABGI) grant of £600k and additional interest from cash transactions.
3. The key areas of concern are the Adult & Community Services Directorate, with a projected £3.9m overspend; the Children & Young People's Directorate, with a £1.03m projected overspend; and the Corporate & Customer Services Directorate where a £1.195m overspend is projected. Underspends of £357k and £16k are projected for the Environment Directorate and Resources Directorates respectively. It should be noted that the Adult & Community Services Directorate and Children & Young

Further information on the subject of this report is available from
David Powell, Head of Financial Services on (01432) 373173

People's Services Directorate overspends are before the application of the centrally held social care contingency and unused spend to save allocations.

4. Appendix A includes a section on the July floods that caused significant damage to council assets. The estimate total cost of the damage is £3.012m with a claim for £2.392m submitted in January 2008.
5. The capital programme budget monitoring is at Appendix B. The overall position is forecast expenditure of £53.418m compared with the original budget of £65.462m. This slight increase on November's position is caused by the purchase of property for the Edgar Street Grid.
6. The latest corporate risk register is included at Appendix C.

Financial Implications

These are contained in the report.

Risk Management

Effective financial reports and their follow up are an essential element in the management of risks and the delivery of the Council's and Herefordshire Partnership's priorities.

Alternative Options

None.

Consultees

None.

Appendices

Financial Report for January 2008.

Background Papers

None.

2007/08 REVENUE BUDGET MONITORING

Summary

1. The following table summarises the 2007/08 projected outturn as at the end of January 2008. It also includes figures from the previous Integrated Performance Report (IPR) report to permit comparison between current and previously reported figures.

	2007/08 Budget £000	November 2007 Net over or (-) Underspending £000	January 2008- Net over or (-) Underspending £000	Change since last report £000
Adult & Community	44,684	3,661	3,920	259
Children & Young People	23,218	703	1,032	329
Corporate & Customer	7,897	1,195	1,195	0
Environment	24,734	-407	-357	50
Central Services	2,971	-350	24	374
Resources	6,473	-60	-16	44
Human Resources	1,421	0	0	0
<i>Directorate Position</i>	<i>111,398</i>	<i>4,742</i>	<i>5,798</i>	<i>1,056</i>
Flood Damage Repairs	0	1,032	859	-173
Capital Financing Costs	10,753			
Interest Received	-1,220	-400	-859	-459
Invest to Save	3,524	-2,139	-2,800	-661
Transfers to Reserves	1,500			
Herefordshire Connects	1,893	-328	-398	-70
Social Care Contingency	1,302	-1,302	-1,302	0
LABGI	-1,000	-600	-600	0
WMS Profit Share	-300	0	0	0
Transfer from Reserves	-4,322	0	0	0
Transfer from Revenue Balances	-1,157	0	0	0
Net Position	<u>122,371</u>	<u>1,005</u>	<u>698</u>	<u>-307</u>

Further information on the subject of this report is available from
David Powell, Head of Financial Services (01432) 383173

2. The overall position shows projected £0.698 million overspend. This is 0.6% of the Council's £122.37 million revenue budget (excluding Dedicated Schools Grant funding).
3. As part of the overall 2007/08 budget there is contingency funding of £1.3m available to mitigate social care pressures. However the use of the contingency and the level applied to meet the overspend can only be sanctioned after a review of the causes for the overspend and assurances that mitigating action was taken.
4. The projected year-end outturn figures include an estimated £2.8m projected underspend against the allocations in the 2007/08 budget for modernising social care services.. The majority of the total relates to the allocation to modernise social care and community services for older people.
5. The January projected outturn shows an improvement over the position reported at the end of November. This is largely due to an increase in the level of underspend against the funding allocations for modernising social care services allocations of £661k and an increase in the projected interest received on cash balances due to continuing slippage in the capital programme.

Revenue Reserves Position as at 31st January 2008

General Reserves

6. As at 1st April 2007 the balance on the General Reserve is £8.0 million. This included releasing £100k contribution to the Partnership Fund with the PCT for developing the proposed PST arrangements.
7. The Council's Medium Term Financial Management Strategy sets out the council's approach to managing General Fund balances and Specific Reserves and ensuring a balanced budget. A key message is a move away from a higher level of General Fund balances to specific Reserves to deal with key corporate financial risks. In 2006/07 this was achieved as the general fund balance had been £14.525m at 1st April 2006. The estimated General reserve balance at the end of this financial year is £5.9m after allowing for a planned use of reserve (£1.4m) and the £698k projected overspend.

Earmarked Reserves

8. At 1st April 2007 the Council held £19.8million of earmarked reserves. This includes school balances reserves of £8.137m that are ring fenced.

July Floods and the Bellwin Claim

9. The heavy rain that affected Herefordshire in July caused significant damage. Financial Services is co-ordinating the gathering of data to support claims for funding from central government.
10. The central government funding process, known as the Bellwin Scheme, sets thresholds and conditions for funding. The threshold of £408,526 applies to Herefordshire and expenditure over and above this amount is 100% recoverable. All works for which a claim is to be made had to be completed before the claim was submitted on 2nd February. One key area of exclusion exists covering items deemed

to have been insurable. This is an important definition because even if items are not insured but are viewed as being insurable they are excluded.

11. The overall estimate of damage as of the end of July was £3.605m. The largest single category covers Highways and Transportation at £2.058m. Within this total is work to repair roads and signs as well as checking and cleansing drainage systems. The latest estimate of damage is £3.012m in respect of which a Bellwin claims totalling £2.392m has been submitted. Of this overall total £1.983m is refundable after the threshold limit of £409k is deducted. The difference of £620k is the “insurable” part which cannot be covered.
12. The flooding badly affected a number of schools and other premises in the county with costs now estimated at £620k. These are not recoverable because the risk is viewed as insurable and in any case we self fund our school premises. The total will be partly covered by self insured funding but there will still be a shortfall. There will also be grants of £170k from central government specifically for schools related damage.

ADULT AND COMMUNITY SERVICES DIRECTORATE

Directorate Summary as at 31st January 2008

	November 2007 Net over or (-) underspending £000	January 2008 Net over or (-) underspending £000
Adult Services	+4,210	+4,430
Strategic Housing	+104	+15
Community Services	0	+109
Commissioning and Improvement	-153	-134
Less needs analysis monies	-500	-500
Total	3,661	3,920

Adult Services

13. The projected outturn for Adult Services is an overspend of £4.4 million which represents an increase on the November position. These figures are based on updated information up to January. Details of the major variances are as follows:
 - a. Learning Disabilities - £2.9 million overspend
 - b. Physical Disabilities - £0.535 million overspend
 - c. Mental Health - £1.215 million overspend
 - d. Older People - £0.150 million underspend
14. The main area of concern remains Learning Disabilities. However, the level of increase has reduced from that experienced earlier in the year, and plans are in place to reduce unit costs of care packages in the future to enable forecast increases in demographics to be better managed.
15. Within the Section 75 pooled budget for Learning Disabilities there is a separate PCT-funded development fund of £453k for new initiatives. This fund will be underspent by £300k in 2007-08 however it is likely that further costs of at least £100k related to new developments could be identified within mainstream expenditure and set against the fund.
15. There has been a slight increase in Mental Health costs due to 2 new residential packages agreed in December. The overspend position within the Council mirrors the position within the PCT as part of the section 75 arrangements, and a joint recovery plan is being finalised.
16. The forecast underspend within Older People has decreased to take account of the

impact of the “unitary fee” within the Shaw contract which commenced with the opening of the new Leadon Bank facility in mid-December 2007. Dialogue continues with Shaw with a view to reducing the whole life costs of the scheme and to mitigate some of the risk to Shaw around the overall financial model.

17. Work continues to bring expenditure back in line with budget, but changing the model of service delivery is a lengthy process. The Adult and Community Services Transformation Programme Board is overseeing a range of projects designed to change the way in which services are provided. This will see a move away from residential care towards more cost effective community based solutions. As well as reducing costs, income generation schemes including fairer charging are being implemented and a more stringent assessment process introduced. Further mitigation is from Supporting People funding agreed in principle to identify cases where such funding would be appropriate. A review of existing clients is being carried out with the PCT in order to ensure that services remain appropriate and that funding responsibilities are clear.
18. In recognition of the demographic pressures in social care (both adults and children’s) a centrally held contingency of £1.3m has been set aside but has not been allocated at this stage.
19. Invest to save monies of £2.7m have been ring-fenced to address issues highlighted in the Older People’s Needs Analysis completed in the autumn of 2006. As this funding will be underspent at the year end, £500k has been used to fund specific short term packages, pending redesign of service provision. Once these packages have ceased, the funding will not be used for further residential care but will revert to its original purpose of supporting the operational change agenda.

Strategic Housing

20. The projected outturn for Strategic Housing has reduced to £15k overspent. This is due to an improvement in the homelessness position resulting from a range of cost saving actions.

Community Services

21. The budget recovery plan is on course to achieve the planned savings however there is no capacity to meet the annual ICT charges for public access points within County Libraries that will shortly be allocated. This is likely to result in an overspend of £109k. Discussions are being held between ICT and Community Services.
22. As indicated in previous Integrated Performance Reports (IPRs) discussions with HALO continue regarding costs for the implementation of single status and job evaluation. HALO have provided detailed calculations which are being reviewed and challenged and further legal advice over the treatment of specific elements of the claim will be sought. A final position should be agreed shortly.
23. The initial ‘Article 4’ audit by Government Office of the ARCH (Actively Regenerating Communities in Herefordshire) programme has recently been completed. The auditors were content with the evidence provided around procurement and publicity and gave helpful recommendations for further work needed in preparation for the more detailed ‘Article 10’ audit due later this month. Work to identify and provide appropriate evidence continues and officers from Financial Services and Adult & Community Services are working closely to minimise any clawback of grant funding.
24. Both issues above are likely to result in additional costs but at this point it is difficult

to give an accurate forecast of the impact. ARCH will be a one-off cost but the HALO issue will be an on-going budget pressure.

Commissioning & Improvement

28. This area is expected to underspend by £134k as a result of delayed recruitment following a restructuring and economies derived from carrying out a data cleansing exercise in-house rather than using external resources. There may be an opportunity to offset some ICT expenditure against grant funding which would further improve the position.

Efficiency Savings

29. All the Adult Services efficiency savings have been allocated out to client groups.
30. The Community Services efficiency savings were all implemented into the base budget at the start of the year and the required savings are being achieved on an on-going basis.

CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE

Directorate Summary as at 31st January 2008

	November 2007 Net over or (-) underspending £000	January 2008 Net over or (-) underspending £000
Central directorate Budgets	-208	+72
Safeguarding and Assessment	+911	+960
Total	+703	+1,032

31. The current position is a projected overspend of £1.032m compared to a projected overspend of £703k in November 2007. The forecast spend includes an assessment of expenditure to be covered by the funding allocation for modernising social care services. The projection does not include any allocation from the social care contingency. These will be applied during the closure of accounts and their impact is likely to see these budgets balance at year end.
32. The increase in the Children's and Young Peoples services overspend is caused by an additional £160k projected expenditure on the performance unit, costs associated with additional care packages and a review of recharge income. The expenditure on the performance unit will be met by the spend to save resources.

Dedicated Schools Grant

33. Dedicated Schools Grant is expected to under spend in total by £247k which comprises of an additional £416k extra grant from higher than expected pupil numbers.
34. However, there is a projected overspend of £498k on Nursery Education Funding to Private, Voluntary and Independent providers arising from an additional week's payment in this financial year and a temporary rise in numbers.
35. Special Needs Banded Funding is projected to overspend by £192k due to higher numbers of allocations at funding panel. This is offset by savings on fees to Independent Schools for SEN placements due to leavers and delayed new placements.
36. Legislation means that Dedicated Schools Grant (DSG) is ring-fenced and must be spent on schools and specific services to schools. Any under or over spend must be carried forward. The Schools Forum is planning that the under spend will be used to support next years school budgets.

Directorate Central Budget

37. The Dedicated Schools Grant does not fund the remaining education services such as strategic management, SEN assessment, asset management and transport.
38. The Council is required to meet any redundancy costs arising from within schools. The position won't be known until March 2008 when schools consider their detailed budget plans. The key pressure in this area is falling rolls and this budget was overspent by £285k last year.
39. School transport route reviews continue to deliver welcome savings and this year savings of £254k are projected. One off savings of are also likely at a level of £229k largely due to the windfall arising from the transfer from Standards Fund academic year funding to financial year funding in the LAA.

Children's Social Care/ Safeguarding and Assessment Services

40. Analysis of the number of placements shows a rise from 24 in April 2006 to 33 in December 2007. Similarly fostering placements have risen from 102 in April 2007 to 114 at the end of November 2007. The Council has a statutory responsibility to meet the needs of individual children if such placements are necessary. These placements can be expensive and typically each one costs in excess of £150k. This is a key pressure for 2008/09 financial year and unless placements can be reduced there will be a continuing cost pressure.

Summary

41. Overall, the Children and Young People's budget is currently expected to overspend but after the application of the central contingency and spend to save funding a balanced year end position is expected. This will continue to be monitored closely throughout the rest of the financial year.

Efficiency Savings

42. The efficiency savings required for 2007/08 have been based upon the social care modernisation proposals approved by Cabinet last year and additional transport savings identified from route reviews effective from September 2007.

CORPORATE AND CUSTOMER SERVICES DIRECTORATE

Directorate Summary as at 31st January 2008

	November 2007 Net over or (-) underspend £000	January 2008 Net over or (-) underspend £000
Herefordshire Partnership	0	0
Communications	0	0
Director and Administration	0	0
Emergency Planning	0	0
Legal and Democratic Services	100	100
Info by Phone	0	0
Policy & Performance	0	0
Information Services	0	0
Corporate ICT Projects	-427	-427
ICT Trading Account	217	217
Corporate Programmes	205	205
Community Network Costs	1,100	1,100
Total	1,195	1,195

43. The ICT Trading Account and Corporate ICT projects are performing in line with revised budgeted projections.
44. Info by Phone is anticipated to under spend due to staff vacancies. Work is continuing with directorates to identify those services which will become part of the Customer Services function during the next year. Until the end of 2008/09 there is £500k of additional funding for Customer Services and securing base budget provision from the transferred services beyond 2008/09 is a priority for the Directorate.
45. Within Legal and Democratic Services there is an over spend on members' expenses because of the purchase of new computers and training for all members after the election. These will balance out over the next three years. Operating costs in Members' Services continue to rise in support of increasing numbers of meetings. In Legal Services some of the outstanding invoices have now been paid. However

there is a continuing legacy of some unachievable income targets which need to be resolved.

46. Investigations into the planned funding for the community network upgrade have established that the annual revenue cost is £1.6m, reduced to £1.1m after contributions from school funding. However, work is in progress to challenge elements of the Siemens contract in order to reduce the cost. Savings are being identified for both the Schools and the Council. The areas identified to date cover line rental and call charges and this will help to reduce the full year overspend.

ENVIRONMENT DIRECTORATE

Directorate Summary as at 31st January 2008

	November 2007 Net over or (-) underspending £000	January 2008 Net over or (-) underspending £000
Environmental Health and Trading Standards	-650	-700
Planning	143	293
Highways and Transportation	100	50
Directorate Management & Support	0	0
TOTAL	-407	-357

Environmental Health and Trading Standards

47. There is a projected underspend of £600k relating to the Waste Disposal budget. This projection is mainly based on forecasts from Worcestershire County Council in relation to the joint Waste Disposal contract. In previous years there has been significant underspend and until the new contract variations are agreed this position will continue. However, the cost of the new contract will be considerably higher than at present. The final position will be reflected in the overall revenue account but, as in previous years, any underspend against the contract will need to be earmarked for reserves to meet future waste management pressures.
48. One area of risk is that current Waste Contract volume percentages between Herefordshire Council and Worcestershire County Council are getting closer to a potential 1% increase for Herefordshire Council. If this happens this would mean an additional cost of £300k which is not reflected in the outturn.
49. There is a projected underspend in relation to Commercial Environmental Services of £50k. This is the additional income received in the current year in relation to the Cadbury's case compensation for expenditure incurred and loss of inspection income in the previous year.
50. There is also a projected underspend of £50k in relation to licensing, due to income exceeding budgets following a review of Taxi license fees. This increase in income was intended to fund additional staff but the directorate has not been able to recruit.

Planning

51. There is likely to be an overspend in relation to IT SLA charges in Planning of £100k. This is being reviewed to check the impact on the ICT trading account. In the previous year, on a one-off basis, this pressure was met by Planning Delivery Grant however there is no capacity to do this in the current year.

52. There is also an additional projected overspend of £43k in relation to a revenue contribution to capital for the purchase of land at Belmont.
53. There is also a predicted overspend over £150k in relation to IT contract fees for scanning and legal costs, again in the previous year these pressure were met by Planning Delivery Grant however there is no capacity to do this in the current year.
54. Although Planning Fee income is on target for the Period to 31st January 2008, current forecasts based on income patterns in the previous two years, which take seasonal fluctuations into account, indicate a potential shortfall of income of £60-75k for the year. However, the proposed changes to Planning Fees from 1st April 2008 may lead to more applications in March. Any surplus will be used to mitigate overspends within the Planning service.

Highways & Transportation

55. Concessionary travel is expected to overspend by £100k. This projection is based on inflationary increases during the year on fares of 10% and an increase of patronage of 5%, based on increases already seen so far this year. An underspend of £50k, in relation to Highways running costs, will mitigate this overspend.

Efficiency Savings

56. The efficiency savings have all been taken into account in the Directorate's budget. Action is being taken to ensure the savings are made.

CORPORATE BUDGETS

Summary as at 31st January 2008

	November 2007 Net over or (-) underspending £000	January 2008 Net over or (-) underspending £000
Corporate Budget	-350	24

57. At the end of January 2008 a net overspending of £24k is expected on corporate budgets. Additional one off payments this year exceed the anticipated savings on corporate subscriptions, insurance, audit commission fees and Environment Agency levies.
58. There will be a transfer of £960k budget for Job Evaluation adjustments and unfunded pensions to other directorates.
59. The remaining corporate capacity budget and agency staff efficiency savings will be allocated in the 2008/09 base budget to directorates.

RESOURCES DIRECTORATE

Summary as at 31st January 2008

	November 2007 Net over or (-) underspending £000	January 2008 Net over or (-) underspending £000
Asset Management & Property Services	0	0
Audit, Benefit and Exchequer and Financial Services	-60	-16
Total	-60	-16

Asset Management & Property Services

60. At this stage of the year there is an estimated break even financial position at year end.
61. Additional expenses for office accommodation are causing an increased risk of an overspend.

Audit Services, Benefit and Exchequer Services and Financial Services

62. Overall there is a projected underspend of £16k. This is largely due to savings around rent rebates.

HUMAN RESOURCES DIRECTORATE

Summary as at 31st January 2008

	November 2007 Net over or (-) underspending £000	January 2008 Net over or (-) underspending £000
Human Resources	0	0

Human Resources

63. At this stage of the year there is an estimated break even.
64. However due to vacancies being filled using interim agency staff it is possible this area could overspend.

Efficiency Savings

65. The efficiency savings have all been taken into account in the Directorate's budget. Action is being taken to ensure the savings are made.

2007/08 CAPITAL PROGRAMME BUDGET MONITORING

OVERALL SUMMARY POSITION

1. The capital programme forecast outturn for 2007/08 as at 31st January 2008 totals £53.418m, which is an increase of £250k from the previous capital programme forecast outturn for 2007/08 as at 30th November 2007. This is mainly due to the inclusion of a further property purchase under the Edgar Street Grid development expected to complete before the financial year end.
2. A summary of the overall capital programme position for 2007/08 is provided in table B1. Detailed capital programmes for directorates are reported to the relevant scrutiny committees. No conditional funding resources are expected to be lost.
3. Details of total capital scheme costs, their funding, spend to date and any potential issues for capital schemes with a revised forecast spend for 2007/08 exceeding £500k are provided in table B2.

CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE

4. The capital programme forecast for this directorate has increased slightly to £12.251m although actual spend to the end of January is low at £6.434m with large amounts of expenditure on Riverside expected to go through before the end of March.
5. Indicative funding allocations for the next three years capital programme have been received, a separate report to Cabinet detailing the three year strategy will follow.

CORPORATE AND CUSTOMER SERVICES DIRECTORATE

6. The capital programme forecast has not changed although additional expenditure on the Info by Phone capital scheme has been incurred. One reason for the overspend is the delay encountered in going "live". There is capital grant and revenue funding available to fund this overspend.

HEREFORDSHIRE CONNECTS

7. Following Cabinet's review of the council's financial prospectus only the Core Logic social care solution is included in the revised capital programme.

ENVIRONMENT SERVICES DIRECTORATE

8. The capital programme forecast for this directorate has increased slightly to £27.585m although actual spend to date totals £16.317m with commitments totalling £6.011m. The capital forecast is expected to be fully committed by bringing forward schemes that can complete where other schemes have been delayed.

VAT

9. HM Revenues and Customs announced in January that authorities are not required to do a VAT Partial Exemption calculation for 2007/08. This arose largely because of concerns surrounding the impact of this limit on smaller authorities. The review underway is looking at options including various forms of aggregation that might produce a fairer result following which recommendation will be made to the Treasury.

Adoption of changes will also require the necessary legal changes meaning that the position for 2008/09 is unclear at the moment. This is a concern because the bulk of expenditure on the provision of a crematorium (which is a VAT exempt scheme which cannot be “opted to tax” so must be managed within the 5% limit) will fall into 2008/09.

Prudential Borrowing Position as at 31st January 2008

10. A summary of the Prudential Borrowing position for 2007/08 is set out below.

2007/08 Original Prudential Borrowing Allocation		£16,995,000
Add: Subsequent Allocation (Rotherwas Futures)		£90,000
Add: Slippage from 2006/07		£16,288,000
Less: Slippage into future years	(£22,897,000)	
No longer required	(£1,074,000)	
Funded by available SCE(R)	(£125,000)	(£24,096,000)
Forecast use of Prudential Borrowing in 2007/08		<u>£9,277,000</u>

Capital Receipts Reserves Position as at 31st January 2008

11. The capital receipts reserve totalled £22.426m as at 1st April 2007. Capital receipts of £1.850m have been received to date, mainly in relation to the sale of small holdings. £7.136m is expected to be used to fund 2007/08 capital programme. The remaining balance will be used to fund future year's capital programme including strategic housing, Rotherwas Futures and the provision of a cattle market.

TABLE B1

FUNDING OF REVISED 2007/08 CAPITAL PROGRAMME

Capital Programme Area	2007/08 Revised Forecast 31/01/08	SCE(R)	Prudential Borrowing	Grant	Revenue Contribution	Capital Receipts Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Children & Young People's Services	12,251	2,163	2,275	5,173	-	2,640
Resources	2,296	-	254	1,931	60	51
Corporate and Customer Services	322	-	322	-	-	-
Herefordshire Connects	944	-	944	-	-	-
Environment Services	27,585	7,582	4,088	15,822	45	48
Adult and Community Services	10,020	218	1,394	3,954	56	4,398
Total Revised Forecast	53,418	9,963	9,277	26,880	161	7,137
<i>November Forecast</i>	<i>53,168</i>	<i>9,963</i>	<i>9,296</i>	<i>26,645</i>	<i>161</i>	<i>7,103</i>
<i>Change from September</i>	<i>250</i>	<i>-</i>	<i>(19)</i>	<i>235</i>	<i>-</i>	<i>34</i>

<u>Reported to date</u>						
<i>Original Budget</i>	<i>65,462</i>	<i>9,963</i>	<i>28,256</i>	<i>18,358</i>	<i>170</i>	<i>8,715</i>
<i>July 2007 Forecast</i>	<i>62,433</i>	<i>9,963</i>	<i>15,926</i>	<i>25,781</i>	<i>54</i>	<i>10,709</i>
<i>Sept 2007 Forecast</i>	<i>61,602</i>	<i>9,963</i>	<i>16,503</i>	<i>25,291</i>	<i>54</i>	<i>9,791</i>
<i>Nov 2007 Forecast</i>	<i>53,168</i>	<i>9,963</i>	<i>9,296</i>	<i>26,645</i>	<i>161</i>	<i>7,103</i>
<i>Jan 2008 Forecast</i>	<i>53,418</i>	<i>9,963</i>	<i>9,277</i>	<i>26,880</i>	<i>161</i>	<i>7,137</i>

Schemes with a forecast spend exceeding £500k in 2007-08

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	Current 2007-08 expenditure forecast £'000	Actual spend to 31-01-08	Comments
Children & Young People's Services					
Sutton Primary Replacement School	2,811	Grant, Parish Council & capital receipts	2,144	1,238	Scheme running behind schedule due to weather, expected completion in May
Riverside Amalgamation	9,005	Grant & capital receipts	4,540	2,334	Scheme approximately five months ahead of schedule, should complete in September
Minster School Replacement	20,086	Grant	866	96	This scheme is out to tender and will be reviewed in April
Condition property works	n/a	SCE®	900	623	Annual programme of works fully committed on a highest need basis
Resources					
Property Purchase	1,446	Grant	1,446	1,422	Purchase under Edgar St Grid development
Corporate & Customer Services					
Herefordshire Connects – Social Care Solution	1,452	Prudential borrowing	944	-	Capitalisation of spend incurred to be reviewed
Environment Services					
Rotherwas Access Road	11,697	Grant, LTP & prudential borrowing	7,459	5,989	Construction to complete in April, compensation events yet to be agreed
Crematorium	3,150	Prudential borrowing	810	465	Work on site started in January and is expected to complete in November
Road Maintenance	n/a	LTP allocation	5,863	3,539	Budget not fully committed however capitalisation of revenue works to reviewed
Hereford Flood Defences	2,172	Private developer	2,172	-	Terms of deed to transfer to Environment Agency finalised, completion should follow

Scheme Detail By Directorate	Whole Scheme Cost £'000	Funded by	Current 2007-08 expenditure forecast £'000	Actual spend to 31-01-08	Comments
Footways	n/a	LTP allocation	1,065	436	Annual programme of works yet to be fully committed
Ross on Wye Flood Alleviation	6,974	Grant	5,000	1,797	Scheme in progress with anticipated completion in September
Assessment Strength of Bridges	n/a	LTP allocation	750	520	Annual programme of works fully committed
<i>Adult & Community Services</i>					
Cattle Market	5,022	Capital receipts	1,150	233	Land purchase to complete in March
Affordable Housing Grants	n/a	Capital receipts	2,000	1,754	Annual programme of works
Private Sector Housing	n/a	Grant & capital receipts	833	439	A tightening of the eligibility criteria has resulted in the slowing of grant approvals
Friar St Museum and Resource Centre	2,040	Grant, borrowing & capital receipts	1,364	805	Scheme largely complete with retention period ending in November 2009
Rotherwas Futures Est. Dev. Work	4,358	Grant & capital receipts	668	405	Total scope of scheme and costs thereof to be finalised
Disabled Facilities Grant	n/a	60% grant & 40% capital receipts	920	548	More grants approved due to increasing demand to assist independent living
Aylestone Hill Park	627	Prudential borrowing & private developer	507	518	Phase complete, future phases will commence upon receipt of developer funding
Total			41,401	23,161	
Schemes with a forecast spend in 2007/08 of less than £500,000			12,017	6,603	
Total			53,418	29,764	

Article I. INTEGRATED PERFORMANCE REPORT

MONTH TEN – 2007/08

CORPORATE RISK REGISTER

The Corporate Risk Register, which accompanies this report, includes actions that need to be taken to mitigate the risks, the responsible officer for the action is named and a target date for completion or review of actions is included.

Article II. Current Position

The main issues arising from the register are as follows:

- a) The number of Corporate Risks has decreased to 15 (from 21). This is due to the combining of some risks and the removal of others due to the risk either being of a time barred nature or accountability being delegated to directorate level.
- b) There are six risks that continue to score 'high' even after the mitigating actions have been taken into account. These risks are:
 1. CR2 – 'Corporate Spending pressures outweigh the level of resources available to meet them. Particular pressures prevalent in Adult Social Care, Childrens Social Care and ICT Services and Customer Services.'
 2. CR5 – 'The inability to provide critical services due to the failure of the ICT networks'.
 3. CR17 – 'Reduction in the Use of Resources overall assessment'.
 4. CR28 – 'Deliverable benefits from Herefordshire Connects not realised'.
 5. CR29 – 'Both Data Centres are in leased accommodation, are near capacity, plus there are environment issues such as power and fire suppression that need to be addressed. Loss of data centres will affect delivery of all services. This is linked with accommodation strategy risk CR13.'
 6. CR32 – 'Currently the Council's websites use the Star internet feed which is becoming increasingly unreliable. The target is to move the internet feed to a larger capacity "pipe" as soon as possible, however feedback from the ICT Networks section is that this is already reaching capacity usage at peak times from School traffic which already uses this feed. Other factors will place

additional demands on this bandwidth but the level of additional traffic is not known.'

- c) The following provides further information:
- i) Risk CR2 - Review dates for end of March 2008 have been entered for actions 1 and 2. The remaining four actions require updating, removing or new review dates provided.
 - ii) Risk CR4 – A new risk description has been entered to replace the risk connected with maintaining a CPA 3 start rating. The new risk focuses attention on the Council's ability to prepare adequately for the CAA.
 - iii) Risk CR5 – Although this is indeed a corporate risk part of the mitigation actions lies with each directorate and service area ensuring that they have up to date and tested service continuity plans and that ICT requirements have been communicated to ICT Services. The Audit Commission's comments in the Use of Resources report for 2008, regarding the need for a consolidated continuity plan, have also been added.

It should be noted that there are clear links between CR13 and CR29 and therefore there should be synergy between the respective management teams when considering the relevant mitigating actions.

In addition CR5, 29, 30 and 32 all have a common theme relating to the provision and or failure of ICT systems. This therefore highlights the need for the Council to ensure that any mitigating strategies and projects are consistent.

The next review of the Corporate Risks will be undertaken in connection with the month 12 IPR to be reported in April 2008. It will bring together the highest rated risks from the Council's Corporate Risk Register, PCT Board Assurance Framework and the HPS risk register.

Stage One		Stage Two			Stage Three				
Risk Reference Number	Identified Risk Area	Council Objective	Assessment of Risk (Assume NO controls in place) using risk matrix			Assessment of Residual Risk (With control measures implemented)			
			Impact (Severity)	Likelihood (Probability)	Priority Rating	Impact (Severity)	Likelihood (Probability)	Residual Priority Rating	
CR2	Corporate spending pressures outweigh the level of resources available to meet them. Particular pressures prevalent in Adult Social Care, Childrens Social Care and ICT & Customer Service.		4	4	High	3	3	High	
					<p>Potential Mitigation Strategy Summary</p> <p>The Council's Medium Term Financial Strategy highlights the requirements for all Directorate budgets to be managed within a 1% overspend tolerance. Budgetary pressures continue for both adult and children social care services. Contingency funding has been set aside within the Council's budget plan to help mitigate this risk. A significant overspend on social care budgets is currently expected. The forecast overrun for ICT & Customer Services is now expected to be within budget for the year but there will be significant under and over spends within the budget. The budget plan includes a number of recovery costs and unbudgeted revenue costs of the Siemens contract. A New potential pressure is grant clawback on the ARCH programme.</p>	<p>Responsible Directors</p> <p>ALL GH, SM, JEJ</p>	<p>Action Description</p> <p>1. Budget management plan for A&CS agreed.</p> <p>2. Budget management plan for C&YP agreed.</p> <p>3. ICT base budget issues being examined by DC&CS with support from Financial Services.</p> <p>4. Robust challenge of monthly budget monitoring reports from Directorates by Financial Services.</p> <p>4. Robust challenge of Directorate budget management plans for the future through the Performance Improvement Cycle process.</p> <p>5. Medium Term Financial Strategy being reviewed</p>	<p>Action Owner</p> <p>GH</p> <p>SM</p> <p>JEJ</p> <p>DP</p> <p>DP</p> <p>DP</p>	<p>Target/Review Date</p> <p>31/03/08</p> <p>31/03/08</p> <p>Ongoing</p> <p>Ongoing</p> <p>Complete</p> <p>31/01/08</p>
CR4	Failure to prepare adequately for CAA and raise our Dot score from improving adequately.		4	2	Medium	2	2	Low	
					<p>The key mitigation actions for the next 12 months are: 1) sustaining our current rate of improvement in key performance indicators through the introduction of the NIS 2) action to fundamentally improve data quality 3) preparing adequately for audits / inspections in 2008 and avoiding negative reports 4) properly explaining the reduction in our overall score from February 2008 to staff, the public and partners and 5) a project managed programme of key preparatory projects through 2008/09 including policy, strategy and performance management across Herefordshire.</p>	<p>Responsible Directors</p> <p>ALL CB</p>	<p>Action Description</p> <p>a) proactive management of all corporate audits e.g. performance indicators and data quality, b) deliver robust improvement plans where audit results were poor in the past, c) Continue to improve PIRs especially satisfaction indicators and evidence other improvements for the Dot d) agreeing a standard approach prior to all future audits/inspections, e) redirect PIRs to the areas that need most improvement, f) Herefordshire connects provides corporate performance management solution - currently on hold.</p>	<p>Action Owner</p> <p>a) JJ, b) & c) HoS/Director, TG d) TG, e) JG, f) Herefordshire Connects Board/TG</p>	<p>Target/Review Date</p> <p>a & b) March 08 c) September 08 d & e) April 08 f) March 08</p>
					<p>Use of Resources Improvement Plan for 2006 has been implemented.</p>	<p>Responsible Directors</p> <p>SR</p>	<p>Action Description</p> <p>Use of Resources assessment for 2007 expected shortly, SR to lead on development of an improvement plan.</p>	<p>Action Owner</p> <p>SR/ALL</p>	<p>Target/Review Date</p> <p>November 07 - March 08</p>
CR5	The inability to provide critical services due to the failure of the ICT networks		3	4	High	3	3	High	
					<p>Substantial capital investment has been made in ICT network and disaster recovery arrangements. Extensive ICT specific service continuity plans have been developed and are exercised. Workshops held for all directorates and service continuity plans have been prepared and due for testing during the year in business critical systems and made to all plans. The Council is reviewing the Community Network Contract with Siemens to ensure it meets the needs of the Council. The Council's 2008 consolidated business continuity plan. This is an issue that needs urgent attention to improve to at least minimum acceptable standards by 31/03/08</p>	<p>Responsible Directors</p> <p>CB/JJ</p>	<p>Action Description</p> <p>Revised performance improvement framework and cycle for 2008 / 09. Improved corporate plan. Additional support is being given to the service planning for 2008 through a series of training modules.</p>	<p>Action Owner</p> <p>ALL</p>	<p>Target/Review Date</p> <p>Ongoing</p>

Managing Risk - Corporate Risks
January 2008

Stage One		Stage Two			Stage Three						
Risk Reference Number	Identified Risk Area	Council Objective	Assessment of Risk (Assume NO controls in place) using risk matrix			Assessment of Residual Risk (With control measures implemented)			Action Description	Action Owner	Target/Review Date
			Impact (Severity)	Likelihood (Probability)	Priority Rating	Impact (Severity)	Likelihood (Probability)	Residual Priority Rating			
CR7	Corporate Capacity to deliver a range of changes the Council has embarked upon.		4	3	High	4	2	Medium			
CR8	Achievement of LPSA 2 targets and hence the Performance Reward Grant (PRG). Failure to manage future PRG will have a significant and detrimental impact on the Council's ability to deliver future performance gains in services.		3	3	High	3	2	Medium	a) Redistribution of some LPSA2 funding undertaken. (b) Challenge meetings held with all LPSA2 lead officers. (c) Escalation measures in place to ensure targets at risk are reported so that resources can be directed for maximum benefit.	JW/TG	a) BCG convened in August, thereafter meeting at least monthly (b) HCPB convened and meeting monthly at As (b)
CR9	Non delivery of Local Area Agreement		3	2	Medium	3	2	Medium	a) PMG in place (b) Action undertaken on basis of performance reviews	JW	Ongoing - PMG to meet at least 6 times/year
CR11	Failure to recruit and retain staff where there are national skills shortages and including the impact of Job Evaluation. Ensuring consistent treatment of Equal Pay Claims.		3	3	High	2	2	Low	Succession planning as part of management development provision	ALLGC	
									Utilise SRDs / implement career development posts and conclude job evaluation. 94% SRDs completed by the end of May. HR to support Directorates deliver to identified training needs, to work to Investor in People standard.		
									Focused recruitment activity to support identified shortages e.g. Social Work (Childrens) and more recently difficulties in recruiting to Asset Management & Property Services posts, plus development of a workforce plan, and work to implement national data sets. Actions to address ICT shortages are in place, and progressing in Building Control.		Mar-08
									Promote professional development support through training agreements and payment of professional fees. Develop secondment opportunities internally and with partners. Implement Market Forces Supplement. Improving leadership and management through revised management development provision.		
									Implement software to review new pay structure to ensure that it is equally proofed.		Jan-08
									Pride in Herefordshire approach to be implemented.	GC	
									Adult Strategy being developed first phase focusing on Learning Disabilities	GC	
									Childrens draft workforce strategy agreed in principle and implementation plans being developed	SM	
CR13	Review of Accommodation Strategy.		4	4	High	3	2	Medium	An Accommodation Strategy Group has been established to review future options. Cabinet are considering officer recommendations.	SR	31/03/08
									An emerging risk is the move towards flexible working. An initial observation/data analysis study has been commissioned to identify potential flexible working solutions.	MH	

Managing Risk - Corporate Risks
 January 2008

Stage One Risk Reference Number	Identified Risk Area	Council Objective	Assessment of Risk (Assume NO controls in place) using risk matrix			Responsible Directors	Assessment of Residual Risk (With control measures implemented)			Action Description	Action Owner	Target/Review Date	
			Impact (Severity)	Likelihood (Probability)	Priority Rating		Impact (Severity)	Likelihood (Probability)	Residual Priority Rating				
CR16	Failure of Waste Management Contract leading to failure to meet diversion targets and the potential for the Authority to be paying £150 per tonne extra on our missed target tonnages. Failure of the contract would also lead to the loss of PFI credits		4	3	High	MH	4	2	Medium	"H&W have an agreement to Trade LATS between the two authorities at "no cost" to offset risks - this risk needs to be formalised. The failure of negotiations with ReEnergy means that the issue of MWM Identifying and introducing a new sub-contractor will need to be monitored to ensure early warning can be given of likely timescales for the negotiations and implementation of a varied contract. Because of the timescales involved in delivering a variation to the Contract it will be necessary to offset our risks of LATS penalties by maximising our recycling performance, through Waste Management contracts. In addition the two authorities are now also requiring a contract to secure capacity at an Energy from Waste Plant to ensure we collectively meet our diversion targets. The Contracts are both "out of County" and are designed to deliver the minimum quantity of waste to meet or LATS target and to minimise the amount of waste being transported out of the Counties. In addition further work is being undertaken to secure appropriate diversion technology to secure the longer term viability of the Contract.	MH		
CR17	Reduction in the Use of Resources overall assessment		4	2	Medium	SR	3	4	High	Directorate Management Teams to review progress implementing actions arising from internal audit reviews on a monthly basis.	ALL	Ongoing	
CR27	CRB process not carried out to an appropriate and reliable level		4	3	High	SM	4	2	Medium	Action plan to be developed that will address the 7 areas of concern as raised by the Director of C&YP. Appropriate financial support to be allocated so that the recommendations of the plan can be actioned speedily and readily. Report to Members.	SM		
CR28	Deliverable benefits from Herefordshire Connects not realised		4	3	High	JEJ	3	3	High	a) BCG in place and meeting regularly, benefits envisaged to be assessed at each meeting; (b) Programme Board receive regular exception reports; c) Actual investment and savings monitored against the MITS.	a) DP b) AK c) DP	Monthly - next review January 2008	
CR29	Both Data Centres are in leased accommodation, are near capacity, plus there are environment issues such as power and fire suppression which could be affected by data centres. Loss of data centres will affect delivery of all services. This is linked with accommodation strategy CR13		4	4	High	JEJ	4	4	High	Decisions required form accommodation strategy to establish where future data centres should be located. Project to be established to relocate data centres to these locations. Investment required, server virtualisation will reduce risk in part.	To be completed by risk owner	Rob Knowles	
CR30	Legacy systems out of support with vendors, and on old hardware. Compounded by CR28 Benefits from Connects eg Cedar		4	4	High	JEJ	1	1	Low	Establish which systems are deemed critical and make good the systems. Any expenditure may need to be deducted from connects benefits.	To be completed by risk owner	Geoff Cole	
CR32	Currently the council's websites use the Star internet feed which is becoming increasingly unreliable. The TOM target is to move the internet feed to the 16 Mbytes pipe as soon as possible, however feedback from Networks is that this will be a significant increase in traffic at peak times from School traffic which already uses this feed. In addition the MLE/VLE hosted externally will place additional demands on the bandwidth but the level of additional traffic is not known		4	4	High	JEJ	4	4	High	Siemens are currently working on an alternative supplier to BT, whose costs are very high, and they hope to significantly reduce the costs provided so far. These costs will also take into consideration any cancellation charges as the BT circuits were procured on a 3 year rental basis. Also, these costs will be based on the service being provided to the 2 current data centres; if internet feeds are required at any new data centres it would require a "B" end shifts). In reality, this will be a new circuit and no provider will provide costs for doing this until the final destinations are known and the route/line capacity etc checked out. The technology used by BT the current feeds can only be increased up to a total bearer bandwidth of 34Mb which gives 32Mb of usable bandwidth (limitation of ATM (Asynchronous Transfer Mode) over SDH (Synchronous Digital Hierarchy)). As mentioned above Siemens are looking at other technology options that can provide bandwidths from 30Mb up to 1200Mb for HC to consider. Another option is to retain the existing 16Mb feeds for corporate and install totally new ISP internet feed for school	To be completed by risk owner		

Managing Risk - Corporate Risks
January 2008

Stage One		Stage Two			Stage Three						
Risk Reference Number	Identified Risk Area	Council Objective	Assessment of Risk (Assume NO controls in place) using risk matrix			Assessment of Residual Risk (With control measures implemented)			Action Description	Action Owner	Target/Review Date
			Impact (Severity)	Likelihood (Probability)	Priority Rating	Impact (Severity)	Likelihood (Probability)	Residual Priority Rating			

Signed: _____
Date: _____

Position: _____

Key to Assessment of Risk Scores

Impact Rating	Description/Examples
Catastrophic	One or more fatalities Service disruption for more than 5 days Adverse national publicity Financial loss up to 75% of budget Litigation almost certain and difficult to defend Breaches of law punishable with imprisonment
Critical	Extensive, permanent injuries, long term sick Service disruption 3 - 5 days Adverse local publicity Major injury to individual/several people Litigation is expected Financial loss up to 50% of budget Breaches of law punishable by fines only
Significant	Severe injury to individual/several people Service disruption 2 - 3 days Naked content public order Financial loss of up to 25% of budget Higher potential for complaint, litigation possible Breaches of regulations/standards
Negligible	No injuries beyond first aid level No significant disruption of service capability Unlikely to cause any adverse publicity Financial loss of up to 10% of budget Unlikely to cause complaint/litigation Breaches of local procedures/standards

Likelihood Rating	Description
Very Likely	Is expected to occur in most circumstances i.e. there is a more than 75% chance of occurrence.
Likely	Will probably occur in most circumstances, i.e. there is a 40 - 75% chance of occurrence.
Unlikely	May occur in exceptional circumstances i.e. there is a 10 - 40% chance of occurrence.
Very Unlikely	Is never likely to occur i.e. at less than 20% chance of occurrence.

CALL IN OF CABINET DECISION ON HEREFORDSHIRE CONNECTS - ACQUISITION OF THE PREFERRED TECHNOLOGY TO REPLACE THE CURRENT CLIENT SYSTEMS USED WITHIN BOTH ADULT SOCIAL CARE AND THE CHILDREN AND YOUNG PEOPLE'S DIRECTORATE

PORTFOLIO RESPONSIBILITY: CORPORATE & CUSTOMER SERVICES & HUMAN RESOURCES, CHILDREN'S SERVICES, RESOURCES AND SOCIAL CARE ADULTS AND HEALTH

CABINET

21 FEBRUARY 2008

Wards Affected

County-wide

Purpose

To consider a report prepared in response to the recommendations made by the Strategic Monitoring Committee following the call-in of Cabinet's decision on the acquisition of the preferred technology to replace the current client systems used within both Adult Social Care and the Children and Young People's Directorate and the Committee's consideration of a consolidated report on the Herefordshire Connects programme.

Key Decision

This is a Key Decision because it will result in the Council incurring expenditure above agreed budgets for the service or function (shown as a line in the budget book) to which the decision relates but allowing for virements between budget heads and savings within budget heads of up to £500,000.

It was included in the Forward Plan.

Recommendation

THAT Cabinet consider the revised submission prepared in response to the recommendations made by the Strategic Monitoring Committee in relation to Cabinet's decision on the acquisition of the preferred technology to replace the current client systems used within both Adult Social Care and the Children and Young People's Directorate and the Committee's further recommendations in relation to its consideration of this issue and its consideration of a consolidated report on the Herefordshire Connects programme.

Further information on the subject of this report is available from
Akif Kazi on (01432) 261550 or David Powell on (01432) 383173

Reasons

Following the call-in of the decision made by Cabinet at its meeting on 13th December 2007 the Strategic Monitoring Committee made the following recommendations:

- a) That Cabinet should require a revised submission on the proposed replacement of the relevant client systems in the Adult Social Care and the Children and Young Peoples' Directorates setting out clearly and quantifying all costs (including fees) whether forecast or potential.
- b) That the revised submission referred to above be extended to demonstrate clearly respective responsibilities for: the identification of potential tenderers, the technical appraisal of tenders and judgment as to compliance of the tenders.
- c) The above submission further explains and justifies the decision not to abort the tender process and explains the basis for selection of OLM as a further individual tenderer and the exclusion of OLM from the first tender list.
- d) Assurances regarding data security and transfer arrangements and compatibility with current systems (if retention is considered) should be included in the revised submission to Cabinet.
- e) Neither the totality of this decision nor its place within the context of the Herefordshire Connects project was clear. To ensure proper, informed decision making, reports of this nature submitted to Cabinet in future should state clearly the dimensions of what is presented for approval and its place within the context of the overall project.
- f) Future reports to Cabinet requesting authorisation to proceed with a particular course of action such as an acquisition should state this explicitly in the title and should not merely be described as an update.
- g) That the Head of Legal and Democratic Services be requested to revise the format of the Decision Notice template to clarify the meaning of the entry in the template headed "urgent decision", to make clear that this is a technical term having regard to the relevant Regulations and does not necessarily relate to the importance and urgency of a matter under consideration in practical terms.
- h) The inclusion of a second option in the Cabinet report did not approach the minimum standard of acceptable information. If alternative options are presented in Cabinet reports fully argued consideration is necessary; and
- i) Reports to Cabinet and all Committees should be expressed in clear, comprehensible English without jargon or unexplained abbreviations. Any statistical or financial information must be clear and arithmetically correct.

Considerations

1. Cabinet's decision on 13th December was:
 - (a) **Cabinet authorise the Head of Legal and Democratic Services to sign the framework agreement with Deloitte;**
 - (b) **Cabinet confirm Corelogic Framework as the preferred solution and authorise the directors of Corporate & Customer Services and Resources, in consultation with the Director of Children's Services and Director of Adult and Community Services, to proceed with this acquisition on a fixed price basis through the Deloitte framework agreement; and**
 - (c) **Cabinet receive assurance on budget savings in relation to the accommodation strategy**
2. In accordance with Standing Order 7.3.1 and the Scrutiny Committee Rules set out at Appendix 2 of the Constitution, Cabinet's decision on 13th December 2007 was called in by three Councillor (Councillors: PJ Edwards, TM James and RH Smith. for consideration by the Strategic Monitoring Committee.
2. The Strategic Monitoring Committee met on 31st January, 2008 to consider the call-in.
3. The grounds for the call-in were as follows:

That the decision as set out within its (a) + (b) and the now added (c) has been taken without given due consideration to the following –

- *Call in Item 1* - There is a need for a report on the whole of The Herefordshire Connects Programme, as requested by the Strategic Monitoring Committee. This is surely essential to provide Members with a clear understanding of where the programme now stands and how each proposal, such as that considered by Cabinet on 13th December, relates to the programme as a whole. The report requested by the Committee should be presented to it at the same time as the Committee considers the call-in of Cabinet's decision.
- *Call in Item 2* - The Cabinet Report Agenda Item 5 titled Herefordshire Connects Programme Update is not as such an update to The Connects Programme but is in fact a request for authorisation to proceed with an acquisition and should be titled as such.
- *Call in Item 3* - The Decision is listed as non urgent yet the section in the report titled risk (which should presumably read Risk Management mentions a Key Risk of 'external funding may be lost if the start date is delayed'
- *Call in Item 4* - The first Key Risk listed is unclear.
- *Call in Item 5* - The Programme Update has few or no target dates; simply writing 'asap' is not acceptable.
- *Call in Item 6* - The report raises questions over the propriety of the procurement process.
- *Call in Item 7* - The Report leaves the question of actual accommodation location & Network Capability open & with unquantified costings.

- *Call in Item 8* - the Financial Considerations section in the report indicates 'capital expenditure has been spread over 5 years yet the Summary of Costs only covers a 3 year period.
 - *Call in Item 9* - Capital Financing Cost boxes are listed within the Annual Revenue chart but not entered & the difference of £640k between the original Agenda Report & the subsequent Report figures requires an explanation.
 - *Call in Item 10* - No costs are estimated to cover possible 'backfilling of Social Workers duties to support the system's implementation' or staff relocation or system relocation if accommodation leases expire or potential 'add on' fees or Vat.
 - *Call in Item 11* - The changed heading of the Agenda item conflicts with the statement in the report where mention is made of 'no further additional work outside of the Social Care programme should be undertaken with the Herefordshire Connects partners in the current year until there is certainty that the programme will proceed'.
 - *Call in Item 12* - No understandable details are offered under Option 'B' within the Reported Alternative Options
 - *Call in Item 13* - Data security or transfer arrangement details and compatibility to current systems (if retention considered) could not be found within the Report.
4. In order to expedite matters the Leader of the Council and the Cabinet Member (Corporate and Customer Services and Human Resources) commissioned the preparation of a revised report on the proposed replacement of the relevant client systems in the Adult Social Care and the Children and Young Peoples' Directorates as recommended by the Strategic Monitoring Committee. This is attached at appendix 1.
 5. The original report to Cabinet on 13th December is attached at appendix 2.
 6. The draft minutes of the meeting of the Strategic Monitoring Committee on 31st January, 2008 are attached at appendix 3.

Financial Implications

The financial implications are as set out in the revised submission on page seven of appendix 1.

Risk Management

The risk management assessment as set out in the Cabinet report of 13th December, 2007 has been revised and appears in the revised submission appended.

Alternative Options

Cabinet could choose not to adopt any of the Scrutiny Committee's recommendations.

Alternative options to the proposed action were set out in the Cabinet report of 13th December. These have been expanded on in the revised submission.

Consultees

Not applicable.

Appendices

Appendix 1 – Revised Submission - Herefordshire Connects - Acquisition Of The Preferred Technology To Replace The Current Client Systems Used Within Both Adult Social Care And The Children And Young People's Directorate

Appendix 2 – Report to Cabinet – 13th December 2007 Herefordshire Connects Programme Update

Appendix 3 - Draft minutes of the meeting of Strategic Monitoring Committee – 31st January, 2008

Background Papers

- Document No. 1 – Consolidated Report on the Herefordshire Connects Programme – SMC 31st January 2008

HEREFORDSHIRE CONNECTS PROGRAMME

Authorisation for the acquisition and implementation of a new social care system

**PORTFOLIO RESPONSIBILITY: CORPORATE & CUSTOMER SERVICES
& HUMAN RESOURCES, CHILDREN'S SERVICES, RESOURCES AND
SOCIAL CARE ADULTS AND HEALTH**

CABINET

DATE 21 FEBRUARY 2008

Wards Affected

County-wide.

Purpose

The purpose of this report is to recommend to Cabinet the preferred technology to replace the current systems for the management and delivery of social care used within both adult social care and the Children and Young People's Directorate.

This paper does not deal with the wider Herefordshire Connects programme, nor is the implementation of a social care system dependent on continuation of the whole programme.

Key Decision

This is a Key Decision because it will result in the Council incurring expenditure over £500,000.

Recommendations

THAT

- (a) Cabinet authorises the Head of Legal and Democratic Services to sign the framework agreement with Deloitte; and**
- (b) Cabinet confirms Corelogic Frameworki as the preferred solution and authorises the Directors of Corporate & Customer Services and Resources, in consultation with the Directors of Children and Young People's Services and Adult & Community Services, to proceed with this acquisition on a fixed-price basis through the Deloitte framework agreement.**

Reasons

1. Cabinet has approved major programmes to improve social care for both adults and children. These depend significantly on efficient and effective systems and processes to ensure that the Council's objectives are able to be met.
2. The current CLIX system is outdated and no longer meets the demands of the services it seeks to support. It has been operational for over 11 years. The lack of a modern case management system has been highlighted by the Audit Commission as a significant factor in the poor performance of social care services. The Council has made a commitment to both CSCl (Commission for Social Care Inspection) and the DCSF (Department for Children, Schools and Families) that it will have a new solution in place by summer 2008. As recently as 25th October 2007 Herefordshire Council received a letter from the DCSF querying progress being made and requesting the Council set out a detailed timeframe which will be adhered to.
3. The requirements of the new social care system were included in the functional specification within the invitation to tender for the Herefordshire Connects programme. However, the social care requirements are not dependent on the rest of the Herefordshire Connects programme.
4. The system will provide easier access to information for practitioners, safer and easier information-sharing with partners, and allow other teams with the same processes for referrals, assessments and outcomes to use it. It will provide standard reports to meet statutory requirements, and the basis for good performance management. At present gathering management information is seriously inefficient, duplicates effort and is unduly expensive in terms of money and staff resource.
5. The Government requires compliance with major national systems, such as eCaf (electronic Common Assessment Framework), ContactPoint (the 'information sharing index'), single assessment and self referral. The Council's present system is non-compliant; the new system will be compliant.

Considerations

6. A glossary of some of the terms referred to in this report is listed in Appendix E.
7. Each of the three suppliers that reached the final selection stages for Herefordshire Connects, including Deloitte, proposed an SAP solution, which included a solution for social care.
8. SAP's social care system was identified for evaluation as an additional module to the Council's preferred Enterprise Resource Planning (ERP) system, on the basis that it would provide seamless integration with financial processes such as billing, payments, commitment accounting etc.
9. ERP systems integrate the data and processes of an organisation in a unified system. A typical ERP system will use multiple components of computer software and hardware to achieve integration. A key ingredient of ERP systems is the use of a unified database to store data for the various system modules.

10. The SAP solution for social care had been developed with Trafford MBC, and the only other existing customer at that time was Staffordshire, who were part way through implementation. However a combination of factors led the Council to consider alternatives to SAP. These were: -
 - Lack of local government customers using SAP social care
 - Poor reference site visits for SAP social care
 - Lack of relevant accreditation
 - Cost pressures on the programme
 - Advice from Deloitte as to whether SAP social care was best value for money
 - Questions as to whether SAP social care could be implemented by summer 2008

Selection Process

11. Deloitte was selected under the Office of Government Commerce's CATALIST procurement framework. As the Council's strategic partner, one of Deloitte's key roles is to provide advice to the Council about solutions that best meet its requirements.
12. Deloitte worked with the Herefordshire Connects team to determine the most appropriate way forward. Discussions were held with the Strategic Procurement and Efficiency Manager, Legal and Democratic Services and officers from Audit. These confirmed that it was entirely proper to carry out the selection of the social care system within the framework of the agreement with Deloitte.
13. Deloitte recommended the evaluation of other market leading products alongside the SAP system, to ensure that the most fit-for-purpose and cost-effective solution was selected for the Council.
14. Deloitte had commissioned a report, which evaluated the main vendors providing solutions to local authorities within the social care systems market.
15. Over the last ten years the market for social care systems has been dominated by only two suppliers – OLM and Anite. However, in recent years, with the need for an Electronic Social Care Record (ESCR) and an Integrated Children's System (ICS) new market entrants have challenged this position. The new entrants have been designed with the new requirements in mind and the traditional suppliers have had to invest heavily in their technology to bring it up to date. Nonetheless few companies offer packaged social care systems.
16. Following the review of the independent market analysis and compliance against various standards, Deloitte identified Corelogic, Liquid Logic and Capita as the most likely to meet the Council's needs.
17. The Herefordshire Connects core team assisted by Deloitte, developed the children's and adult's services system solution verification document. This document was built around the requirements specified in the original invitation to tender which covered a solution for social care.
18. This was forwarded to the three vendors (Capita, Liquid Logic and Corelogic) for completion.
19. Two of the responses were ruled out on the basis that they only catered for children's social care requirements and the Council required a solution for both children's services and adult social care. The Connects team working with Deloitte carried out this assessment.

20. This meant that only one of the responses, the solution from Corelogic, provided a suitable match to the Council's requirements.
21. Whilst the Council had by that time engaged with four of the possible suppliers (including SAP), the Herefordshire Connects team working with Deloitte and the Council's Strategic Procurement and Efficiency Manager felt it would be beneficial to the Council to run a further selection or 'head-to-head' between OLM and Corelogic so as to leverage the best deal for the Council. It was therefore recommended that Corelogic be tested against the best developed of the 'traditional' suppliers, OLM.
22. OLM were sent the children's and adult's services system solution verification document.
23. In addition, the full functional requirements specification and an invitation to demonstrate were also sent to OLM and Corelogic together with the scenarios on which the demonstration would be based. The scenarios enabled suppliers to demonstrate the system at work to staff. They were the same scenarios as those used for the earlier demonstrations by SAP. The scenarios, one covering adult care and other children's services embodied salient aspects of service delivery which either takes too long to deliver at present or processes that cannot be completed with our current systems. They placed quality service delivery, partnership working and the availability of management information at the core of our requirements.
24. The scenario demonstrations were presented to an assessment panel of 32 staff, which included colleagues from the PCT together with staff from adult social care, children and young people, finance, policy and performance and ICT against an agreed agenda and format. Each member of the assessment panel scored each scenario. Several specialist 'break-out' sessions were also run in the areas of, for example, ICT, finance and performance management. Feedback was received from each 'break-out' session.
25. In addition both suppliers completed the functional requirements document.
26. A technical assessment was also made of both proposals by colleagues from ICT. The preferred option from a technical point of view was Corelogic's solution. OLM was seen as being based on obsolete technology.
27. The solution from Corelogic was the clear preference in all categories.
28. In light of this, and before a recommendation was made, site visits were undertaken and references obtained from other councils using the Corelogic solution. Both Worcestershire County Council and Nottinghamshire County Council were positive in terms of their experiences in working with Corelogic. Both were very satisfied with the implementation.
29. Worcestershire County Council had successfully migrated to Corelogic from CLIX, which, like Herefordshire, they had had from the time of the Hereford & Worcester County Council.
30. Based on these initial exchanges the Council is continuing to learn from Worcestershire's experience.

Other Considerations and Next Steps

Data Security

31. The arrangement to transfer the data from the existing social care applications (including CLIX) is the responsibility of Herefordshire Council. A data migration team is in place within the overall Herefordshire Connects programme and is tasked with handling all of the electronic data migration and information transfer issues for the overall programme, which includes the implementation of the new social care solution.
32. In accordance with the recently achieved ISO27001 accreditation (information security management system specification standard) a process is in place for gaining access to the existing data sources. This involves obtaining written permission from either the head of service responsible for the data or the director of the directorate involved. At no point will data be copied to mobile storage media (including laptop computers hard drives, CDs or DVDs) and all data will remain on the Council's secure network.
33. The team which will be responsible for transferring the data from the current systems to the new system has signed non-disclosure agreements as required by the Council's information security policy and will also be subject to Criminal Record Bureau (CRB) checks. Additionally internal audit has been consulted regarding access to the data and how the extracted data will be ratified as matching the data obtained from the source systems to ensure data quality is maintained.
34. Technical compatibility to the new system involves the data being extracted, reformatted as required and then copied into the new system. The preferred supplier for the new social care solution (Corelogic) have experience of working with the existing CLIX system from their work with Worcestershire County Council.

Network Capability

35. Queries have been raised about the ability of the network feed within Bath Street being capable of supporting the extra load produced by the system, as Bath Street is not on the new network.
36. As part of investigations completed into the network capability at the Bath Street offices a series of network load tests were conducted. The tests proved to be successful: there is sufficient network capacity at Bath Street to accommodate the new social care solution. The specific issue of accommodation related to this implementation does not arise and social care staff at Bath Street will be able to use the system.
37. Further details of the tests completed can be found in appendix D.

Electronic Document Management (EDM)

38. Queries were raised around the proposals for electronic document management within Social care.
39. The proposal is to use the internal system within Corelogic. This is a pragmatic choice, as it saves the cost of integration, and comes as standard with the Corelogic Frameworki software at no extra cost.
40. It does not prevent the later transfer to a corporate EDM system, as Frameworki has been successfully integrated with other EDM systems elsewhere.

41. This choice of EDM system does not impact upon the identified benefits in the Herefordshire Connects business case, as the data held is very specific to clients within social care, and is held in the system itself rather than being an additional add-on requiring extra maintenance.

Data Centre Capacity

42. Although the data centre is approaching capacity it has been confirmed by ICT services that sufficient space, cooling and power is available in the data centre located at the Thorn Office Centre for the social care system (Corelogic) implementation.

Legal Agreement

43. Under the terms of the CATALIST-based framework agreement negotiated between Deloitte and the Council, Deloitte will be able to provide the Council with the various work packages required to implement the full Connects programme. Social care represents approximately 10% of the overall Connects requirements and Deloitte would be responsible for delivering the goods and services needed to carry out the social care element as the first work package under the terms of the framework agreement.
44. In order to progress the social care solution it will be necessary to sign the framework agreement. This in no way binds Herefordshire Council to the totality of the Herefordshire Connects programme and is the only way to progress the social care element without embarking on an entirely new and lengthy procurement process.

Financial Considerations (from the Head of Financial Services)

45. Resources to support the implementation of a social care solution is included in the Medium Term Financial Management Strategy (MTFMS) 2008/09 – 2010/11 but the overall payment of capital financing costs will extend to 2012/13. The overall total is £2.997m over six financial years.
46. Analysis of the proposed expenditure indicates it is a mixture of capital and revenue expenditure. In line with accepted accounting practice, the revenue expenditure will be incurred in the financial year in which it is made; capital expenditure has been spread over five years (also in line with current accepted practice for an asset of this nature).
47. The following table is a summary of capital and revenue costs between January 2008 and March 2013.

Summary of costs

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Total	Notes
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
CAPITAL ACCOUNT								
Hardware	80.0						80.0	Infrastructure
Implementation	491.0	407.0					898.0	External partner/consultant (Deloitte and Corelogic)
Licence	373.0	66.0					439.0	To be supplied by Corelogic via Deloitte
PC Refresh		35.0					35.0	40-45 Desktops/Laptops
Total Capital Budget	944.0	508.0					1,452.0	
Revenue Account								
Change Management	99.0	268.0					367.0	Discussed in paragraphs 53 to 55.
Maintenance	39.0	154.0	154.0	154.0	154.0	154.0	809.0	To be supplied by Corelogic via Deloitte
Backfilling	196.0						196.0	Discussed in paragraph 48.
Capital Financing Costs								
Hardware	1.8	2.9	2.2	1.4	0.7		9.0	
Implementation	11.1	36.2	27.5	19.4	11.4	3.3	108.9	
Licences	8.4	16.0	12.3	8.3	4.4	0.4	49.8	
PC Refresh		1.6	1.3	1.0	0.6	0.3	4.8	
Total Revenue Budget	355.3	478.7	197.3	184.1	171.1	158.0	1,544.5	
Overall Total	1,299.3	986.7	197.3	184.1	171.1	158.0	2,996.5	

Further information on the subject of this report is available from Akif Kazi on (01432) 261550 or David Powell on (01432) 383173

48. Following initial discussions with representatives of both the Children and Young People's and Adult and Community directorates the costs related to the backfilling of social workers, or any other resources required to work on the implementation project, is estimated as being £196k (as shown in the amended table above). This would provide backfilling for a team manager, senior practitioner and social worker for each directorate. Processes are being put in place whereby each directorate will be required to provide details of the backfill requirements. This process will be moderated by the Herefordshire Connects programme board. This will enable the process and associated costs to be monitored effectively.
49. It is not intended that the relocation of Council staff or other systems to be required as a direct result of this project and therefore costs relating to any such relocation will not be incurred by this project.
50. From information provided via the Herefordshire Council accommodation strategy it has been confirmed that no building leases are due to expire during 2008 and therefore this will not have an impact on this project. The lease for Thorn Office Centre is due to expire in 2011 and the Plough Lane lease in December 2010. Any subsequent costs associated with relocating staff or systems would be covered as part of the accommodation strategy and not this project.
51. By adopting a fixed price approach for this project the risk of incurring additional add-on fees is greatly reduced. Additionally work has been completed to clearly understand, define and agree the scope of the work to be completed as part of the project. Therefore, the likelihood of scope creep which would also result in additional add-on fees is also reduced.
52. It is, however, important to understand that in order to take maximum advantage of the fixed price contract the Council will need to ensure that Council staff resources identified by our partner to deliver the project in the defined timescales are made available and committed to the project. Discussions have already taken place with senior officers from both the Children and Young People's and Adult and Community directorates regarding the resources required by the project.

Change Management

53. As part of the proposal for the implementation of the new social care solution, Deloitte has identified a requirement for a change management consultant to be involved with the project on a full-time basis for the entire project duration along with some senior expertise on a part-time basis (in total this equates to a cost of £367k). Deloitte have agreed that the change management role will be charged on a time and materials basis and should the Herefordshire Connects programme restart, this resource will be delivered through the wider programme infrastructure, reducing the costs attributed to the social care implementation directly.
54. Following discussions with the Children and Young People's and Adult and Community directorates it has been suggested that much of change management work could be delivered by resources from within the directorates. Additionally resources from within the Herefordshire Connects programme, particularly from a communications perspective, could also be used.

55. Corporate Management Board (CMB) recognises the benefits to the organisation, beyond the purely financial, of providing some of the change management support from in-house resources. It is agreed that in the first instance efforts should be made to identify suitable internal resource, recognising that some initial development and support for particular individuals may be required. However, flexibility needs to be maintained in the event that in-house resources with the necessary capability/capacity are not available, in which case temporary change management resource could be employed or an additional call made on the Deloitte resource at the agreed time and materials rates.

Conclusion

56. Herefordshire Council has to have a new social care system. After a rigorous process the solution from Corelogic has emerged as the solution that best meets the Council's requirements.

Risk Management

Key Risk	Mitigation
Any further delay in implementing the project will adversely affect the ability of the Council to meet its obligation to provide a new solution for social care within the timescales already provided to the DCSF and CSCI.	The DCSF and CSCI to be kept updated with any revised timescales and to be involved in reviewing the detailed project plans produced, when available. Resources from Deloitte, Corelogic and the Council will be ready to start the implementation as soon as approval is given. Progress will be monitored and reports provided on a regular basis.
The project is not affordable.	The MTFMS 2008/09 -2010/11 earmarked sufficient funding for the new social care system. In order to monitor spend a project accountant has been appointed. Milestone based payments have been agreed with Deloitte.
The Council cannot meet new legislative changes in social care provision over the next two years and beyond.	The Deloitte/Corelogic proposal is based on inclusive functionality upgrades to meet new legislative requirements.
Staff buy in to new ways of working is not optimal.	The change management team and the project team will ensure that all staff are fully engaged throughout the project. This mitigating action commenced during the selection process when 32 staff representing a cross section of the Council as well as colleagues from the PCT formed an assessment panel. This type of engagement with staff will continue.
As with all projects, there is a possibility that the project over runs.	Regular monitoring and control coupled with the project being managed on a 'fixed price' milestone based approach with our partner Deloitte should mitigate this. The project scope is very clear and has been agreed.
Council staff are not available to fulfill project roles.	Each role in the proposal has been agreed and staff earmarked to undertake this role. Sufficient funding for backfilling of staff is available. Agreement with Deloitte means additional resource can be brought in if required.

Alternative Options

Option A: Do Nothing

57. The Council has made a commitment to both CSCI (Commission for Social care Inspection) and the DCSF (Department for Children, Schools and Families) that it will have a new solution in place by summer 2008. In order to achieve this, a solution must start to be implemented now.
58. Failure to deliver the new system during 2008 is likely to create a loss of confidence by CSCI in the Council's ability to drive much needed improvement in the provision of social care and will prejudice the Council's prospects for securing an improved assessment rating by CSCI for 2007/08 and affect the Council's reputation in being able to deliver services within the directorates concerned.
59. Both adult and children's social care ratings would be impacted by a failure to implement a replacement system. Any reduction in social care ratings would also adversely impact the corporate assessment score.

Option B: Variable Cost Option (time and materials).

60. The implementation of the new social care solution was also offered as a time and materials (T&M) option by Deloitte, the cost of this option was £65k lower than the fixed price option, and represents 2.17% of the overall project cost. This percentage is considered low by industry standards. Whilst the T&M option offers the advantage of being a lower initial capital cost there is a significant risk that the overall project costs would increase to the extent that they could out-strip the fixed cost price.
61. Although work has been completed by the Council and Deloitte to clearly understand, define and agree the scope of the project, it is not possible to take into account issues which may occur that could result in additional costs being incurred on work within the original scope of the project
62. In selecting a fixed price option additional costs would only be incurred if the scope of the project changed, (which would be subject to approval by the Project Board), or if the Council did not provide the resources required for the project in line with an agreed project plan.
63. As work has been completed with Deloitte to clearly understand, define and agree the scope of the work to be completed on the project it is recommended that the time and materials option is not pursued and that the project is moved forward on a fixed price basis.

Consultees

Deloitte
Office of Government Commerce
Audit Commission
Department for Children, Schools and Families
Worcestershire County Council
Nottinghamshire County Council

Appendices

Appendix A – Preference from each area

The results from the scoring of the scenarios are as follows: -

Section	Preference
Adults	Corelogic Frameworki
Children's	Corelogic Frameworki
Finance	Corelogic Frameworki
Performance Management	Corelogic Frameworki
Integrated Teams (Learning Disabilities, Mental Health Trust and Primary Care Trust)	Corelogic Frameworki

APPENDIX B – General Comments / Themes

General Comments / Themes (Corelogic)

- Easy to use
- Impressive depth in finance management
- Very willing for us to talk to their customers
- Very intuitive

General Comments / Themes (OLM)

- Easily identifiable as ICS format
- Can make areas mandatory
- Activity list clear and concise

APPENDIX C – REAL-WORLD WORK PLACE SCENARIOS TO IMPROVE SERVICE DELIVERY

SCENARIO 1: MAUD

Maud is in hospital following a fall and is referred to the hospital social care team for a social care assessment in order to assess her ability to cope on her own if she is to go home. Following this assessment a package of care is authorised – 1 hour in the morning and 1 hour in the evening each day, including weekends from STARRS, together with meals on wheels each lunch time and a British Red Cross mid-day visit, all for an initial period of 4 weeks when a further review will be undertaken. Maud goes home but two weeks into the care period she falls down the stairs resulting in a nighttime visit by the emergency duty team who are able to access her notes on the system and undertake a further assessment of her needs. She is once again taken back into hospital for a further period of medical care. After a week in hospital she is then transferred to the joint initiative Hillside Intermediate Care Unit and arrangements are made for her to go home the following week with daily visits from the outreach team, a mobility frame and associated aids from the Integrated Community Equipment Store together with the package previously re-instated.

At the end of the two week period Maud is re-assessed by the social worker (Tracy) and following consultation with the outreach team the decision is made with Maud that she is unable to look after herself and does require residential care. Her existing care package is extended until the process to locate a suitable care home and ensure finance is available is completed. It will also be necessary for Maud to have a financial assessment to identify how much she is able to contribute to this cost. The necessary work is undertaken and documented by the social worker and within a week Maud has a placement agreed in a residential care home. On 10th June Maud is transferred into the home and a month later the social worker visits to ensure she is happy and reviews her situation. Maud is content in her new surroundings and the case is placed on review for six months.

Two months later the care home manager contacts Social care – Maud is very distressed her “pocket monies” have disappeared from her drawer along with her bankbook. An adult protection referral is completed and the case reported to the Adult Protection Committee. The adult protection process commences which involves carrying out the initial evaluation, deciding if emergency action is needed, investigating and agreeing the way forward. The outcome of the process also has to be documented.

How this will improve Service delivery:

Step	Details	
1	Referral Process	On admission to hospital notice of possible referral. Workflow. (Information sharing with partners; e.g. when customers leave hospital a care package may be required)
2	Assessment process	Workflow – recording and authorisation process (Assessment is currently paper based at the moment. Parts may be completed by PCT and parts by social care leading to multiple visits and duplicated effort))
3	Care Plan	Care Plan showing all services recommended including those provided by family and unmet needs (Currently Care plans are stored on paper records and unmet needs are not recorded)
4	Service provision/ Provider detail	Provider detail/monitoring outcomes/quality Provider’s ability to update system to show availability of service e.g. hours of care/bed etc. Actual service provision, delivery of that service and payment.
5	Re-referral	Ability to show multi-referrals during a period
6	Out of Hours	Ability to access system 24/7 remotely and update

Step	Details	
7	Integrated working	Accessibility by PCT workers and update. Occupational therapist/district nurse referrals to ICES.
8	Integrated Community Equipment Store (ICES)	Automatic request for aids to be allocated and resourced – asset management identification and notification of stock levels.
9	Consultation	Ability to record reasoning behind decision being made
10	Financial	Once decision/service provided immediate financial assessment referral. Estimated costs available on screen. Commitment accounting. Income and payment monitoring.
11	Review	Systems ability to “flag-up” reviews required
12	Adult Protection Referral	Immediate notification to Adult Protection Committee and carer. Instigation of support process for carer.
13	Adult Protection Procedure	Full process including investigation and outcome recording

SCENARIO 2: FAMILY MOVES

The Smith household is made up of 4 individuals:

Joan Smith: An OAP who is known to social care and currently has a mobility aid from the Integrated Community Equipment Store on loan and attends the local Alzheimer Society day care centre.

Sarah Smith: A single parent on housing & council tax benefit and is in receipt of Income Support.

John Smith: A primary school age child with SEN (special education needs) provision including 5 hours per week help. The child has behavioural and attendance issues at school. There have also been issues around his health, as he appears to have a poor diet and a skin condition. A CAF has been completed by the SENCO and that information has been shared with Children & Young People's Services by the lead professional.

Robert Smith: Sarah's pre-school nephew whom she has recently started fostering. The family decide, with the help of Home Point (Herefordshire's partnership with 5 major registered social landlords), to move from a market town into the city, with all the resultant changes in school, nursery etc., and call into the local Info Shop to register their new addresses.

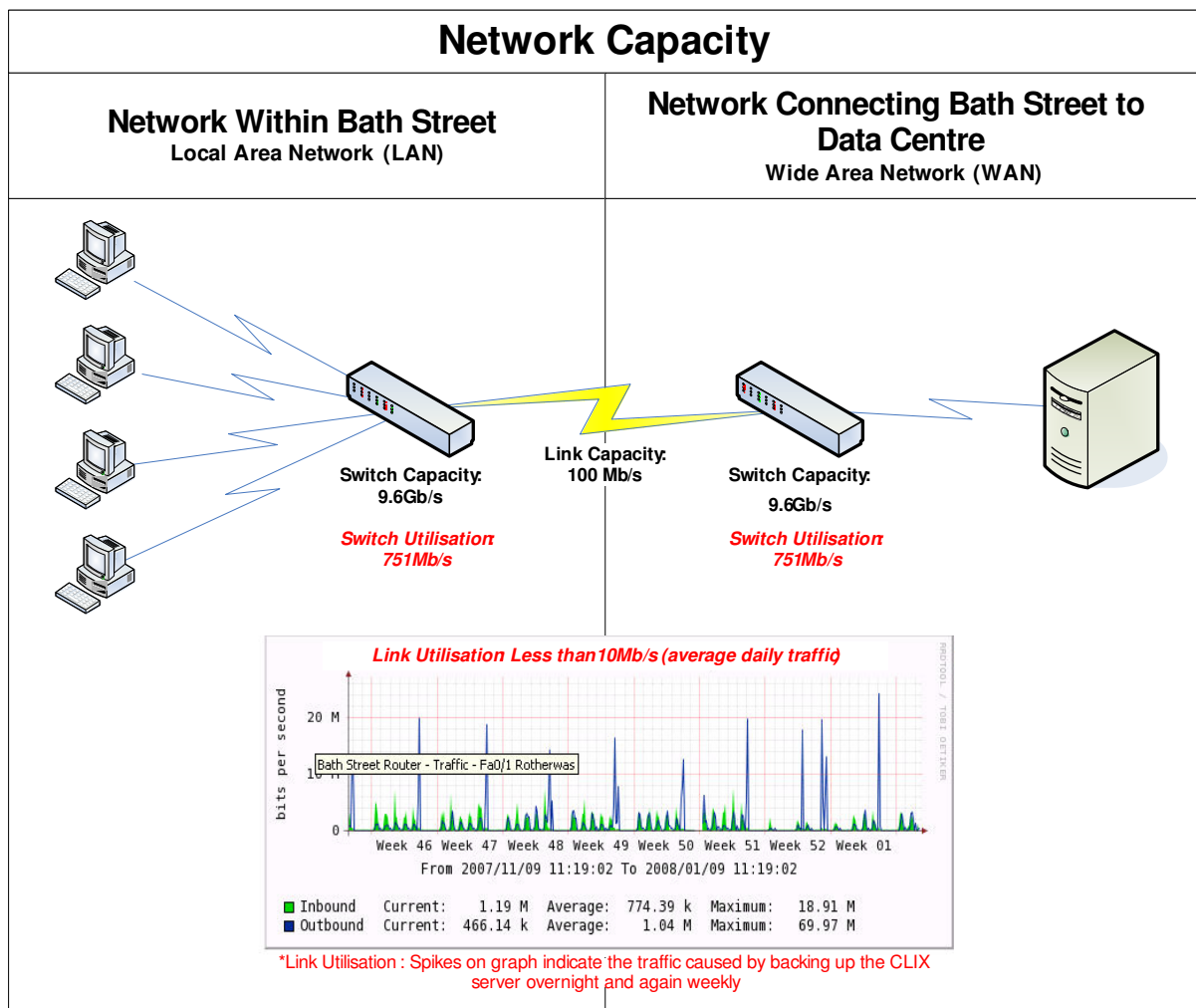
Sarah is no longer able to care for Joan, who has dementia and is moving into a care home following a social care assessment, the cost of which needs to be identified. The house that the rest of the family move into is poorly insulated and needs updating. John is due an annual review of his SEN statement. The cost of these needs is required by the Director of Children and Young People's Services. Sarah will shortly be looking to apply for a school placement for Robert, his social care case records have been transferred to another team following the move to the city and the service manager of that team has requested projected placement costs to the year end for Robert.

How this will improve Service delivery: -

Step	Details	
1	Change of address - Info	Customer details entered just once and cascaded to all areas – social care, Homepoint, revs and benefits, schools, pre-placements, electoral registration. Additional "sales help"/signposting – library tickets/bus pass etc/welfare rights (At present we would have to individually update each system this leads to inconsistent data and time lapses)
2	Adult Social Care record – Joan	Initial record set up showing adult social care involvement including ICES (Integrated Community Equipment Store), day centre attendance, care process, assessment, etc.
3	Adult Social Care record - Joan	Referral/assessment/approval of funding & allocation or selection of care home /move/review Return of ICES equipment (currently this is not linked to any system) To show workflow and document management
4	Adult Social Care /Children's Services record - Sarah	Identified as Carer for Joan initially then closed. Foster parent and supporting procedures for Robert. Workflow & document management. Support to Sarah? Fostering payments to Sarah? (Ensure support is in place for both foster carer and client which takes much longer at the moment)

Step	Details	
5	Children's Services - Robert	Assessment/procedure for fostering/reviews
6	Children's Services Record - John	SEN record detailing help provided, school etc. Referral of behavioural issues etc to Children's Services, health concerns to PCT – One child one record/ workflow and document management – e-CAF referral to social care; e-CAF populates ICS template. IS Index (System links to enable information sharing with partner organisations such as PCT and Education are not present at the moment)
7	Strategic Housing	Grant for improvements – application and administration, outputs. Workflow and document management Links with Home Point/social care system Risk of homelessness
8	Children's Services	Ability to apply online for school placement for Robert
9	Adult Social care Costing	Has the costing element of adult social care been covered? (Cost information is not readily available to social workers leading to potential overspend)
10	Children's Services Costing	Has the costing element for Children's Services been covered? (Cost information is not readily available to social workers leading to potential overspend)

APPENDIX D – Network Capacity at Bath St Offices



Summary

There is sufficient network capacity (capability) to accommodate the new social care system.

Rationale and Method

The new social care system will sit on a server in the Council's data centre facility at Plough Lane. This new system will be accessed by social care employees from their computers at Bath Street.

Network within Bath Street (Local Area Network)

A computer is plugged into the network at Bath Street. A switch at Bath Street aggregates all these connections into a single link ready to go out of the building. The switch has a certain capacity to transmit data. By measuring the current load or volume of data being handled by the switch we can see whether or not capacity will be exceeded by adding the load of the new social care system.

The switch at Bath Street has a capacity of 9.6Gb/s (Gigabytes per second) or 9830Mb/s (Megabytes per second), the current load is 751Mb/s.

The new social care system is expected to add a further 86Kb/s (Kilobytes per second) or 0.08Mb/s. This is based on figures from Corelogic of an average of 2Kb/s per user whilst using the system for 43 users in Bath Street.

Conclusion: Sufficient capacity

Network Connecting Bath Street to Data Centre (Wide Area Network)

The switch then sends this data from one building to another via a wide area network link. In this case a switch at Bath Street sends this data to another similar switch at Plough Lane. This switch then sends the data to the server in the data centre.

The link between Bath Street and Plough Lane has a capacity of 100Mb/s.

The current load on this link fluctuates minute by minute but is monitored and the load logged. Over the last two months (the period over which the link was measured) the load did not rise above 10Mb/s in normal day to day usage – 10% of capacity. Nightly and again weekly, the load can increase to up to 30 Mb/s – 30% of capacity. This occurs as the data on the current social care server which sits at Bath Street backs up its data to Plough Lane to ensure we are storing more than one copy of the data.

The new social care system is expected to add a further 86Kb/s (Kilobytes per second) or 0.08Mb/s. This is based on figures from Corelogic of an average of 2Kb/s per user whilst using the system for 43 users in Bath Street.

It should be noted that as the current social care system will be removed from Bath Street, the effect on capacity will actually be to reduce overall load.

Conclusion: Sufficient Capacity

APPENDIX E - GLOSSARY

Glossary of Terms associated with the Herefordshire Connects Programme

Term	Abbreviation	Definition
Back Office		Sir Peter Gershon's review of efficiency identified 'back office functions' as one of six main areas where the public sector could achieve efficiency savings. The Gershon report defined back office services as: "finance, human resources, information technology support, procurement services, legal services, facilities management, travel services, marketing and communications".
Benefits Benefits Realisation		Benefits are the positive gains of completing a project and can be cashable and non-cashable. Non-cashable benefits won't provide a direct budget reduction, but, for example, free up staff time for higher value activity. An example of a cashable benefit would be the reduced need for administrative staff to manually enter data / invoices etc, where a computerised system is put in place. Benefits of this kind are only cashable if there is a will to <i>realise</i> them, i.e. in this case reduce staff numbers. There are also non-financial, intangible benefits which are difficult to quantify. For example increased customer satisfaction, better reputation, lower council tax etc. The benefit is generally attributed to the Council overall rather than a specific work area (e.g. the reduction of a post in one directorate might not be seen as a "benefit" to that directorate but it will be a reduction in cost or a better use of resources to the Council overall)
Benefits Line by Line		In drawing up the Herefordshire Connects business case, savings (benefits) were identified and costed. Each benefit was classified and given a value. E.g. – with an integrated computerised solution you can calculate; a) the time savings of not having to manually enter data b) the cost savings of not maintaining multiple systems c) the efficiency gains from having up to date, readily available information Each line of benefit is added to provide the overall financial benefit of making the investment. There are over 50 lines of benefits in the Connects business case which have been ratified by Capita.
Boutique Solution		Specialist computer systems designed around a specific work area (e.g. a highways and transportation finance system; a property asset management system). Each one needs specialist

Term	Abbreviation	Definition
		training and support. These systems are not integrated so information sharing tends to be more difficult and cumbersome. Herefordshire Council has up to now used this approach for ICT development.
Build in (technology)		To build a computer system using in-house resources and expertise. Generally more flexible but more costly to support and develop and needs special training. Relies heavily on key individuals to maintain and train.
Buy in (technology)		To buy a computer system, usually with maintenance, support and the ability to upgrade.
Business Case Herefordshire Connects business cases		A document which describes the justification for setting up and continuing a programme or project. The business case shows why a programme is needed; what happens if nothing is done and the cost and benefits of various options. These consist of the directorate specific Service Improvement Plans (SIPS). For Herefordshire Connects these were consolidated into three Council business cases (Integrated Customer Services, Integrated Support Services & Corporate Performance Management)
Business Continuity		Keeping the day to day work activities on-going during periods of major change (e.g. introducing a new computer system)
Business Process Mapping	BPM	Recording all the activities undertaken to perform a specific piece of work (e.g. purchasing a product) in the order they are undertaken and by whom. Analysing this flow of work and reorganising it to ensure the activity is undertaken in the most effective and efficient manner and recording the new recommended work flow. Such in-depth analysis of an organisation's activities often shows up weaknesses in current ways of working and quality of delivery of service. Once the "best" workflow is written down, ensuring that the computerised system supports this often leads to further efficiency savings.
Capita plc		Capita plc is one of the UK's leading business process outsourcing (BPO) and professional services companies.
Capital		Financial term to identify expenditure on any asset valued over £10,000 and with a life span of more than one year.
Capitalised / Capitalisation		Accounting principle describing a process which allows capital expenditure to be spread over the lifetime of a project or asset or over five years, whichever is shorter. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 state that expenditure incurred on the acquisition or preparation of a computer program can be

Term	Abbreviation	Definition
		capitalised. This has been reviewed and confirmed by Capita. 80% of Connects costs can be capitalised.
Champion		A role identified to promote a new direction, methodology or working method across an organisation.
Change Management		For any change in ways of working and organisational behaviour to be made and sustained the changes required have to be carefully planned and implemented to yield positive results. This requires timely and appropriate interventions to ensure active management and staff engagement with the programme; to ensure that employee transition from the old to the new organisation is professionally and sensitively handled; that managers are supported and enabled to realise and sustain programme benefits and the required training is managed and co-ordinated
Commercial Assessment		Analysing in detail the received tenders for a programme of work, together with all the other implications; legal, value for money etc, from a company or firm of consultants in order to chose a partner to work with.
2007 Comprehensive Spending Review	CSR07	Central government directive to local government, building on and further embedding a culture of innovation and focus on value for money initiated under the Gershon efficiency agenda
Configure		Major computer systems (e.g. integrated human resources / payroll) are written to reflect the most efficient/optimal processes to perform a particular task. Organisations generally want to work in a slightly different way to this optimum. The essence of these major systems can be adapted to meet this requirement without changing the basic programme – this is configuring a system. Using the best experts to configure your systems is critical to the long term efficiency and flexibility of the organisation's work. The cost of this work is a balance between choosing a boutique solution or a corporate solution.
Corporate ICT Strategy 2007 - 2011		Herefordshire Councils ICT strategy document, detailing ICT present and future service provision, initiatives, developments and benefits.
Corporate Management Board	CMB	Herefordshire Council executive management team, authorising strategic decisions for the Council. Membership: Chief Executive and Directors, plus the Head of Human Resources.
Corporate Solution NB – Corporate in this context refers to organisation wide, rather than private sector business.		Specialist computer systems designed for corporate wide functionality (e.g. finance; pay roll; asset management). They can be used across the organisation and information shared and training and support is standardised. They may lack specific functionality for a particular work area (e.g. a facility to cost the maintenance of a street light) but this reduction of specific functionality is

Term	Abbreviation	Definition
		outweighed by the benefits to the organisation as a whole. See ERP
Corporate Strategy Review		The 'old' name given to what is now called Herefordshire Connects.
Cost reduction programme		A programme of work which analyses activities undertaken with a view to decreasing costs of delivery.
Customer		A customer is defined as an individual or group of individuals or a business or partner who interacts with the Council. Often also referred to as citizens and / or service users. Customers can also be internal. Every employee is a customer of payroll and HR, all services are customers of ICT etc.
Customer Focussed Services		Council services that are integrated, responsive and cost effective, concentrating on meeting the needs of customers, increasing customer satisfaction, solving customers problems, involving customers in service delivery and improvement, and encouraging and welcoming customer feedback.
Customer Relationship Management System One-customer, one record	CRM	CRM is the <i>single</i> system / database in which <i>all</i> customer contacts will be logged, processed and managed. Further functions of this technology are scripts which allow generalist staff to directly answer a high number of generic customer enquiries. This is called first-line resolution
Database		A computer database is a structured collection of records or data that is stored in a computer system so that a computer program or person using a query language can consult it to answer queries. The term <i>database</i> refers to the collection of related records, and the software should be referred to as the database management system or DBMS.
Document Management / Electronic Document and Records Management System	DM EDRMS	Document Management is concerned with the storage and retrieval of documents. In a large organisation there will usually be many different types of document. Some may exist on paper only and others may be stored in an electronically readable format. The system will allow for the scanning, processing, storage and easy retrieval of documents on-line.
Electronic Social Care Record	ESCR	Social care departments are required to undertake a revolution in information management practices. The Department of Health's mandate for better information management sets clear strategic goals. ESCR brings together all the relevant information for a service user in one place. The challenge is that the information is currently held in multiple formats and in many different stores. The information must be stored securely, but be accessible when required. The chosen social care ICT solution will

Term	Abbreviation	Definition
Enterprise Resource Planning	ERP	<p>enable the implementation of ESCR.</p> <p>The fundamental principle that underpins ERP is the idea of a single data repository, which represents all of the business information the organisation collects to carry out its business, whether financial, production related, human resources, or whatever. This eliminates the need to transfer information from one system to another, and ensures that any piece of information known to the organisation is simultaneously available to any worker who has the need and authority to access that data.</p> <p>Through analysis of the business and available technology, Herefordshire Connects has proposed to use SAP ERP which will combine the current numerous systems we currently use for Finance, Human Resources and Payroll into one.</p>
ERP Solutions		<p>Within Local Government, three of the main suppliers of ERP products are listed here.</p> <p>Oracle Corporation is one of the major companies developing database management systems (DBMS), tools for database development, middle-tier software, enterprise resource planning software (ERP), customer relationship management software (CRM) and supply chain management (SCM) software.</p> <p>SAP is the world's largest business software company. SAP focuses on six industry sectors: process industries, discrete industries, consumer industries, service industries, financial services, and public services. It offers more than 25 industry solution portfolios for large enterprises and more than 550 micro-vertical solutions for midsize companies and small businesses.. SAP's products focus on Enterprise Resource Planning (ERP), which it helped to pioneer. The company's main product is SAP ERP.</p> <p>Unit 4 Agresso is a Dutch provider of Enterprise Resource Planning (ERP) applications. Unit 4 Agresso develops, implements and sells several ERP packages, including the full-suite ERP solution.</p>
Every Child Matters agenda		<p><i>Every Child Matters: Change for Children</i> sets out the national framework for local change programmes to build services around the needs of children and young people so that we maximise opportunity and minimise risk; By working together and by sharing information across all the key organisations involved with providing services to children, all children and young people from birth to age 19 will receive the support they need to be healthy, stay safe, enjoy and achieve; make a positive contribution; achieve economic well being.</p>

Term	Abbreviation	Definition
Flexible Working		Flexible working incorporates a wide variety of working practices. A flexible working arrangement can be any working pattern other than the normal working pattern in an organisation. Most people are familiar with working part-time for reduced pay or working different shift patterns, but other ways of working that employees may consider include; annualised hours, compressed hours, flexitime, home working, job-sharing, shift working, staggered hours and term-time working.
Front Office		Effectively any and all services directly provided to the customer; such as the Info shops; highways operatives; social workers, refuse collection, benefits etc. Herefordshire Connects aims to shift resources from back office functions to improving front line service delivery.
Functional Requirements (FRS)		The line by line detail of what a business requires from a computerised solution to handle its business requirements. Herefordshire Connects has over 600 requirements in its FRS.
Herefordshire Connects		<i>Herefordshire Connects</i> is the name (chosen by staff) for the most ambitious programme of work that the Council has proposed. A corporate wide transformation programme aiming to bring benefits and service improvements in the areas of integrated support services (back office); integrated customer services (front office) and performance management. It is a “transformation” programme as the intention is to make changes which “transform” how the Council provides its services. Enabled by a significant investment in computerised information, technology systems, it will facilitate different, more efficient and effective provision of services to the Council’s customers. It is a “transformation” programme because the changes it proposes are to be made in a short time frame not incremental improvements but, managed and fast changes, driven by the needs of the customers. The programme is predicted to facilitate savings of approximately £8 million <i>cashable per annum</i> . The Council’s current financial situation re-enforces the need for the programme and also Connects will act as an enabler for closer working within the proposed PST. The programme covers the following functional work areas:- flexible/remote/ mobile/ smarter working; finance and budgeting; procurement; property & asset management; performance management; electronic document & records management solution (including workflow) (EDRMS);electronic social care record (ESCR); one customer, one record; HR/payroll/self service; training/e-learning
Information,	ICT	Council service supporting computer users

Term	Abbreviation	Definition
Communication Technology		providing a variety of services to help the business maximise its use of information technology. Provides technical advice and procurement services.
Information Policy Group	IPG	Herefordshire Council board for approving decisions for information technology related matters.
Interface		<p>An interface defines the communication boundary between two entities, such as a two software applications or between software and a hardware device, or between the application and a user. Because interfaces are a form of indirection i.e. there is a “joining” rather than a “connection” there is some additional overhead incurred in performance.</p> <p>Interfaces between different software applications can have major ramifications - sometimes disastrous ones - for functionality and stability. A key principle of software design is to prohibit access to all resources by default, allowing access only through well-defined entry points, i.e. interfaces.</p>
Integration		System integration is the bringing together of the component subsystems into one system and ensuring that the subsystems function together as one system. This is the reasoning behind ERP, where the finance, payroll and HR functions are one integrated system, rather than 3 or more interfaced systems.
Invitation to Quote	ITQ	Both the invitation to quote and the invitation to tender include a detailed specification of the goods or services to be supplied. The supplier is required to indicate its level of compliance against each individual item. The supplier is also required to complete a cost template confirming the costs.
Invitation to Tender	ITT	
Milestone		A time based control that record a due date for actions, decisions, deliverables, stage management control point or other key date. Normally used to measure progress.
Multi-agency social care environment		Multi agency assessments and reviews consider <i>all</i> the needs of a person rather than focussing on a specific need or service. An integrated social care and healthcare information system will enable a shared healthcare and social plan to follow a person as they move through the system.

Term	Abbreviation	Definition
Office of Government Commerce Framework Agreements CATALIST	OGC	The Office of Government Commerce (OGC) is an office of HM Treasury, responsible for improving value for money by driving up standards and capability in procurement, from commodities buying to the delivery of major capital projects. Through schemes and initiatives such as Framework Agreements and CATALIST rigorous tendering and evaluation processes ensure that products and services are checked for quality, price competitiveness, fitness for purpose and compliance with statutory requirements. OGC has asked to use the Herefordshire Connects procurement as an exemplar case study.
Partner/Strategic Implementation Partner		The company that the Council has agreed to work with to undertake Herefordshire Connects.
(Corporate) Performance Management	CPM	Herefordshire Council has no technology to support its performance management framework, resulting in late / incomplete performance reports, duplication and confusion over figures. The Connects CPM project objective is to procure and implement a software package to enable the use of real-time, accurate data, to host service plans and monitor progress against actions, to allow the sharing of data between partners for LAA performance management.
Phased Approach		A term used to describe breaking down a project into phases. Such an approach allows better control of activities and monitoring of quality of the project. It can also be applied to benefits and investment from and into the project.
Programme		A large scale area of work, often involving a corporate wide approach and made up of a number of integrated <i>projects</i>
Project		A temporary organisation which is created for the purpose of delivering one or more business products according to a specified business case.
Project Board	PB	The Project Board provides the where senior management representatives of the customer and supplier come together to make decisions and commitments to the project.
Project Initiation Document	PID	A document the purpose of which is to bring together the key information needed to start the project on a sound basis; and to convey that information to all concerned with the project.
Project Management		Using a multi-disciplinary team built up of staff from all parts of the organisation with external members where necessary, and undertaking work using a project methodology such as PRINCE 2. Managing work undertaken in a structured and methodical way and monitoring activities to ensure completion to a stated objective and within given timescale
Realising Benefits		Having identified the benefits (the saving of resources) these need to be moved from their current budget line to ensure that savings are

Term	Abbreviation	Definition
		actually made. So if by introducing a new computer system only two officers rather than the current four are needed to do the same work then the staff complement for the relevant work area needs to be reduced, the budget cut and the staff members supported to move to another position. Only then are the anticipated/projected benefits “realised”.
Remote working		This is the accessibility and availability of information from remote locations such as mobile vans, home, and other professional establishments such as the PCT. Mobile working has been demonstrated in the Connects procurement process, and the preferred technologies support mobile working in such areas as social care, homelessness, highways etc.
Revenue		Ordinary (non-capital) spend by the authority i.e. spend comes from current operational budgets
Scope		A term used to explain what will and won't be covered by the project, determining what is “in” or “out” of scope
Self management / self management		Refers to employees being able to carry out functions such as booking leave and sickness, requesting training etc through their computers rather than completing paper forms and handing them to people to process.
Service Improvement Plans	SIPs	In the first phase of Herefordshire Connects each directorate carried out service improvement workshops, from which each directorate produced a SIP, including a summary of key projects the directorate would undertake in the next 5 years as well as the associated costs and benefits. All SIPs contained common themes, those of front office service delivery, back office support, and performance management. These themes were then pulled together into three <i>corporate</i> business plans (<i>see business plans</i>).
Shared Services Shared Service Centre Transactional		Shared Services is the integration and streamlining of an organisation's functions to ensure that they deliver the services required of them as effectively and efficiently as possible. This often involves centralising back office functions such as HR, payroll and finance but can also be applied to the middle or front offices. A key advantage of this convergence is that it enables the appreciation of economies of scale within the function and can enable multi function working (e.g. linking HR and Finance together, where there is the potential to create synergies). A large scale cultural and process transformation is a key component of a move to Shared Services often including reductions in posts and changes of work practices. Shared Services are more than just centralisation or consolidation of similar activities in one location. Shared Services can mean running these service activities like a business and delivering services to

Term	Abbreviation	Definition
		internal customers at a cost, quality and timeliness that is competitive with alternatives. Many local authorities have taken this approach to realise very significant cash savings. Surrey, an award winning shared service centre, has contributed to £39m in efficiency savings for the local authority.
Single Integrated Environment		A term used to describe a position where the organisation's information is held in one computerised system. This would allow complete flexibility for sharing, updating and combining different sets of information and would offer definitive "one version of the truth" in terms of the organisation's data sets. Given the very wide range of activities that the Council undertakes such an environment is not easily achievable so a principle of reducing to as few and as well integrated systems as possible is the ideal objective in the current climate.
Stage		A division of a project for management purposes.
Strategic approach		A corporate, organisational approach
Systems		Refers mainly to computer applications used to hold key data for the organisation. In the council key data is held in various databases or spreadsheets across the organisation. This leads to several sets of the same data being held and thus no surety of the accuracy of each data set; duplication of entry into different data sets. An organisation ideally should have as few separated data sets as possible, which means as few computerised applications available to users.
Target Operating Model		Target Operating Models set out how organisations, or parts of organisations, should operate differently in the future. The design of a TOM is an important stage in a transformation journey. It needs to show <u>how</u> a high level vision and strategy should be put into operation
Work Packages		Detailed description of the work needed to be carried out to accomplish the work of a project or programme

HEREFORDSHIRE CONNECTS PROGRAMME UPDATE

PORTFOLIO RESPONSIBILITIES: CORPORATE & CUSTOMER SERVICES & HUMAN RESOURCES, CHILDREN'S SERVICES, RESOURCES AND SOCIAL CARE ADULTS AND HEALTH

CABINET

13 DECEMBER 2007

Wards Affected

County-wide

Purpose

To recommend to cabinet the preferred technology to replace the current client systems (including CLIX) used within both Adult Social Care and the Children and Young People's Directorate.

Key Decision

This is a Key Decision because it will result in the Council incurring expenditure over £500,000.

Recommendations

- THAT**
- (a) Cabinet authorise the Head of Legal and Democratic Services to sign the framework agreement with Deloitte**
 - (b) Cabinet confirm Corelogic Framework as the preferred solution and authorise the Directors of Corporate & Customer Services and Resources, in consultation with the Director of Children's Services and Director of Adult and Community Services, to proceed with this acquisition on a fixed price basis through the Deloitte framework agreement.**

Reasons

Herefordshire Council's Adult and Community and Children and Young People's Directorates are undergoing rapid change in the way they work, deliver services to users and measure performance. As these services develop and change so must the processes that deliver those services and the underpinning tools and systems. Central to the delivery of this change is the core information system that supports practitioners in their work, enables managers to manage and allocate resources and provides a stable trusted basis for financial and performance management.

The current CLIX system is outdated and no longer meets the demands of the services it supports. It has been operational for over 11 years. Lack of a modern case management system has been highlighted by the Audit Commission as a significant factor in the poor performance of social care services. The Council has made a commitment to both CSC

Further information on the subject of this report is available from
Akif Kazi on (01432) 261550 or David Powell on (01432) 383173

(Commission for Social Care Inspection) and the DCSF (Department for Children, Schools and Families) that it will have a new solution in place by summer 2008. As recently as 25th October 2007 Herefordshire Council received a letter from the DCSF querying the progress and with a requirement to set out a detailed timeframe.

A new system will provide full case management functionality with built in workflow, compliance with new Government initiatives such as eCaf (electronic Common Assessment Framework), ContactPoint (the 'information sharing index'), Single Assessment and self referral. The system will provide easier access to information by practitioners, safer and easier information sharing with partners, and will also allow other teams with the same process of referral/assessment/outcome to make use of the system. It will provide standard reports to meet statutory requirements, and provide the basis for adequate performance management. At present key performance data and management information requires an increased reliance on internal and external staff to gather the data.

The introduction of a new Social Care system will support the strategic drivers for change within both the Adult and Community and Children and Young People's Directorates.

Considerations

The replacement of systems for Social Care was identified as an early priority within the Herefordshire Connects programme, and formed part of the functional requirements specification within the tender documents. Each of the three suppliers that reached the tender stage of Herefordshire Connects, including Deloitte, proposed a SAP solution which included Social Care; however a combination of factors led the Council to consider alternatives to SAP. These were: -

- Lack of local government customers using SAP Social Care (SAP Social Care had been developed with Trafford MBC, and the only other existing customer was Staffordshire, who were part way through implementation at the time)
- Poor reference site visits for SAP Social Care
- Lack of relevant accreditation
- Cost pressures on the Programme whereby SAP was too expensive
- Real question marks as to whether SAP could be implemented by summer 2008

SELECTION PROCESS

1. In response to the concerns Deloitte worked with the Connects Core Team to determine the most appropriate way forward and developed the Children's and Adult's Services System Solution Verification document which, on the recommendation of Deloitte, was forwarded to Capita, Liquidlogic and Corelogic for completion.
2. Initial discussions were held with these three suppliers. However Capita and Liquidlogic did not fulfil the functional requirements and so OLM were also invited to make a submission.
3. The full functional requirements specification and an invitation to demonstrate were sent to OLM and Corelogic together with the scenarios on which the demonstration would be based. The scenario demonstrations enabled suppliers to demonstrate 'the system at work' to staff. They were the same scenarios used for the earlier demonstrations by SAP. The scenarios used, one covering adult care and other children's services, are listed in Appendix C, with explanatory notes in each column. They embody salient aspects of service delivery which either take too long to deliver at present or processes that cannot be completed with our current systems. They place quality service delivery, partnership working and the availability of management information at the core of our requirements.

4. The Scenario demonstrations were presented to an assessment panel of 32 staff, which included colleagues from the PCT together with staff from Adult Social Care, Children and Young People, Finance, Policy and Performance and ICT against an agreed agenda and format. Each scenario was scored by each member of the assessment panel.
 - Several specialist 'break-out' sessions were also run in the areas of for example, ICT, Finance and Performance Management.
 - Feedback was received from each 'break-out' session.
5. Response to Functional Requirements: Both Suppliers completed the functional requirements document. Their respective responses to identify areas where enhancement was currently underway as well as areas requiring further development.
6. Technical appraisal: A Technical assessment was also made of both proposals. The preferred option from a technical point of view is Corelogic Framework, OLM was seen as being based on obsolete technology.
7. Site visit and references: Both Worcestershire County Council and Nottinghamshire County Council were positive in terms of their experiences in working with Corelogic. Both are pleased with the implementation and could provide a useful learning resource for the authority. Worcestershire County Council had successfully migrated to Corelogic from CLIX, which, like Herefordshire, they had had from the time of the Hereford & Worcester County Council.

OTHER CONSIDERATIONS AND NEXT STEPS

Network Capability

Queries have been raised about the ability of the network feed within Bath Street being capable of supporting the extra load produced by the system, as Bath Street is not on the new network.

The system will be able to be used by employees in Bath Street. The connection from Bath Street to the data centre at Plough Lane (where the servers for the new system will be placed) has been measured and found to have sufficient capacity to accommodate the new social care system.

However, within Bath Street itself due to the age of the network technology inside the building, it is not possible to fully test whether the new system will perform as fast as everyone expects.

ICT Services cannot guarantee the performance of the new application within Bath Street, but will run the subjective performance tests during the design phase to monitor the performance of the application.

Should there be a performance problem post go-live it will be necessary either to relocate staff or upgrade the network within Bath Street.

Electronic Document Management

Queries have been raised around the proposals for electronic document management within Social Care.

The proposal is to use the internal system within Corelogic. This is a pragmatic choice, as it saves the cost of integration, and comes as standard with the Corelogic Framework software at no extra cost.

It does not prevent the later transfer to a corporate EDM system, as Framework has been successfully integrated with other EDM systems elsewhere.

This choice of EDM system does not impact upon the identified benefits in the Herefordshire Connects business case, as the data held is very specific to clients within Social Care, and is held in the system itself rather than being an alternate add-on requiring extra maintenance.

Data Centre Capacity

Although the Data Centre is approaching capacity there is sufficient space, cooling and power for the Social Care System (Corelogic) implementation, providing that the work of virtualising some servers is carried out.

As an identified project of high priority for the Council it is considered that the ability of the project to go ahead is unaffected.

Legal Agreement

Under the terms of a framework agreement currently being negotiated between Deloitte and the Council, Deloitte will be able to provide the Council with the various work packages required to implement the full Connects programme. Social Care represents about 10% of the overall Connects requirements and Deloitte would be responsible for delivering the goods and services needed to carry out the Social Care element as the first work package under the terms of the framework agreement.

In order to progress the social care solution it will be necessary to sign the framework agreement. This in no way binds Herefordshire Council to the totality of Herefordshire Connects.

Financial Considerations (from the Head of Financial Services)

Implementation of a social care solution forms part of the overall Herefordshire Connects programme and is included in the Medium Term Financial Management Strategy (MTFMS) 2008/09 – 2010/11. Within the three year timeframe of the MTFMS there is funding of £2.69m for the system. This compares with the cost of the current proposal over the same timeframe including on-going maintenance of £2.47m.

Analysis of the proposed expenditure indicates it is a mixture of capital and revenue expenditure. In line with accepted accounting practice, the revenue expenditure will be incurred in the financial year in which it is made; capital expenditure has been spread over five years (also in line with current accepted practice for an asset of this nature).

The following table is a summary of capital and revenue costs between January 2008 and March 2011.

Summary of costs

	2007/08	2008/09	2009/10	2010/11	Total
Capital Expenditure	£000s	£000s	£000s	£000s	£000s
Hardware	80.0				80.0
Implementation	491.0	407.0			898.0
License	373.0	66.0			439.0
PC Refresh		35.0			35.0
Revenue Expenditure					
Capital Financing Costs					
Hardware	1.8	2.9	2.2	1.4	8.3
Implementation	11.1	36.2	27.5	19.4	94.2
License	8.4	16.0	12.3	8.3	45.0
PC Refresh		1.6	1.3	1.0	3.8
Change Management	99.0	268.0			367.0
Maintenance	39.0	154.0	154.0	154.0	501.0
Total	1,103.2	986.7	197.2	184.1	2,471.2

In addition to the above, some costs will fall outside the current MTFMS timeframe of 2008-2011 and will need to be reflected in future financial strategies. Directorate budgets will need to absorb the ongoing maintenance costs from 2011/12 (£154,000 per annum) and capital financing charges totalling £21,000 to the revenue account will continue until 2013/14. In 2007/08 and 2008/09 there may be some additional internal costs if social workers are required to support the system's implementation. If their posts are backfilled there will be a cost but this is already part of the overall Connects funding built into the current MTFMS.

It is important to place this in the context of the overall budget for the Herefordshire Connects Programme which is £2.656m in 2007/08 and there does have to be a note of caution about the ability to capitalise costs incurred to date. This is because as with any capitalisation, if the overall Connects programme does not proceed and there is no asset

created, then the costs incurred to date will have to be treated as revenue expenditure. This would not apply to the Social Care element of the programme, because if this proceeds separately it will produce an asset and it will be appropriate to capitalise those costs.

In summary, the overall budget of £2.656m in 2007/08 is sufficient to meet the current financial commitments and the costs of the Social Care element of the programme that will fall in 2007/08. The current funding in the MTFMS for the Social Care programme is sufficient to meet those costs to be incurred up to the end of 2010/11 financial year.

What should be noted is that no further additional work outside of the Social Care programme should be undertaken with the Herefordshire Connects partners in the current financial year until there is certainty that the programme will proceed. This is because without that certainty and the subsequent ability to capitalise the expenditure the funding available is unlikely to be sufficient.

Conclusions and Recommendations

The Connects functional requirements were signed off by CMB last year and remain unchanged. The Directors for Adult and Community Services and Director of Children's Services will consider this report. It has been ratified by CMB. Deloitte have submitted a proposal to us based on Deloitte providing goods **and** services to implement the Corelogic Social Care solution.

Herefordshire Council needs a new Social Care system and all parties, from practitioners to finance to IT technicians have overwhelmingly recorded their confidence in the Corelogic Framework system. Herefordshire Connects endorses this decision and recommends that the Cabinet confirm Corelogic Framework as the preferred solution and authorise the directors of Corporate & Customer Services and Resources, in consultation with the Director of Children's Services and Director of Adult and Community Services to proceed with this acquisition on a fixed price basis.

In order to progress the social care solution it will also be necessary to sign the framework agreement.

Risk

Key Risk	Mitigation
By not starting the solution implementation late, the Council will not be able to meet its obligations to provide a new solution for Social Care.	Deloitte, Corelogic and Council staff are geared up to start the implementation.
The Project is not affordable	Ensure sufficient funding is available and earmarked prior to project start and that full budgeting monitoring is in place. Appoint a full time project accountant to the Programme to monitor spend. Ensure Milestone-based payments based on performance are in place.
The Council cannot meet new legislative changes in Social Care provision over the next two years and beyond	The Deloitte/Core Logic proposal is based on inclusive functionality upgrades to meet new legislative requirements.
If start date is delayed further external funding may be lost	Ensure implementation is started asap.
Staff buy in to new ways of working is not optimal	The Change Management team and the Project team will ensure that all staff are fully engaged throughout the project. This is clear from the breadth in the representation of staff in the selection process itself. 32 council staff as well as colleagues from the PCT, the Voluntary and Community Sector were engaged.
As with all Projects, there is a possibility that the project over runs	Regular monitoring and control coupled with the Project being done on a 'fixed price' milestone based approach with our partner Deloitte should mitigate this.
Council staff are not available	Each role in the proposal has been agreed and staff earmarked to do the role.

Alternative Options

Option A: Do Nothing.

The Council has made a commitment to both CSCI (Commission for Social Care Inspection) and the DCSF (Department for Children, Schools and Families) that it will have a new solution in place by summer 2008. In order to achieve this, a solution must start to be implemented now.

Option B: Variable Cost Option (time and materials).

The time and materials option from Deloitte offers the potential for overall lower cost, but with significantly greater risks. The cost differential is just over £65k. With this form of contract payment is not based on results, and should the project encounter difficulties Herefordshire Council would need to keep paying for the necessary resources until the project was completed.

It is therefore not recommended that this option be pursued.

Consultees

Deloitte

Office of Government Commerce

Audit Commission

Department for Children, Schools and Families

Worcestershire County Council

Nottinghamshire County Council

Appendices

Appendix A – Preference from each area

The results from the scoring of the scenarios are as follows: -

Section	Preference
Adults	Corelogic Frameworki
Children's	Corelogic Frameworki
Finance	Corelogic Frameworki
Performance Management	Corelogic Frameworki
Integrated Teams (Learning Disabilities, Mental Health Trust and Primary Care Trust)	Corelogic Frameworki

APPENDIX B – General Comments / Themes

General Comments / Themes (Corelogic)

- Easy to use
- Impressive depth in finance management
- Very willing for us to talk to their customers
- Very intuitive

General Comments / Themes (OLM)

- Easily identifiable as ICS format
- Can make areas mandatory
- Activity list clear and concise

APPENDIX C – REAL-WORLD WORK PLACE SCENARIOS TO IMPROVE SERVICE DELIVERY

SCENARIO 1: MAUD

Maud is in hospital following a fall and is referred to the Hospital Social Care Team for a social care assessment in order to assess her ability to cope on her own if she is to go home. Following this assessment a package of care is authorised – 1 hour in the morning and 1 hour in the evening each day, including weekends from STARRS, together with Meals on Wheels each lunch time and a British Red Cross mid-day visit, all for an initial period of 4 weeks when a further review will be undertaken. Maud goes home but two weeks into the care period she falls down the stairs resulting in a nighttime visit by the Emergency Duty Team who are able to access her notes on the system and undertake a further assessment of her needs. She is once again taken back into hospital for a further period of medical care. After a week in hospital she is then transferred to the joint initiative Hillside Intermediate Care Unit and arrangements are made for her to go home the following week with daily visits from the Outreach Team, a mobility frame and associated aids from the Integrated Community Equipment Store together with the package previously re-instated.

At the end of the two week period Maud is re-assessed by the Social Worker (Tracy) and following consultation with the Outreach Team the decision is made with Maud that she is unable to look after herself and does require residential care. Her existing care package is extended until the process to locate a suitable care home and ensure finance is available is completed. It will also be necessary for Maud to have a financial assessment to identify how much she is able to contribute to this cost. The necessary work is undertaken and documented by the Social Worker and within a week Maud has a placement agreed in a residential care home. On 10th June Maud is transferred into the home and a month later the Social Worker visits to ensure she is happy and reviews her situation. Maud is content in her new surroundings and the case is placed on review for six months.

Two months later the care home manager contacts Social Care – Maud is very distressed her “pocket monies” have disappeared from her drawer along with her bankbook. An Adult Protection Referral is completed and the case reported to the Adult Protection Committee. The Adult Protection process commences which involves carrying out the initial evaluation, deciding if emergency action is needed, investigating and agreeing the way forward. The outcome of the process also has to be documented.

How this will improve Service delivery:

Step	Details	
1	Referral Process	On admission to hospital notice of possible referral. Workflow. (Information sharing with partners; e.g. when customers leave hospital a care package may be required)
2	Assessment process	Workflow – recording and authorisation process (Assessment is currently paper based at the moment. Parts may be completed by PCT and parts by Social Care leading to multiple visits and duplicated effort)
3	Care Plan	Care Plan showing all services recommended including those provided by family and unmet needs (Currently Care plans are stored on paper records and unmet needs are not recorded)
4	Service provision/ Provider detail	Provider detail/monitoring outcomes/quality Provider’s ability to update system to show availability of service e.g. hours of care/bed etc. Actual service provision, delivery of that service and payment.
5	Re-referral	Ability to show multi-referrals during a period

Step	Details	
6	Out of Hours	Ability to access system 24/7 remotely and update
7	Integrated working	Accessibility by PCT workers and update. Occupational Therapist/district nurse referrals to ICES.
8	Integrated Community Equipment (ICES) Store	Automatic request for aids to be allocated and resourced – asset management identification and notification of stock levels.
9	Consultation	Ability to record reasoning behind decision being made
10	Financial	Once decision/service provided immediate financial assessment referral. Estimated costs available on screen. Commitment accounting. Income and payment monitoring.
11	Review	Systems ability to “flag-up” reviews required
12	Adult Protection Referral	Immediate notification to Adult Protection Committee and carer. Instigation of support process for carer.
13	Adult Protection Procedure	Full process including investigation and outcome recording

SCENARIO 2: FAMILY MOVES

The Smith household is made up of 4 individuals:

Joan Smith: An OAP who is known to Social Care and currently has a mobility aid from the Integrated Community Equipment Store on loan and attends the local Alzheimer Society Day care centre.

Sarah Smith: A Single Parent on housing & council tax benefit and is in receipt of Income Support.

John Smith: A primary school age child with SEN provision including 5 hours per week help. The child has behavioural and attendance issues at school. There have also been issues around his health, as he appears to have a poor diet and a skin condition. A CAF has been completed by the SENCO and that information has been shared with Children & Young People Services by the lead professional.

Robert Smith: Sarah's pre-school nephew whom she has recently started fostering

The family decide, with the help of Home Point (Herefordshire's Partnership with 5 major Registered Social Landlords), to move from a market town into the City, with all the resultant changes in school, nursery etc., and call into the local Info Shop to register their new addresses.

Sarah is no longer able to care for Joan, who has dementia and is moving into a care home following a social care assessment, the cost of which needs to be identified. The house that the rest of the family move into is poorly insulated and needs updating. John is due an annual review of his Special Education Needs statement. The cost of these needs is required by the Director of Children and Young People's Services. Sarah will shortly be looking to apply for a school placement for Robert, his social care case records have been transferred to another team following the move to the city and the Service Manager of that team has requested projected placement costs to the year end for Robert.

How this will improve Service delivery: -

Step	Details	
1	Change of address - Info	Customer details entered just once and cascaded to all areas – Social Care, Homepoint, Revs and Benefits, Schools, Pre-placements, Electoral Registration. Additional "sales help"/signposting – Library tickets/bus pass etc/Welfare Rights (At present we would have to individually update each system this leads to inconsistent data and time lapses)
2	Adult Social care record – Joan	Initial Record set up showing Adult Social Care involvement including ICES, day centre attendance, care process, assessment, etc.
3	Adult Social Care record - Joan	Referral/Assessment/Approval of funding & allocation or selection of Care home /move/review Return of ICES (Integrated Community Equipment Store) equipment (Currently this is not linked to any system) To show workflow and document management

Step	Details	
4	Adult Social Care /Children's Service record - Sarah	<p>Identified as Carer for Joan initially then closed. Foster parent and supporting procedures for Robert. Workflow & document management.</p> <p>Support to Sarah?</p> <p>Fostering payments to Sarah?</p> <p>(Ensure support is in place for both foster carer and client which takes much longer at the moment)</p>
5	Children's Services Robert	Assessment/procedure for Fostering/reviews
6	Children's Services Record - John	<p>SEN record detailing help provided, school etc. Referral of behavioural issues etc to Children's Services, health concerns to PCT – One child one record/ Workflow and Document Management – e-CAF referral to Social Care; e-CAF populates ICS template. IS Index</p> <p>(System links to enable information sharing with partner organisations such as PCT and Education are not present at the moment)</p>
7	Strategic Housing	<p>Grant for improvements – application and administration, outputs.</p> <p>Workflow and document management</p> <p>Links with Home Point/Social Care system</p> <p>Risk of Homelessness</p>
8	Children's Services	Ability to apply online for school placement for Robert
9	Adult Social Care Costing	<p>Has the costing element of Adult Social Care been covered?</p> <p>(Cost information is not readily available to Social workers leading to potential overspend)</p>
10	Children's Services Costing	<p>Has the costing element for Children's Services been covered?</p> <p>(Cost information is not readily available to Social workers leading to potential overspend)</p>

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 31 January 2008 at 10.00 a.m.

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

Councillors: WU Attfield, SPA Daniels, TM James, RI Matthews, SJ Robertson, RH Smith and JK Swinburne

In attendance: Councillors H Bramer (Cabinet member - Resources), JP French (Cabinet Member - Corporate and Customer Services and Human Resources), JA Hyde (Cabinet Member - Children's Services), MD Lloyd-Hayes and JD Woodward

57. APOLOGIES FOR ABSENCE

Apologies were received from Councillors PA Andrews and KG Grumbley.

58. DECLARATIONS OF INTEREST

There were no declarations of interest.

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

There were no suggestions from Members of the Public.

60. CALL-IN OF CABINET DECISION ON HEREFORDSHIRE CONNECTS AND CONSIDERATION OF A CONSOLIDATED REPORT ON THE HEREFORDSHIRE CONNECTS PROGRAMME

The Committee considered Cabinet's decision of 13th December, 2007 on the acquisition of the preferred technology to replace the current client systems used within both Adult Social Care and the Children and Young People's Directorate, together with a consolidated report on the Herefordshire Connects programme.

The decision had been called in by three Members of the Committee: Councillors PJ Edwards, TM James and RH Smith.

The reasons for the call-in were set out in the report. The report to Cabinet on 13th December was appended together with the Decision Notice. The Minutes of the Cabinet meeting on 13th December had been circulated separately. Also appended was a consolidated report on the Herefordshire Connects programme and a document titled: Social Care Solution Selection – Strategic Monitoring Committee – Management Summary. A section of this second report contained responses to the reasons for the call-in set out in the call-in notice. A supporting information pack had also been circulated separately.

The Chairman welcomed the submission of a consolidated report on the Connects programme, whilst expressing disappointment that it had been some months since the Committee had originally requested such a report. He considered the consolidated report would be of benefit to the Councillors, officers and the public.

He explained that in scrutinising Cabinet's decision of 13th December the Committee intended to focus on five main themes, building on the reasons for the call-in set out in the call-in notice: how Cabinet's decision related to the overall Connects programme; the procurement process for the social care solution; the costs of the social care solution and the Connects programme; the quality of reports; and the Cabinet process.

The Herefordshire Connects Programme Manager presented the consolidated report on the Connects programme.

He reminded Members of the reasoning behind the development of the original concept, which was one of business change not simply an information technology programme. He outlined the development of phase 1 of the project and the business case for the programme; and the development of three high level business cases for corporate performance management; integrated customer services and integrated support services. He noted that it had been recognised from the outset that the cost and benefit profiles of the programme might change as the programme progressed. This was typical of strategic long-term programmes of this nature and business cases had to be regularly revisited to ensure that they remained sound.

Phase 2 had been the selection of the strategic partner which would enable the Council to implement the transformation programme. He explained the reasoning behind the procurement route chosen for the selection of the partner and the rigour of the selection process, as described in the report.

Phase 3 had focused on defining the programme and had included the review of the original three high level business cases, as had always been the intention, together with a review of the estimated costs and benefits including cashable and non-cashable benefits. The current estimate was that there would be an ongoing, but not cumulative, annual saving of £7.994 million from 2010/2011 onwards.

He concluded by noting that there had been a strategic pause in the Programme and the Corporate Management Board was reviewing the way forward.

The Project Manager (Corporate Programmes) explained that in presenting the report on the Social Care Solution he intended amongst other things to draw on comments from those in the relevant services.

Members of the Committee indicated that the service need for a replacement system was broadly accepted and, having regard to the evidence set out in the papers before them, they did not therefore require additional detailed justification on this point.

The Project Manager (Corporate Programmes) presented the report on this basis. He outlined the process for selecting the social care solution, noting the involvement of the internal audit service in validating the process. Corelogic had clearly been the preferred supplier.

He also commented on the importance of change management to the implementation of the social care solution. Deloitte had recommended the appointment of a full time Change Management Consultant who would also need to draw on additional expertise. He noted that it was instead proposed to deliver much

of this work from resources within directorates, drawing on support from Deloitte on a time and materials basis. Deloitte's role in the actual implementation of the solution was on a fixed price basis.

He concluded by saying that further analysis of the network capacity had indicated that there was sufficient network capacity to operate the social care solution from Bath Street.

From the adult social care perspective the Director of Adult and Community Services said that whilst the Council's adult social care performance had improved to a one star rating, under the Commission for Social Care Inspectorate's (CSCI) assessment framework, it was still relatively weak. Failure to replace the current information and communication technology case management systems for social care would damage CSCI's confidence in the Council's ability to improve. CSCI's Business Relationship Manager had recently sought assurance that the proposed replacement was proceeding. Failure to proceed carried a risk to the reputation of the Council and its overall performance assessment by the Audit Commission.

He added that Worcestershire County Council had recently successfully replaced their system, which had been the same as that still operated by Herefordshire Council, with the solution Cabinet had agreed to acquire. He considered the replacement system, which would enable him to monitor performance on a daily basis, something he could not do with the present system, to be essential from a managerial standpoint. He had every confidence that the proposed system from Corelogic would meet the Service's requirements. Staff across the Directorate had been involved in its selection.

From the Children's Services perspective, the Head of Safeguarding and Assessment noted the Committee had broadly accepted the case for the need for replacement. On this basis he commented on the importance of developing the Integrated Children's System (ICS) required by the Department for Children, Schools and Families (DCFS). He too was convinced that the Corelogic system was the best and this view was shared by practitioners and other managers who had been fully involved in the selection process. This was in contrast to the concerns he had had about the SAP social care solution that had initially been proposed, based on the experiences of some other local authorities of which he was aware. He knew that colleagues across the Country supported the Corelogic solution.

He added that the DCFS had expected that all relevant authorities would have had the necessary ICT system to deliver the ICS in place by 1 January 2007. There had been continuing discussions with the DCFS and their expectation, having rebuked the Council, was that the system would now be in place by June 2008. Whilst it was now looking extremely difficult to achieve that date it would be detrimental to the Council's reputation and performance assessments if it were not to be close to doing so.

He noted that the technical benefits of the system were described in the report. He drew attention to the competitive market for recruiting social workers, the frustrations current staff felt with the current ICT system and the implications this had for recruitment and retention. It was also very difficult to integrate with partner agencies under the current system. Ultimately, however, the key point was that the replacement system would improve the outcomes for children.

The Committee then asked a series of questions based on the five themes to which the Chairman had referred in his opening remarks. The principal areas of questioning and the responses are summarised below.

How Cabinet's decision related to the overall Connects programme

It was observed that Cabinet on 13th December had clearly been under pressure, for various reasons, to approve the acquisition of the social care package. However, the package formed part, say one tenth, of the Connects programme. It was asked what progress had been made towards achieving the aim of the programme as a whole.

The Director of Corporate and Customer Services explained that there had been a strategic pause in the programme in the summer of 2007 in response to the Council's projected financial position. It had been decided that those elements of the programme that would realise few cashable benefits should be deferred. It had been agreed that the acquisition of the social care package was one element of the programme that needed to proceed. The programme now needed to be reviewed and a report made to Cabinet on a proposed way forward, having regard amongst other things to issues such as partnership working with the Primary Care Trust in particular.

The Cabinet Member (Corporate and Customer Services and Human Resources) (CCSHR) referred to the proposals for implementation of the social care solution. She said that she needed to be convinced that, as was now proposed, the Council itself had the resources to fulfil the change management role necessary to the implementation of the social care solution, although support could be bought from Deloitte if required.

She emphasised that whilst the financial settlement for 2008/09 had looked tighter than had now proved to be the case it had been prudent to pause the programme and reflect on what could be delivered within the Medium Term Financial Management Strategy. She emphasised, however, that the organisation had to act to reduce the wide variety of systems that it currently used and modernise its services.

It was asked what similar packages to the social care package were envisaged and their estimated cost. Following some discussion the Chief Executive said in summary that no decision had been taken because, as previously referred to, the programme was under review. The Council had agreed to implement a core system using SAP software. Whilst it had been agreed that the social care solution offered by SAP itself was not the best and that a different solution was therefore needed for that aspect of service it remained the case that the intention was to modernise other services within the core solution as far as possible.

It was asserted that the decision to adopt SAP as the core solution was flawed. It had proved inappropriate for delivering the social care solution and, it was suggested, was inappropriate for other services as well. In reply the Cabinet Member (CCSHR) said that the consolidated report provided to the Committee demonstrated that the selection of SAP as the core system had been soundly based. However, one of the overriding principles in taking the Connects programme forward was that unproven technology would not be adopted. The SAP social care solution was unproven and had therefore not been adopted.

The Chief Executive added that, whilst the presumption was that services would be delivered through the core system, there was a need for some flexibility if it was clear that a particular application better met a specific service need.

The interrelationship of the Connects programme and the accommodation strategy was discussed. The Cabinet Member (CCSHR) commented on the scope the

programme afforded for developing flexible working which in turn reduced the need for accommodation. The Director of Resources said that the Accommodation Strategy Group was focusing on where accommodation could be sited. What type and level of accommodation was provided depended on organisational development considerations. ICT requirements formed part of the discussions about future accommodation provision and was also being taken into account as interim accommodation moves were made. It was clear that standardisation of ICT equipment would make it easier to relocate staff as necessary. The Connects programme did provide scope for a limited flexible working pilot. The aim in developing the financial strategy was to retain as much flexibility as possible as plans evolved.

The possible loss of specific grant money of £43,000 in support of developing the Integrated Children's Services system was raised. The Director of Children's Services confirmed that if the money was not spent on the ICS by the end of the 2007/08 tax year the grant would be lost.

In response to a question about the other effects of delay in developing the system the Director of Children's Services said that whilst the last Annual Performance Assessment by CSCI had recorded an improvement in performance the delay did leave the Council vulnerable to criticism.

The Procurement Process For The Social Care Solution

A series of questions were asked about the procurement process, including, on what basis the three initial potential contractors were identified for consideration by Deloitte; whether there had been any quality assurance as to whether there were any links between Deloitte and the supplier; whether there had been any in-house validation and was it really the case that there were no other potential tenderers? In addition, given that there had been only one compliant tender received it was asked who had drafted the specification and whether it had been checked whether the way in which the specification had been drafted had led to this situation. It was asked whether Deloitte or the Council had conducted the technical appraisal of the tenders, what criteria had been used to judge two of the tenders invalid, who had made that judgment and why had the process not been aborted when there was only one valid tender? It was also asked on what basis had Deloitte then selected OLM, again had there been no other potential tenderers? Why had OLM not been included in the initial discussions? Who had conducted the technical appraisal of OLM? In addition had there been any value for money assessment or assurance and if so had this been assessed by Deloitte or in-house?

In reply the Herefordshire Connects Programme Manager said that Deloitte had recommended the three initial potential contractors. There were very few firms, about 5, that could potentially have fulfilled the Council's requirements for a system that would serve both Adult Social Care and Children's Services. The selection and appraisal of the potential contractors and then OLM as well had been carried out by Council staff with involvement also from the Primary Care Trust. The technical appraisal had been carried out by ICT staff. Value for money had been considered and had been one of the reasons for investigating an alternative to the SAP social care solution.

Mr D Harker, on behalf of Deloitte, commented on phase one of the Connects programme. Following Deloitte's appointment the firm had raised the need to look at the technology underpinning the programme. Deloitte had proposed SAP as the technology for the social care solution and believed it would become the market leader in a few years time. However, that particular product was in the early stages of development and Deloitte had supported a review of the proposal. There were

very few software packages on the DCFS accredited list. Having discounted SAP there had been five packages to consider, three of which had been shortlisted. Two: Anite and OLM, had been rejected because they were based on old technology. Whilst a single solution for both adult social care and Children's Services had been specified the possibility of a hybrid solution had been considered as part of the process. Following failure of two suppliers to fulfil the functional requirements OLM had then been invited to make a submission. The only supplier with whom Deloitte had a relationship was with Anite, as its auditors, and that supplier had not been shortlisted. He added that no Council officer had suggested an alternative solution to those that had been put forward.

Members suggested that it would have been helpful for this information to have been explained in the report to Cabinet.

The Cabinet Member (CCSHR) acknowledged that the quality of documentation supplied to Cabinet needed to be improved and she had made this known. However, there came a point at which the Executive needed to take a decision and could not simply keep referring reports back. Cabinet Members did have briefings and private discussions and had satisfied themselves on a range of issues relating to the social care solution. She acknowledged that not all the assurances received had been reflected in the final Cabinet report.

In response it was suggested that this was not acceptable and the basis on which Cabinet made its decisions should be fully and transparently set out. It was added that the time taken to prepare the reports for the Committee in response to the call-in indicated that the relevant information had not been readily available as it should have been.

A further question was asked about the Council's policy when only one valid tender was received. The Director of Resources said that normally the expectation would be that there would be three good quality tenders to choose from. However, it was possible in some case where there was a specialist product with few suppliers that there may be only one valid tender to consider.

The Head of Legal and Democratic Services added that if only one valid tender was received it had to be considered on its merits. The Council had to consider whether the tender met the specification for the work required and represented value for money. Regard also had to be had to the number of potential suppliers in respect of any given tender. If the Council was unhappy with the sole tender it would have to consider retendering the project. In doing so it would have to balance out whether there were likely to be a number of companies able to tender. Ideally three tenders should be considered but on occasion that was not possible due to the specialist nature of the work required and there perhaps only being a single supplier.

A question was asked about data security and data transfer arrangements and compatibility with systems operated by the Council's partners. In reply the work that had been undertaken on data security and transfer was described and an assurance given that processes would be put in place with all partners. It was added that the Primary Care Trust had been fully involved in discussing these issues.

Assurance was also given about the security of data and flexible working. It was stated that any connection with the NHS database itself was governed by very rigorous security standards.

(The Committee adjourned at this point between 11.45 and 11.50 am)

The Costs of the Connects Programme and the Social Care Solution

It was asked whether the revised costings for the programme, in particular the estimated savings were robust, noting that they showed a significant reduction from the initial estimates. Experience of other Council projects had shown that savings did not always materialise as expected and, although significantly reduced, the projected savings remained substantial. It was noted that the report projected annual ongoing, not cumulative, savings of £7.994 million from 2010/2011 onward and it was questioned how these would be achieved.

The Herefordshire Connects Programme Manager said that he believed the original estimated savings were achievable and that by aiming high the higher the likely return would be. However, revisiting the business case and taking a more conservative view based on bankable savings produced the estimates now reported.

Mr Harker added that it was right to revisit the business case at every stage. He considered that the current figures were robust although he too thought there could be the potential to achieve significantly higher savings. In the longer term the savings would be achieved from a reduction in staff, from the improvements in back office processes, improved procurement and the links developed with the Primary Care Trust. He considered that the Resources Directorate had a clear idea of where savings would come from.

In reply to a question about his experience of similar projects in other authorities he said that he had been involved with 8 or so other authorities and they had achieved savings to varying degrees. Change management was an important element of the process.

Asked about the current financial forecast for the programme the Head of Financial Services said that no benefits would be accrued as initially expected in 2007/08. With the strategic pause in the programme the budget for 2008/09 now assumed some £0.75 million in efficiency savings.

Further concern was expressed about the projected level of savings and, it was suggested, a lack of evidence as to how these would be achieved. The Cabinet Member (CCSHR) said that it had been made clear that identified savings would be removed from the relevant budgets and the Council asked to decide what to do with them.

Clarification was sought on the relationship between the three sets of figures set out on pages 13, 55 and 79 of the agenda papers. The Head of Financial Services explained that page 79 of the report set out the current estimated cost of the social care package; page 13 summarised the assumptions made with the Medium Term Financial Strategy for that package and page 55 related to the Connects programme as a whole.

The social care system was to be placed on a server at Plough Lane. The report to Cabinet on the social care system had stated that investigations were necessary to show that the ICT network could support the link between Plough Lane and Bath Street where staff using the system currently worked. The supplementary report to the Committee stated that tests had now shown that there was sufficient capacity at Bath Street to accommodate the social care solution. Clarification was sought on the position and the statement, as recorded in the Minutes of Cabinet, that to upgrade the Bath Street premises could cost £130,000-150,000. It was stated that this was another point on which Cabinet should have sought and received clarification before making its decision.

In response the Cabinet Member (CCSHR) said that the Cabinet had had to make progress and deliver a solution. Staff could have been relocated from Bath Street had network capacity proved to be an issue.

The Project Manager (Public Service Trust and Corporate ICT Strategy) confirmed that tests conducted since the Cabinet report had been prepared had confirmed that there was sufficient capacity at Bath Street to support the system. Costs would have been incurred had there been a need to connect to the community network, and would be incurred in future if that became necessary.

Asked about data centre capacity he clarified the reference to virtualising servers in the Cabinet report. He explained that virtualising servers was a process which made the most effective use of the existing equipment, reducing the size and cost of data centres. There were costs associated with virtualising servers. These had not been separated out in respect of the social care solution because the intention was to virtualise as many servers as possible across the Council and a capital bid had been made for this work as a whole.

The Head of Financial Services confirmed that account had been taken of this potential cost in the Council's overall budget.

Asked about the fees payable to Deloitte the Head of Financial Services said that these were incorporated into the overall cost. Members suggested that this was another matter that should have been made explicit to Cabinet. It was noted that Deloitte had been appointed on the basis of a fixed price tender except in respect of change management work which was on a time and materials basis.

Quality of Reports

The Chairman emphasised that the debate had made clear the dissatisfaction with the deficiencies in the report to Cabinet on 13th December, some of which were specifically referred to in the reasons for calling in Cabinet's decision. It was essential that future Cabinet reports contained clear, complete information.

A number of points were highlighted recognising that whilst some of these errors and omissions might be minor, collectively they detracted from the authority of the report. The Chief Executive said that this criticism was acknowledged and it was important that Members had the information they needed to fulfil their role.

The Cabinet Process

The Chairman stated that the dissatisfaction with the quality of the report to Cabinet undermined the Cabinet process. It was important that all Members could discern from reports to Cabinet the basis on which decisions were being taken.

The Cabinet Member (CCSHR) thanked Members and officers for what she considered to have been a valuable exercise, not least in generating the production of the consolidated report on the Herefordshire Connects project.

The Chairman thanked everyone for their contributions emphasising that the intention had been to highlight widespread concerns and seek constructive solutions to them.

(The meeting adjourned again between 12.45 pm and 12.52 pm.)

On reconvening the Committee's conclusions were read to the meeting.

RESOLVED TO RECOMMEND TO CABINET

- a) That Cabinet should require a revised submission on the proposed replacement of the relevant client systems in the Adult Social Care and the Children and Young Peoples' Directorates setting out clearly and quantifying all costs (including fees) whether forecast or potential.
- b) That the revised submission referred to above be extended to demonstrate clearly respective responsibilities for: the identification of potential tenderers, the technical appraisal of tenders and judgment as to compliance of the tenders.
- c) The above submission further explains and justifies the decision not to abort the tender process and explains the basis for selection of OLM as a further individual tenderer and the exclusion of OLM from the first tender list.
- d) Assurances regarding data security and transfer arrangements and compatibility with current systems (if retention is considered) should be included in the revised submission to Cabinet.
- e) Neither the totality of this decision nor its place within the context of the Herefordshire Connects project was clear. To ensure proper, informed decision making, reports of this nature submitted to Cabinet in future should state clearly the dimensions of what is presented for approval and its place within the context of the overall project.
- f) Future reports to Cabinet requesting authorisation to proceed with a particular course of action such as an acquisition should state this explicitly in the title and should not merely be described as an update.
- g) That the Head of Legal and Democratic Services be requested to revise the format of the Decision Notice template to clarify the meaning of the entry in the template headed "urgent decision", to make clear that this is a technical term having regard to the relevant Regulations and does not necessarily relate to the importance and urgency of a matter under consideration in practical terms.
- h) The inclusion of a second option in the Cabinet report did not approach the minimum standard of acceptable information. If alternative options are presented in Cabinet reports fully argued consideration is necessary; and
- i) Reports to Cabinet and all Committees should be expressed in clear, comprehensible English without jargon or unexplained abbreviations. Any statistical or financial information must be clear and arithmetically correct.

The meeting ended at 1.02 p.m.

CHAIRMAN

MANAGING PERFORMANCE MANAGEMENT

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

21 FEBRUARY 2008

Wards Affected

County-wide

Purpose

To report progress against the action plan that was developed as the Authority's response to the audit of its performance management arrangements in the autumn of 2006, and the associated communications action plan.

Key Decision

This is not a Key Decision

Recommendations

THAT:

- (a) the report be noted; and
- (b) it be agreed that the plan be updated, submitted to Cabinet in April 2008, and progress reported every six months.

Reasons

In the autumn of 2006 the Audit Commission conducted a major audit of the authority's performance management arrangements. The audit was a response to the findings during the 2005 Corporate Assessment that scored performance management at 2 out of 4 – the weakest element of the authority's corporate arrangements at that time.

The audit confirmed that many of the required processes were in place but found that there was still a long way to go before the authority had a performance management culture with the processes embedded within the working practices and behaviours of individuals. The attached action plan (**Appendix A**) was developed in response to the audit's 14 recommendations. These are listed according to their strategic significance, not numerical order. The Communications Action Plan (**Appendix B**) was developed in response to recommendation 2 of the audit.

Considerations

1. The Managing Performance Management Action Plan (**Appendix A**) and Communications Action Plan (**Appendix B**) are being implemented. Achievement was last reviewed internally by Strategic Monitoring Committee on 16th July 2007. Last autumn's direction of travel assessment by the Audit Commission provided a further, external, check on progress. The majority of actions required to have been delivered thus far have been achieved, although a number have still to be implemented such as Recommendation 4 g (vi) in Appendix A and 3 b in Appendix B.
2. The two action plans were originally developed to provide a comprehensive view of the council's activities and future challenges to strengthen its performance management arrangements, not just as a response to the 2006 audit. The action plans have already led to a strengthened performance management function, recognised in the Audit Commission's recent direction of travel statement which is reported separately on this agenda.
3. Overall, the performance management requirements on the Authority and its partners continue to change and rise. Externally, every regulator expects higher standards year on year and public expectations quite rightly increase. The new Local Area Agreement (LAA) coupled with increased roles for statutory partnerships highlights the importance of assurance / governance arrangements, including those for performance management, as well as performance itself. Internally, improvements continue including revisions to the 2008 staff review and development (SRD) process by the interim head of HR as well as strengthened training on risk and service planning. There are to be changes to the process by which the Chief Executive assures himself of directorate performance with the Director, Leader and Cabinet members.
4. All this means that the Action Plan in **Appendix A** is now somewhat dated and hard to read, containing as it does progress over the last 18 months of change. Following this cycle of meetings it will be revised to focus on the remaining tasks and the changed circumstances. It is particularly important that it looks forward to the Comprehensive Area Assessment (CAA) rather than focus on the last year of the current comprehensive performance assessment. Clear links need to be made between the remaining actions in response to the 2006 audit and preparations for CAA.
5. In readiness for the CAA a draft preparation programme has been developed for consideration by Cabinet, and is on the agenda for this meeting. The action plans now need to be updated to reflect the progress that the council has made in respect of its performance management arrangements in the last year, and the external challenges that it will face in future, including the CAA.

Alternative Options

Not applicable.

Risk Management

Strengthening of the performance management function will have a significant bearing on the council's future performance in achieving its priorities, and therefore on partnership working, future audits and inspections, the authority's wider reputation as well as improvement across Herefordshire as a whole.

Consultees

Relevant staff referred to in the action plans.

Background Papers

Managing Performance Management 2006/07 – Audit Commission, September 2006.

MANAGING PERFORMANCE MANAGEMENT

ACTION PLAN TO RESPOND TO THE AUDIT COMMISSION

APPROVED JANUARY 2007 AUDIT & CORPORATE GOVERNANCE COMMITTEE

GLOSSARY

RESPONSIBILITIES

APA	Annual Performance Assessment	AMc	Alan McLaughlin – Head of Legal & Democratic Services
BVPI	Best Value Performance Indicator [s]	GC	Gi Cheeseman, Interim Head of Human Resources, Council and PCT
CMB	Corporate Management Board	DP	David Powell – Head of Financial Services
CPA	Comprehensive Performance Assessment	JJ	Jane Jones – Director of Corporate and Customer Services
CX	Chief Executive	JW	Jennifer Watkins – Herefordshire Partnership Manager
C&YP	Children and Young People	CB	Chris Bull – Chief Executive
DMT'S	Directorate Management Team	RB	Robert Blower – Head of Communications
HR	Human Resources	SR	Sonia Rees – Director of Resources
IDEA	Improvement and Development Agency	TF	Tony Ford – Principal Audit Manager
IPR	Integrated Performance Report	TG	Tony Geeson – Head of Policy and Performance
LA'S	Local Authorities	DN	Dave Nicholson – Forward Planning
PCT	Primary Care Trust		
PI'S	Performance Indicators		
PIMS	Performance Improvement Managers		
PST	Public Services Trust		
PWC	Price-Waterhouse-Cooper		
QA	Quality Assurance		
SMC	Strategic Monitoring Committee		
SMT	Senior Management Team		
SRD	Staff Reviews and Development		
IPC	Institute of Public Care		
PIN	Performance Improvement Network		
PIM	Performance Improvement Managers		

RECOMMENDATION 5		
Decide on the extent to which the Council will integrate its own service planning, priorities and performance management arrangements with those of its key partners in the Herefordshire Partnership		
RESPONSE		
a) The fullest possible integration of planning, priorities and performance management with key partners is crucial for successful implementation of the <i>Strong and Prosperous Communities</i> Local Government White Paper		
b) Immediately, the highest priority is integration between the Council and the Herefordshire PCT, as part of the creation of the public service arrangements		
ACTION	TIMESCALE	LEAD
a) Discussion with the Herefordshire Partnership Chief Executives' Group and Performance Management Group, then the Partnership Board, leading to the preparation of a detailed implementation plan	Discussions to be completed by June 2007 and the detailed implementation plan in place by December 2007, with a view to the new arrangements operating from 1 April 2008	JJ, TG, JW
b) Inclusion in the detailed implementation plan for the creation of public service arrangements with the PCT	Integrated arrangements to be operating from the time public service arrangements are operational	CB

PROGRESS with R5

- a) Already in place re. children and young people, with a single C&YP three-year plan and underpinning joint Forward Delivery Plan, integrated with the C&YP Directorate's Plan. A new Children and Young People's Plan is being developed, with an agreed set of priorities. It will be published in May 2008, providing the commissioning strategy for the Children's Trust.
- The Herefordshire Partnership Board and a specially convened reference group has given detailed attention to the development of the Local Area Agreement. The Board has also considered the implications of implementing the Local Government White Paper and will be closely involved in the preparations for the Comprehensive Area Assessment (CAA).
- Detailed mapping has been carried out of partner organisations' planning and performance management arrangements. This has identified some similarities but also important differences, often related to the requirements placed upon partners by the government departments to which they are responsible. It would be unrealistic to expect to be able to put all of these on a consistent basis just for Herefordshire; and further consideration, has shown that, in any event, the best way ahead lies in the development of the arrangements for the new wave of local area agreements and the emerging requirements for Comprehensive Area Assessment, including the much-reduced suite of mandatory national PIs and the greater scope this provides for the development of local PIs. Taking all these factors into account, the Chief Executives Group confirmed in June that the new high-level model would focus on the national and local PIs included in the new local area agreement, in respect of which an action plan will be developed by April 2008. The intention is that partners will include relevant targets and actions in their own corporate and business plans and performance management arrangements, also with effect from April 2008.
- b) The model developed under a) will be at the heart of the performance management arrangements for the public service arrangements with the PCT.

RECOMMENDATION 1	
Construct and communicate a high-level model that clearly and simply identifies how the Council intends to assess and measure its level of performance and rate of improvement	
RESPONSE	
<p>The initial basis for the high-level model will be a detailed analysis of what is necessary to raise the Council's BVPI and other key PI scores, as well as its CPA scores - in all cases related to the achievement of the Council's existing strategic priorities.</p> <p>The results will be discussed fully by SMT, then CMB, Cabinet, SMC and the individual subject scrutiny committees, leading to the design and implementation of the high-level model.</p> <p>The resulting programme of action will be taken forward as part of the overall Transformation Programme and led by the relevant individual transformation boards, with operational responsibility and accountability vested in individual heads of service. Its roll-out will be an integral part of the Council's performance improvement cycle, which relates investment to the achievement of the Council's priority outputs and outcomes</p> <p>The model's subsequent development and implementation will be taken forward as part of the programme to integrate arrangements with key partners (see Recc. 5 above)</p> <p>Reflect the above in revised Performance Improvement Framework</p> <p>All the above and the supporting elements below to be underpinned by a comprehensive communications plan.</p>	
ACTION	TIMESCALE
a) The analysis to be discussed by SMT and CMB	30 January 2007
b) Then by Cabinet and scrutiny	22 February 2007
c) In parallel, identify potential models from high-performing local authorities	End February 2007
d) Resulting initial Council model to be approved by CMB and Cabinet, including user-friendly template[s] that identifies and rates the key measures of performance	March 2007
	LEAD
	JJ, TG
	JJ, TG

APPENDIX A

ACTION	TIMESCALE	LEAD
e) The initial Council model to be operating based on its critical performance indicators	From 1 April 2007	JJ, TG, SR, DP, transformation board chairs, heads of service
f) Cabinet approval of initial revised Council Performance Improvement Framework	April 2007	JJ, TG
g) Cabinet and Partnership approval of the joint Partnership Performance Improvement Framework and model	February 2008	JJ, TG, JW
h) Develop communications plan, including arrangements for publicising the completed template regularly to members, staff and other stake-holders	End February 2007	JJ, RB
i) Implement communications plan	As set out in the separate communications plan	

PROGRESS WITH R1

- a) b), c), d) and f) Following visits by scrutiny members and officers to Shropshire, East Riding of Yorkshire and a number of other councils, and attendance by officers at two Beacon Council events at Rotherham MDC, CMB and then Cabinet endorsed an interim high-level model that focuses on the Council's performance against the baskets of indicators that inform the annual Direction of Travel assessment, but also tracks performance against the baskets of indicators in the LAA (including LPSA) and the other Council KPIs and key actions and milestones selected for the 2007-08 Annual Operating Plan. The interim model was incorporated in a revised Performance Management Framework in place by March 2007.
- e) Achieved, with new, bi-monthly integrated performance reports (IPRs) delivered to Cabinet and Strategic Monitoring Committee.
- g) Achieved (as under Recc. 5a above), subject to Cabinet and Partnership approving the new Sustainable Community Strategy/LAA action plan by April 2008.
- h) and i) interim new model and performance highlights communicated to members, key managers and staff in a co-ordinated range of ways, including Jan. to March 2007 regular reports to CMB on progress as regards PIs relevant to Direction of Travel assessment; IPR summaries; *First Press* and *First Press Online*; *News and Views*; the *Leadership Forum*; *CMB/SMT* performance management workstream group; and the PIN.

Details set out in Communications Plan, together with further actions for the period to 31 March 2008.

RECOMMENDATION 6			
Develop a simpler, clearer set of priorities – each with a basket of indicators and measures designed to provide a high-level picture of progress			
RESPONSE			
To be determined as part of the implementation of Reccs 5 and 1. This will ensure easy understanding & consistency between the Council's priorities and those of the <i>Herefordshire Partnership</i> ; indicators for organisational improvement priorities; a basket of indicators for each priority; and good communication of all this to members, staff and other stakeholders.			
	ACTION	TIMESCALE	LEAD
a)	To be developed as part of the high level model in Recc.1	As for Recc.1	JJ, TG
b)	Strategic public consultation	June 2007	
c)	Decisions on priorities by the newly elected Council: <ul style="list-style-type: none"> i. Cabinet approves Corporate Plan 2008-11 ii. Council approves Corporate Plan 2008-11 	October 2007 November 2007	
PROGRESS WITH R6			
a)	Completed; see under Recc. 1 above.		
b)	Group Leaders agreed before the election to defer the proposed strategic consultation. Instead the focus has been on embedding the three-year performance improvement cycle, including increased challenge to proposals and targets for future years. Public consultation and involvement are integral to the current process of identifying priorities for the new LAA. The nature and timing of future strategic consultation will be considered as part of the development of the next performance improvement cycle.		
c)	Development of the Corporate Plan has taken longer than expected owing to uncertainties as to whether a joint plan would be produced for a Public Service Trust and to reflect emerging decisions as to council priorities. It will now be considered by Cabinet on 27 th March 2008.		

RECOMMENDATION 8		
Produce regular high-level strategic assessments of performance trends, identifying, where relevant, barriers and levers to performance improvement		
RESPONSE		
The Recc. 1 model to be the initial basis for future integrated performance reports (IPRs). Will be developed further in the light of the agreed longer-term arrangements with partners in response to Recc. 5. There will be periodic overall assessment (frequency to be decided). IPRs will include key intelligence immediately it becomes available, e.g. APA and other inspection results. Also to include consideration of a Council-wide process to collect customer feedback more consistently.		
ACTION	TIMESCALE	LEAD
a) Design revised format for IPRs and gain CMB and Cabinet agreement (with input from SMT and SMC)	April 2007	JJ, TG
b) Operate the revised format	June 2007	
PROGRESS WITH R8		
a) Achieved. See under Recc. 1 above.		
b) Ditto		

<p>RECOMMENDATION 2</p>	<p>Develop and implement a consistent strategic approach to embedding a performance management culture</p>
<p>RESPONSE</p>	<p>a) To be achieved as an integral part of implementing Reccs. 5 and 1 - drawing on successful practice in other LAs; the IPC work in Children’s Services, the PWC work in Adult Social Care and other good practice in the Council; the Director of Corporate and Customer Services and the Director of Resources working together to champion improved performance management, particularly through an even more rigorous and demanding performance improvement cycle; and the inclusion of indicators that track cultural change in the high-level model</p> <p>b) Momentum to be maintained to deliver and gain maximum impact from measures already in hand, including the continuation of the Leadership Programme and directorate initiatives such as the adult social care performance clinics.</p>

APPENDIX A

ACTION	TIMESCALE	LEAD
a) Programme of detailed action to be developed for implementing Reccs. 5 and 1 (embedding to be achieved through the performance improvement cycle and the communications plan)	Operating from 1 April 2007	JJ, TG
b) i. Complete appointment of performance improvement managers	April 2007	TG
ii. Currently programmed SRD and risk management training to be delivered	January to March 2007	GC, TG, DP
iii. Develop targeted mandatory annual training and development programme, initially for 2007-08	Operational from April 2007	GC, TG
iv. Disseminate the results of the performance management improvements in C&YP Services (from IPC) and Adult Social Care (from PWC) and other good practice, considering their application more generally (particularly through SMT and its performance improvement sub-group and the performance improvement network)	From April 2007	TG/RB / SMT

<p>PROGRESS with R2</p> <ul style="list-style-type: none"> a) Performance improvement cycle revised and operated, including director-level meetings to challenge proposals. Culminating in a continuing series of joint Cabinet /CMB meetings to agree strategic priorities. b) (i) All performance managers in post, with the performance improvement network operating and meeting regularly since the spring. b) (ii) Achieved. b) (iii) Further round of SRD training, including essentials of performance and risk management, put in place and continuing. Development programme for service planning designed; being delivered with directorate management teams and others. b) (iv) PIN and CMB/SMT performance management workstream meetings include directorate by directorate round-up as a standing item Two cohorts of key managers in the Children and Young People Directorate have completed performance management training run by the IPC. Through the IPC, a number of these managers are now undertaking work-based projects as part of an accredited Certificate in Performance Management. In Adult Social Care, routine regular team performance appraisals and performance clinics; now team performance appraisal being rolled out, beginning with two teams in Strategic Housing. Case studies of successful performance management, e.g. planning applications and presentation of credible options for the PIC shared across the Council. A rolling programme will be maintained.
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RECOMMENDATION 3		
Ensure that the respective roles & responsibilities of the Council's partnership team & the directorate performance management officers are clear		
RESPONSE		
<ul style="list-style-type: none"> a) Secure clear understanding and ownership amongst directors and heads of service b) Keep guidance under review in the light of experience and changing requirements c) and d) regular fora to ensure good communication, mutual understanding and ownership e) Equally important to ensure that there is a clear understanding of the respective roles and responsibilities of PIMs and corporate Policy and Performance staff, so that overall capacity, efficiency and effectiveness are maximised. 		
ACTION	TIMESCALE	LEAD
a) Discuss with directorate management teams	Before end March 2007	TG
b) Identify the key meetings in Directorates below DMT level where performance is debated and decisions taken	Before end March 2007	
c) Review, develop & refresh the guidance/protocols to reflect the activities & tasks that need to be carried out under the agreed arrangements with key partners in pursuit of Recc. 5	December 2007	
d) Regular meetings of the performance improvement network	At least monthly	
e) Review the effectiveness of the performance improvement network and the SMT performance improvement sub-group, recommending changes where necessary	September 2007	TG
f) Corporate Policy and Performance roles to be reviewed and posts re- evaluated	June 2007	

PROGRESS with R3

- a) Achieved. Regular subsequent discussions between the Head of Policy and Performance and individual directors
- b) DMT members required to ensure effective two-way communications with all managers and staff in their areas.
- c) Completed in November 2006 - clarified and reissued description of roles and responsibilities for plans and PIs. To be reviewed in the light of the new Sustainable Community Strategy/LAA action plan in April 2008.
- d) Monthly PIN meetings have taken place and continue, chaired by the Head of Policy and Performance and including the four performance improvement managers, senior members of the Herefordshire Partnership Support team, the Council's Risk Manager and Policy and Performance staff. Also six-weekly meetings of the CMB/SMT performance improvement work-stream group.
- e) PIN and CMB/SMT workstream group review approved by CMB in September 2007. Showed, for example, that the PIN had contributed to a significant increase in the number of improving PIs; a reduction in "red" PIs; improved proposals for the performance improvement cycle; improved the effectiveness of the CX's performance review meetings with individual members of CMB; and secured improvements to data quality. In respect of the CMB/SMT workstream showed, for example, that it had secured the full involvement of heads of service across the Council in preparing three-year proposals for the PIC challenge process; helped produce the composite basket of PIs for the improved IPRs; advised to secure the improvements made in risk management, training and development and the performance improvement framework; undertook the IIP gap analysis; reviewed service planning guidance and instituted the system for scoring the content and quality of plans; and communicated changes to PIs and updates to performance frameworks throughout directorates and services. As a result, CMB endorsed the continuation and further development of both networks as essential to continuous performance improvement and successful preparation for the new system of CAA.
- f) Up-to-date job descriptions and person specifications produced; immediate priority given to vacant research posts needing to be filled. Review conducted of research and information functions and potential structures for public service arrangements with the PCT designed. The more general evaluation now to be taken forward as part of the establishment of these arrangements.

RECOMMENDATION 4		
Ensure that members, both at cabinet and overview and scrutiny level are fully involved in, and integrated into, the Council's performance management arrangements		
RESPONSE		
a) To be achieved as an integral part of implementing Reccs. 5, 1, 6, 8 and 2 - involving extensive informal and formal discussion with both executive and non-executive members; linked with the constitutional and local democracy changes required to implement the Local Government White Paper		
b) and c) This will be reflected in a members' guide to performance management		
c) Maintain momentum with implementation of the existing scrutiny improvement programme		
ACTION	TIMESCALE	LEAD
a) As for Reccs. 5, 1, 6, 8 and 2	As for Reccs. 5, 1, 6, 8 and 2	JJ, AMc, TG
b) Circulate IDeA guide to members	January 2007	
c) Establish a members reference group to advise upon/ road-test drafts of a members guide	January 2007	
d) Initial members' guide	April 2007	
e) The induction programme following the May 2007 election will include sessions on performance improvement	Beginning May 2007	
f) Members' guide reflecting the longer-term arrangements agreed with partners	February 2008	

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ACTION	TIMESCALE	LEAD
g) Implementation of relevant elements of the existing Scrutiny Improvement Plan, including:		
i) Cabinet members' annual presentations to scrutiny committees	June 2007	
ii) Regular, improved IPR reports to SMC, which will refer matters to scrutiny committees, as appropriate	Continues	
iii) Regular progress reports on detailed improvement plans for individual service areas	Continues	
iv) Annual review of the operation of the performance management framework	October 2007	
v) Visits to LAs successfully using scrutiny to drive performance improvement	From May 2007	
vi) Scrutiny members as "critical friends" for specific services as part of the performance improvement cycle		

PROGRESS WITH R4

- a) As under Reccs. 5, 1, 6, 8 and 2. Presentations and discussion as part of members' induction following the May election. The Scrutiny Improvement Plan implemented, including visits to Shropshire, East Riding of Yorkshire and three other high performing councils, the results of which were reported to the member induction seminar in June.
- The format and content of the monthly meetings between Cabinet members and directors reviewed, with revised arrangements, including a new template, implemented after the election. Structured around performance against plans, resources and corporate issues, these place increased emphasis on customer views and consultation.
- b) and e) IDeA guide discussed and distributed as part of members' induction seminars on scrutiny and performance management.
- c) and d) It was agreed that the IDeA guide, coupled with induction training and discussion would suffice.
- f) Further guidance will be developed, by April 2008, as part of the new Sustainable Community Strategy/LAA action plan and the establishment of the public service arrangements with the PCT.
- g) (i) Annual presentations have been made by the lead Cabinet members to the relevant scrutiny committees. These were re-scheduled to take into account the intensive programme of induction meetings following the May elections, which included key information about performance and future challenges.
- g) (ii) Achieved, as under Recc.1.
- g) (iii) Achieved.
- g) (iv) Proposed updated performance management framework will be before Cabinet for approval shortly.
- g) (v) Achieved
- g) (vi) Being considered as part of the rolled forward scrutiny development plan. Scrutiny will be involved in the consideration of strategic options through its consideration of the new Corporate Plan.

RECOMMENDATION 7		
Ensure that the role, purpose and content of service plans clearly links to the high-level set of indicators and measures, and reflect the approach the Council has decided to adopt in linking with partnership priorities		
RESPONSE		
To be achieved as an integral part of implementing Reccs. 5, 1, 6, 8 and 2, including such further guidance as is needed on developing local indicators, setting targets and ensuring that risks are dealt with as part and parcel of performance management		
ACTION	TIMESCALE	LEAD
Reflect in revised requirements for directorate and service plans 2008-11	September 2007	TG
PROGRESS WITH R7		
Achieved, following discussion through the performance improvement network on 1 November. Plans are being quality-assured against a checklist based on the guidance.		

RECOMMENDATION 9		
Develop the current performance reporting process to provide both a more consistent approach to reporting performance within directorates, and a clearer, higher-level report of progress against priorities		
RESPONSE		
<p>a) Make initial improvements on the basis of the actions in respect of Recc. 1 above, including in the IPR and directorate reports clear messages about good performance and areas of concern, summaries of progress against remedial action in previous reports and information on compliments and complaints; deciding how often reports will be made on individual items; and putting in place effective arrangements to communicate the headlines to members and staff</p> <p>b) Make longer-term improvements consistent with the implementation of Recc. 5</p> <p>c) Part of implementing Reccs 1 and 6</p>		
ACTION	TIMESCALE	LEAD
a) Map and review current procedures and experience of reports to lead Cabinet members and the CX's performance review meetings with individual members of CMB; apply the best practice identified as part of the programme to implement Recc. 1, including that from high-performing LAs; issue fresh requirements/templates; institute arrangements to communicate the performance headlines to members and staff	To be in operation from 1 April 2007	TG, RB, directors, heads of service
b) Bring the longer-term improvements into effect	1 April 2008	
c) As for Reccs. 1 and 6	As for Reccs. 1 and 6	JJ, TG
PROGRESS WITH R9		
<p>a) Achieved, resulting in new templates for the regular reports to Cabinet members (as under 4a above); and a new, standardised core agenda for the CX's performance review meetings with individual members of CMB.</p> <p>b) On schedule, as under Recc. 5.</p> <p>c) As under Reccs. 1 and 6.</p>		

RECOMMENDATION 10			
Improve the way in which remedial action to address poor or under-performance is both presented and progress against it reported at corporate as well as directorate level			
RESPONSE			
Corporately: Part of implementing Reccs. 8 and 9, embedding it through making challenge even more systematic and rigorous under the performance improvement cycle. Within directorates: Part of implementing Recc. 9			
ACTION		TIMESCALE	LEAD
a)	Design revised format for IPRs and gain CMB and Cabinet agreement (with input from SMT and SMC)	April 2007	JJ, TG
b)	Operate the revised IPR format	June 2007	
c)	Introduce challenge board under the performance improvement cycle, relating proposed outputs and outcomes to budget planning	July 2007	JJ, SR
d)	Make initial improvements on the basis of the actions in respect of Recc. 1	1 April 2007	JJ, TG, directors, heads of service
e)	Make longer-term improvements consistent with the implementation of Recc. 5	1 April 2008	

PROGRESS WITH R10
a) Achieved, as under Recc.1 above.
b) Ditto
c) Achieved
d) Achieved, as under Reccs. 1 and 5

RECOMMENDATION 11		
Ensure that there is a better consistency and purpose in the reporting of performance to executive and non-executive members		
RESPONSE		
Part of implementing Reccs. 9 and 10 above, making clear the specific roles of scrutiny members in respect of performance management issues; and ensuring that there are well-understood links between scrutiny committees, staff in the relevant services and research and other forms of support for scrutiny. The Local Government White Paper's proposals for frontline members are relevant here		
	ACTION	TIMESCALE
See Reccs. 9 and 10		See Reccs. 9 and 10
		LEAD JJ, TG, directors, heads of service
PROGRESS WITH R11		
As under recommendations 9 and 10		

RECOMMENDATION 12		
Improve the quality assessment of the SRD process to ensure that, among other things, individual targets are linked to service and corporate targets		
RESPONSE		
QA process initiated and now needs to be rolled out consistently and embedded across the Council		
	ACTION	TIMESCALE
	a) Cascade of QA to be initiated by HR with directors and rolled out for the coming round of SRDs Guidance to be re-issued by HR Cascade to be documented	Directors and Heads of Service by March, other tiers before the end of May 2007
	b) Internal audit to test effectiveness of the cascade	As agreed with internal audit
	c) Routine monitoring of satisfactory and timely completion of SRDs by departmental HR officers, reporting results to SMT, CMB and Cabinet	May 2007 and annually thereafter
	d) First phase of new SRD training programme to be completed	March 2007
	e) Subsequent phases of SRD training to be developed as part of the targeted mandatory annual training and development programme	April 2007
PROGRESS WITH R12		
		GC, directors and heads of services
		TF
		GC
		GC, TG

- a) Achieved, resulting in 97% of SRDs being completed on schedule (compared with 94% in the previous year).
- b) QA audit carried out on sample of SRDs. Headlines: not always sufficiently clear links between the Council's priorities/objectives/targets and those of the individual; instances where only training issues discussed; sometimes confusion between objectives, tasks and priorities. As a result, SRD pro forma improved to show explicitly the link from service/team plans to an individual's objectives, targets and training and development needs. SRD training programme continues.
- c) Achieved. Head of HR reported progress regularly to CMB.
- d) Achieved.
- e) Further round of SRD training, including essentials of performance and risk management, put in place and continuing.

RECOMMENDATION 13		
Ensure that there are clear links between the action points in the Directors' Performance Review meetings and the issues discussed at DMTs and other management and team meetings within the directorates		
RESPONSE		
To be implemented alongside Reccs. 3 [road map of key performance meetings], 9 and 10		
	ACTION	TIMESCALE
a)	Identify and disseminate best practice	March 2007
b)	Implement best practice	April 2007
		Directors and the Head of HR
PROGRESS WITH R13		
a) and b) Achieved. Timetables and processes in place in directorates to ensure that this – and other performance management and reporting disciplines - are sustained, e.g. in Adult and Community Services, the Director receives, before each meeting with the CX, performance reports from individual heads of service, as well as discussing at subsequent DMTs key points from the CX meeting; and CX and Director of Resources agreed on need to give higher priority to improved procurement, so that now it's a standing item at each Resources DMT.		

RECOMMENDATION 14		
Place more emphasis on the celebration and rewarding of success		
RESPONSE		
To feature in all aspects of implementation and as part of the Council's wider approach to developing rewards and recognition. To include the positive results of customer feedback		
ACTION	TIMESCALE	LEAD
a) Feature highlights of good performance in the IPR and in all other performance reports, corporately and in directorates	Immediately	TG, directors, heads of service
b) Develop full rewards and recognition programme	To be discussed with the Head of Communications during 2007	GC, RB
PROGRESS WITH R14		
<p>a) Achieved in respect of the new IPRs and in directorates' performance reporting, including to lead Cabinet members and Scrutiny. Featured also in corporate and service newsletters. Highlighted in DMTs and other performance management meetings/clinics. Major improvements in performance and how they have been achieved, e.g. planning applications, to be showcased across the Council over the coming weeks, with a rolling programme maintained thereafter.</p> <p>b) A range of reward and recognition initiatives have been taken, including leadership awards at quarterly all-staff meetings, homelessness team award, regular face-to-face and e-mailed thanks, and in newsletters. There is not yet a corporate programme but, as the first step, existing benefits packages are being collated. This is to be taken forward by the interim Head of HR, Council and PCT.</p>		

Herefordshire Council performance management communications plan: as at January 2008

N.B. This plan will be further reviewed and updated in the light of developments in the establishment of public service arrangements with the PCT.

SECTION 1 – Managers and other employees

Objectives

- Ensure that they understand the Council’s goals, objectives and priorities, including those shared with the *Herefordshire Partnership* and individual partners
- Ensure that they understand their and their teams’ contributions, responsibilities and accountabilities towards achieving them
- Ensure that they are informed about the headlines regarding the *Partnership’s* and the Council’s performance and significant factors affecting it, including national and regional developments
- Empower and motivate them to bring about continuous improvements in services and outcomes for users and citizens - within their services, across the Council and with partners
- Enable them to make the biggest possible contribution to partnership, corporate, directorate and service thinking that will deliver improvements
- Ensure that they understand new or changed policies, protocols and procedures material to successful performance management

ACTION	RESPONSIBLE OFFICER	WHEN
1A The most important headlines communicated to all by means of <i>News and Views</i> (therefore discussed in team briefings) and <i>First Press</i> – including <i>First Press On-line</i> , which is e-mailed to staff.	R Blower	Monthly
1B Views of all staff sought in response to corporate, directorate and service communications. Followed through into the preparation of plans.	R Blower, T Geeson, directors, heads of service	Views – monthly Plans - March
1C Open <i>Talking point</i> meetings between the Leader, CX and staff	CX	Thrice yearly

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1D Regular items at the <i>Leadership Forum</i> – presentations and discussion e.g. IIP, Direction of Travel, and CAA.	R Blower, T Geeson	Quarterly
1E Meetings (plus periodic away days) of the performance improvement network, with notes of meetings cascaded to all relevant staff.	T Geeson, Performance improvement managers (PIMs)	Monthly
1F Staff induction: in their face-to-face contributions to corporate induction, which all new staff undergo, the Leader and CX give a high-level view of the Council's performance and the importance of effective performance management to improving services and outcomes for citizens/users. Review of corporate induction about to be undertaken will aim further to strengthen the performance management element.	CX L Wallace	All initial corporate inductions February 2008
1G Directorate and service inductions tailored to provide performance management information and understanding appropriate to the individual's role and responsibilities.	Heads of service, PIMs, managers	All directorate and service inductions
1H SRD training programme incorporates key performance management and improvement messages.	T Geeson, L Wallace	Monthly
1I Council's annual report and account highlights communicated to all staff.	R Blower	November
1J Issues/action points from Directors' quarterly performance review meetings cascaded through DMTs.	T Geeson & team to produce minutes – Directors to cascade through DMTs	Quarterly
1K Key aspects of directorate and service performance communicated to all, for example by means of performance digests, clinics, Performance Champion and Developing Excellence sessions, Director road-shows and cascade of team discussions.	Directors, heads of service, PIMs	Monthly and quarterly
1L Face to face performance briefings/clinics/away-days in all services.	PIMs	At least quarterly
1M Meetings of the Head of Policy and Performance with individual members of CMB.	T Geeson	Monthly
1N Management cascade from the CMB/SMT Performance Management Workstream Group.	T Geeson	Quarterly
1O Monitored drill for managers and staff to confirm that they have read and understood	Head of service for each	February 2008

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<p>all significant policies, codes, protocols and procedures.</p>	<p>policy, code, protocol or procedure in question</p>	
<p>1P Report employee opinion survey at corporate, directorate and, where possible, service levels. Actions produced following discussions with staff and included in directorate and service plans.</p>	<p>T Cramp</p>	<p>Annual: survey – July results – October plans - March</p>
<p>1Q Development of new corporate approaches to reporting key aspects of performance and significant developments, including IPR highlights, good news and good practice examples/case studies, e.g. possible use of screensavers and dedicated Intranet site.</p>	<p>R Blower, T Geeson, with ICT</p>	<p>March 2008</p>
<p>PROGRESS</p>		

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1A	Key headlines consistently communicated monthly to staff through News & Views, First Press, and through e-mail and intranet.
1B	News & Views regularly seeks views of staff. Annual Employee Opinion Survey is key resource. Staff consultation on PST undertaken and Readiness for Change survey.
1C	To be reviewed by the new Chief Executive.
1D	Recent Leadership Forum undertook communication of IIP, Direction of Travel and CAA in 2007. New approach to be reviewed in 2008.
1E	Monthly meetings of the Performance Improvement Network took place in 2007 and have been arranged for 2008, which include officers from the Partnership Support Team, Internal Audit and Risk.
1F	Corporate inductions continuing. Briefing for the new Chief Executive has been developed for inductions from February 2008 onwards.
1G	Continuing.
1H	SRD training sessions now include a specific section on performance management, delivered by either the Head of Policy and Performance or one of the Performance Improvement Managers.
1I	Highlights communicated with link to electronic version January 2008.
1J	Arrangements for future performance reviews being discussed with the Chief Executive. Previous reviews have been cascaded through DMTs. Quarterly performance reviews are now being conducted with Heads of Service in directorates; an example is the Director of Adult and Community Services conducting performance reviews with each of his heads of service prior to his own performance review. He intends for this to continue in 2008, whilst awaiting confirmation for his own future performance reviews (see first point in 1J above).
1K	Continuing. Examples would be the quarterly performance digest in Children and Young People's Directorate. Local directorate issues communicated through News and Views.
1L	Continuing. As an example, the Environment Directorate hold monthly performance sessions between DMT and service managers, and Heads of Service have regular 1-to-1s with their service managers.
1M	Continuing.
1N	There have been no meetings of the group recently, and therefore no cascade of information. Attendance at the group is a matter that needs to be resolved.
1O	Discussions have taken place in respect of developing an electronic system to record acceptance and understanding or relevant policies/codes/ protocols/ procedures although the process has not yet been agreed and no date proposed for implementation.

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1P 2007 Employee Opinion Survey completed to schedule.

1Q Performance assessments promoted internally to managers and staff before press coverage. Arrangements yet to be confirmed with ICT for use of Intranet page or possible screensaver.

SECTION 2 – Councillors

Objectives

- Ensure that they understand the Council's goals, objectives and priorities, including those shared with the *Herefordshire Partnership* and individual partners
- Ensure that they have a good understanding of their general and particular roles in respect of performance management
- Enable them to make the most effective contribution to performance management and improvement
- Ensure that they are well-informed about the *Partnership's* and the Council's performance and significant factors affecting it, including national and regional developments
- Ensure that they understand new or changed policies, protocols and procedures material to successful performance management

ACTION	RESPONSIBLE OFFICER	WHEN
2A Continued improvement in the presentation of IPRs in response to councillors' views	S Martin, K Lloyd	Bi-monthly
2B Council's annual report and account highlights communicated to all members	R Blower	November
2C Rolling programme of seminars and other member development opportunities, e.g. re-run the performance management induction seminar; best practice in engagement with local people and stakeholders; possible round-table discussions at which partners/stakeholders can find out more about councillors and vice versa.	A McLaughlin, T Geeson, M Heuter	In accordance with the up-coming member development programme (currently being developed)
2D Members News / Service Update	C Clapham	Four times a year
2E Performance reports/briefings of lead Cabinet members	Directors, Head of HR	Monthly
2F Performance reports/briefings to scrutiny committees	Directors, heads of service	Quarterly
2G Development of new corporate approaches to reporting key aspects of performance and significant developments, including IPR highlights, good news and good practice examples/case studies.	R Blower, T Geeson, with ICT	March 2008

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PROGRESS	
2A	Developed in light of feedback from Cabinet and Strategic Monitoring Committee, and welcomed by members.
2B	Annual report and highlights communicated to citizens, staff and members.
2C	Continuing; next seminars arranged for February.
2D	Continuing. Members News is printed monthly; Services Update is printed quarterly. Next edition of Services Update will include information on the CPA and Direction of Travel judgements and preparations for the future Comprehensive Area Assessment.
2E	Continuing.
2F	Continuing.
2G	Integrated Performance Reports developed to include key highlights. Recent Annual Satisfaction Survey communicated to staff, members and citizens and will form part of performance management seminar to members in February. Arrangements yet to be confirmed with ICT for use of Intranet page or possible screensaver.

SECTION 3 - partners and other external bodies

Objectives

- Ensure that they understand the Council's goals, objectives and priorities, including those shared with the *Herefordshire Partnership* and individual partners
- Encourage shared purpose and responsibility for the achievement of common goals and objectives
- Ensure that they are informed about the headlines regarding the *Partnership's* and the Council's performance and significant factors affecting it, including national and regional developments

ACTION	RESPONSIBLE OFFICER	WHEN
3A Regular newsletter about key issues, e.g. LAA development and performance, supplemented, wherever necessary, by special editions	J Watkins	At least quarterly. Next special edition (new LAA) in December.
3B Management cascade from meetings of the Partnership Board, Chief Executives' Group and the Performance Management Group, including via Partnership web-site	J Watkins	At least bi-monthly
3C Council's annual report and account highlights communicated to all	R Blower	November
3D Partners' staff already working together in the <i>Common Purpose</i> programme. In addition, considering joint seminars for senior and middle managers from the Council and partner organisations to develop understanding of the shared agenda and different organisational imperatives and cultures, so as to achieve the optimum outcomes for Herefordshire	T Geeson, L Wallace	March 2008
3E Possible round-table discussions at which partners/stakeholders can find out more about councillors and vice versa.	A McLaughlin, M Heuter	In accordance with the up-coming member development programme (currently being developed)
3F Children's Trust Board and Children's Trust Management Group receive slimmed-down performance digest, which includes the key performance indicators included in the Children and Young People's Plan.	Hilary Hall	Quarterly

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PROGRESS	
3A	December Newsletter published about Local Area Agreement and Action Plan; updated in February following completion of LAA work groups.
3B	Information appears not to be routinely cascaded; minutes from the various relevant meetings not always published on the partnership website.
3C	Annual report published and communicated to citizens via media coverage and web site – planned further finance coverage in council tax leaflet.
3D	<i>Common Purpose</i> programme completed. Proposals from programme participants awaited. To be included in forthcoming report to Partnership Chief Executive Group.
3E	Still being discussed.
3F	Latest Performance Digest prepared to the end of December.

SECTION 4 - users and citizens

Objectives

- Inform them about the Council's goals, objectives and priorities, including those shared with the *Herefordshire Partnership* and individual partners
- Inform them about the Partnership's and the Council's performance and significant factors affecting it, including national and regional developments
- Encourage them to express views about the *Partnership's* and the Council's performance, so as to contribute to its continuous improvement
- Enable them to participate effectively in the design and delivery of services

ACTION	RESPONSIBLE OFFICER	WHEN
4A Regular features in <i>Herefordshire Matters</i> , including for specific audiences (multi-lingual publication) Develop wider programme of communications for specific audiences	J Burnett R Blower	6 issues a year During 2008
4B Council's annual report and account highlights communicated, including summary information with Council Tax bills	R Blower D Powell	Annual report info. - November With Council Tax bills - March
4C Consistent communication and feed back to citizens and users (e.g. survey and consultation results and the impact they have had) across the Council). Existing examples include bi-annual <i>Spotlight on services</i> (adult social care) and regular newsletter for people with learning disabilities.	R Blower, M Heuter, heads of service	March 2008
4D Annual satisfaction survey.	T Cramp	Annual survey – conducted September/October Basic results – November Full results - January

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<p>4E <i>Herefordshire Voice</i> citizens' panel surveys, including to find out the reasons for dissatisfaction identified in the annual satisfaction survey</p>	<p>T Cramp</p>	<p>Annual programme Access to services report – June 2007 Community involvement & what people mean by respect and consideration – conducted Sept- Nov; to be reported Jan 08</p>
<p>4F Focus groups – interactive user satisfaction sessions. Potential members for adult social care (ASC) groups identified and sessions planned. Other examples within the Council and partners. Review position, including in the context of public service arrangements with the PCT, and rollout in light of that.</p>	<p>T Homden, T Cramp, PIMs, Heads of service M Heuter</p>	<p>ASC sessions to begin – early 2008 Review to be concluded – March 2008</p>
<p>4G Community Fora – building on the LAA-related <i>Herefordshire Exchange</i> and <i>Herefordshire Conversation</i> to engage citizens/customers in a continuous face-to-face dialogue about the Council's and partner organisations' successes and aspects needing to improve.</p>	<p>R Blower, M Heuter, H Lavelle</p>	<p>Fora – quarterly <i>Herefordshire Exchange</i> – December 2007 and early Summer 2008 <i>Herefordshire Conversation</i> – later in 2008</p>
<p>4H Consistently effective mechanisms for involvement in the design and delivery of services, including e-participation/social e-networks</p>	<p>M Heuter, R Blower, E Pawley, Heads of service</p>	<p>Some already in place, e.g. adult social care Wider programme to be developed during 2008</p>
<p>PROGRESS</p>		
<p>4A</p>	<p>The January edition of <i>Herefordshire Matters</i> promotes the core strategy review; satisfaction survey; waste targets; new customer service standards; affordable housing targets and surveys. New integrated communications strategy for council and PCT to be developed in 2008.</p>	

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4B	<p>Promoted through press coverage and web.</p> <p>Summary information included in council tax bills.</p>
4C	<p>Comprehensive communications and consultations plan on public service arrangements included feedback to citizens and service users.</p> <p>Every Herefordshire Matters edition during 2006 and 2007 has featured topics related to consultation and Parish Planning; a number of press releases featured decisions linked to consultations (e.g. Fairer Charging Policy Autumn 2007); Community Involvement officer has been updating the eConsult consultation database to ensure that feedback is accessible via this method; feedback sheets from Community Forums/PACTs have been made available both on the Council's website and at Forum/PACT meetings.</p>
4D	<p>Completed to schedule.</p>
4E	<p>Access to services report completed to schedule; community involvement report will be completed in February.</p>
4F	<p>Public service arrangements consultation carried out, both through face-to-face meetings for staff in PCT/HC, public meetings and questionnaires. Readiness for change survey as follow-up carried out and results for both consultations published.</p> <p>A number of focus groups are planned in social care; a couple of surveys that cover the issues around satisfaction are also planned, incorporating both service users and ex service users.</p>
4G	<p>Promoted through media and council publication. These have taken place quarterly, with feedback about actions/issues published regularly on website. Format evolving; Cabinet agreed to transfer responsibility from the council to Herefordshire Partnership as of January 2008; new branding being developed; continuous communications via Herefordshire Matters and local papers.</p> <p>Herefordshire Exchange took place in Hereford with good attendance and feedback. The event tied into consultation about the LAA priorities.</p> <p>Herefordshire Conversation will probably be replaced by Herefordshire Exchanges.</p>
4H	<p>Social e-networks have been mentioned to E Pawley but nothing tangible discussed and/or agreed as yet. To be taken forward through the Herefordshire Partnership Team Service Plan for 2008.</p>

DEVELOPMENT OF THE LOCAL AREA AGREEMENT

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

21 FEBRUARY 2008

Wards Affected

County-wide

Purpose

To note the progress of the Local Area Agreement (LAA) 'super refresh', including the Story of Place, list of key priorities and the provisional list of indicators to be included in the final document.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT:

- (a) the LAA super refresh process be noted;**
- (b) the Story of Place and list of key priorities be approved; and**
- (c) it be noted that the provisional list of indicators be included in the LAA.**

Reasons

To ensure that Cabinet is central to the LAA 'super refresh' process and has the opportunity to contribute to its development, agree the Story of Place, priorities and indicators. Herefordshire Council is the accountable body for the LAA and will have a key leadership role in ensuring its successful delivery. The LAA is expected to be a central feature of the Comprehensive Area Assessment. The new Area Based Grant, expected to be in the region of £8.88 million in 2008/09, will be paid to Herefordshire Council as the accountable body with decision-making processes, and monitoring going through the Local Strategic Partnership (Herefordshire Partnership) and relevant statutory/themed partnerships, as specified in National guidance. There is an indication that there may be a reward grant paid at the end of the three years, based on achievements against targets.

Considerations

1. The LAA consists of a Story of Place, a list of priorities which reflect the key issues for the county and indicators which will be the means by which progress towards achievement of the priorities is measured. There will be up to 35 indicators, drawn from the national indicator set, which will form the basis of the LAA and will be monitored by central government. Local indicators can be included as appropriate but these will be monitored locally, and will not be in scope for any reward grant.

2. Only the priorities and indicators are submitted to central government as part of the LAA but the Story of Place is equally important as it gives Government Office, who will recommend the LAA to ministers, the context and background to the priorities.
3. The development of the Story of Place, priorities and indicators has been informed by local statistics, policy developments and substantial and widespread consultation. This has included input from officers in partner organisations, the voluntary and community sector, councillors and members of the community. There have, at all stages, been opportunities for engagement and communications including newsletters, formal and informal presentations open access events and workshops. This included a Workshop for Councillors in October 2007.
4. The next steps will be to agree the Performance Indicators and agree targets for these. Some, which will be new indicators and which may not have baselines will need to be developed in line with the national technical guidance which has recently been consulted on. The results of this consultation are expected in February.
5. Feedback on the current version of the LAA is expected from Government Office in mid February with the final version needing to be submitted once it has been approved through the Herefordshire Council and Partnership governance arrangements. This process is expected to be completed by the end of March 2008.

Financial Implications

6. The new Area Based Grant, expected to be in the region of £8.88 million in 2008/09, will be paid to Herefordshire Council as the accountable body with decision-making processes, and monitoring through the Local Strategic Partnership (Herefordshire Partnership) and relevant statutory/themed partnerships, as specified in National guidance. The Area Based Grant will be routed through relevant themed Partnerships for 2008/09 (such as the Childrens Trust), to ensure co-ordination and consider efficiencies alongside other similar activity. A broader discussion about the most appropriate way to manage Area Based funding in 2009 onwards will also be held. There is an indication that there may be a reward grant paid at the end of the three years, based on achievements against targets.

Risk Management

7. Without the commitment and support of all partners in the development of the LAA the Council risks submitting a document that will not have the ownership and buy-in from those who will be delivering the activity, thus making it impossible to optimise the benefit to the people of Herefordshire. Through a considered approach, the support of Herefordshire Council and by involving partners at every stage of the LAA's development the Council can mitigate this risk.
8. If the indicators are not clearly linked with the LAA priorities and if they prove impossible to measure and monitor the Council and its partners will not be able to prove progress towards achievement of the targets. This will undermine the potential impact of the LAA and minimise the potential to achieve the reward grant. This risk has been mitigated by ensuring the full involvement of the Herefordshire Council Research Team and the Herefordshire Partnership during the development process of the LAA.

Alternative Options

There are no Alternative Options as the Council will not be able to access the £8.8 million pounds available through the LAA. There is also a legal requirement that all Councils enter into LAA's to identify priorities and objectives for delivery and benefit of the people of Herefordshire.

Consultees

Key Partners of Herefordshire Partnership through the Board, Chief Executive Group and Performance Management Group, this includes:

Chamber of Commerce Herefordshire and Worcestershire

Herefordshire Association of Local Councils

The Primary Care Trust

Herefordshire Council (including checks with lead officers and management teams)

The Learning and Skills Council

Voluntary and Community Organisations

West Mercia Constabulary

Herefordshire and Worcestershire Fire and Rescue Service

Advantage West Midlands

Government Office for the West Midlands

Partnership Groups

Herefordshire residents through public consultation, newsletters, attendance at workshops and events.

Herefordshire Council Councillors

Appendices

Appendix 1 – Story of Place and key priorities submission to GOWM as at 21st January 2008

Appendix 2 – Indicators – 1st draft submitted to GOWM as at 21st January 2008

Appendix 3 – Current proposed Indicators as at 5th February (note: these are subject to change)

Background Papers

None identified.

HEREFORDSHIRE

LOCAL AREA AGREEMENT

STORY OF PLACE PRIORITIES AND INDICATOR

2nd iteration

This 2nd iteration of the of Herefordshire's LAA will be presented to the Herefordshire Partnership Chief Executive's Group on the 25th January, the Herefordshire Council Corporate Management Board on 28th January and Cabinet in February 2008. Until it has been approved it should be considered to be a working draft.

THE STORY OF PLACE

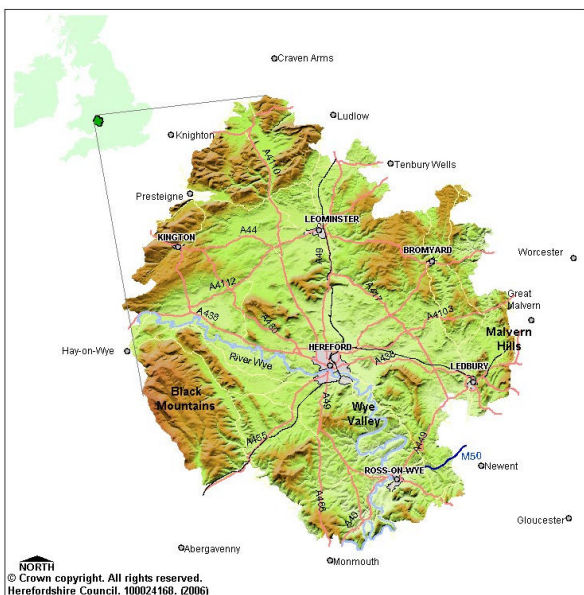
HEREFORDSHIRE

The Vision

Herefordshire will be a place where people, organisations and businesses, working together within an outstanding natural environment, will bring about sustainable prosperity and well-being for all (Herefordshire Sustainable Community Strategy)

Herefordshire has a great deal to offer. Those that live, work or visit can take advantage of the county's heritage, natural environment and a range of cultural and leisure opportunities. Herefordshire is ambitious for its employment sector and the education of young people is of a high standard. It is a safe place to live and work with low levels of crime. However, there are challenges for the county that are reflected in the chosen priorities. The rural nature of the area often creates a barrier to providing equal services to all and businesses find the infrastructure in the county a challenge. The aging population will mean a change in approach for social care and in building sustainable and thriving communities when they are under threat. All these challenges have to be addressed with substantially lower level of Government funding than the average for unitary authorities (Herefordshire Council receives 19% less total grant per head of population than the average of the 47 similar authorities in 08/09. It is ranked 38 out of 47 for the level of funding per head of population. 1 being the highest).

This document presents a picture of Herefordshire, describing the main trends and issues as the county grows and highlighting the key issues and challenges that need to be addressed in order to move towards achieving this vision. These challenges have been collected into a set of priorities, and the Council and its partners are committed to working together to address them.



Herefordshire and its Distinctive Environment

Herefordshire is a predominantly rural county of 842 square miles¹, situated in the south-west corner of the West Midlands region bordering Wales. It is entirely land locked and has borders with Shropshire and Worcestershire, Gloucestershire and the Welsh counties of Monmouthshire and Powys. The city of Hereford is the major location for employment, administration, health, education facilities and shopping. The five market towns of Leominster, Ross-on-Wye, Ledbury, Bromyard and Kington are the only other principal centres within the county.

¹ 218,283 hectares; 2,183 square km
Herefordshire Story of Place

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Herefordshire has beautiful unspoilt countryside, a distinctive heritage and remote valleys and rivers. The county is bordered in the east by the Malvern Hills, and in the south west by the Black Mountains. Both the Malvern Hills and the Wye Valley in the south of the county fall within dedicated Areas of Outstanding Natural Beauty (AONB). Parts of the rivers Wye and Lugg are Sites of Special Scientific Interest (SSSIs) and Special Areas of Conservation (SAC). In 2004, 85% of Herefordshire's rivers were judged to be very good/good for biological quality and 83% for chemical quality; both compare favourably to other English Authorities².

At 0.8 persons per hectare, Herefordshire has the 4th lowest population density in England (relative to the other 149 top tier authorities³). More significantly, Herefordshire has a higher proportion of its population living in very sparsely populated areas (0.5 or fewer residents per hectare) than any other authority⁴. Just below one-third of the population lives in Hereford City (55,940 people), about a fifth in the market towns and almost half in the rural areas. The population living in the market towns is as follows: Leominster (11,220), Ross-on-Wye (10,180), Ledbury (9,240), Bromyard (4,240) and Kington (2,660)⁵. Using the official definition, 55% of the population live in a rural area.⁶

Demography of the County

The current population of Herefordshire is 177,800⁷. It has grown by 1.7% between 2001 and 2006: an increase of 2,900. This is slightly below the growth of the population of England and Wales as a whole (2.6%).

While the overall population has remained relatively static, there have been dramatic changes within age groups. The number of 25-34 year-olds in Herefordshire fell by 18.7% (3,800 people) over the period – almost three times the national decrease. The largest absolute change in the county was an increase of 4,000 people in the 55-64 year-old age group.

The increase in the number of people over 65 has been more than double the equivalent national increase. The biggest proportionate change was the 20% increase in the number of people aged 85 and over.

The net effect of these changes has been an increase of 1,200 people in the working age population⁸ of Herefordshire between 2001 and 2006. At 1.2%, this growth is lower than the national increase (3.7%).

The county's population has a considerably older age profile than that of England and Wales; 23.9% of the population is over retirement age, while 2.7% are aged 85 and over, (compared with 18.8% and 2.1% respectively nationally). There are fewer persons of working age (58.1% compared with 62.2%) and under 25 (27.4% compared with 30.9%). However, students living away from home are excluded from the county's population, and the county's proportion of under 16s is only slightly lower than the national figure (18.0% compared with 19.0%)

Between 2005 and 2011 the population of Herefordshire is expected to grow by 1.1%, which is about the same as projections⁹ for the population of England and Wales as a whole. However,

² Environment Agency

³ Top tier authorities are those authorities that are responsible for services that must be provided at the county council level, i.e. county councils, unitary authorities, metropolitan districts or city councils and London boroughs.

⁴ 2001 Census, Office for National Statistics (ONS)

⁵ 2004 ward & parish population estimates, Herefordshire Council Research Team

⁶ Rural/Urban Area Classification (2004), Department for Environment, Food & Rural Affairs (Defra)

⁷ 2006 mid-year estimate, Office for National Statistics (ONS)

⁸ 16 to 59 for females; 64 for males.

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within this total the number of under 16s is expected to fall by 10.6% (national fall 2.7%); the number of working age residents to fall by 1.6% (2.6% growth nationally); and the number who are of retirement age and above to grow by 17.3% (10.4% nationally). Most dramatically, the number of people aged 85 and over is expected to rise by 35.9%, to 5,980 residents, compared with a national increase of 19.4%.

One of the main challenges faced in supporting Herefordshire's aging population is helping vulnerable people to live safely and independently in their own homes. It has been highlighted by recent inspections as an area which requires improvement and is a key priority within the Local Area Agreement. (Key Improvement Areas as identified by CSCI were Outcome 2 - To ensure plans to improve services and opportunities for adults with disabilities are progressed to enable adults with complex and specialist needs to have the same opportunities of independence and choice and Outcome 4 – Continue with the development of the range of alternative services to provide choices and reduce the dependency on traditional residential services).

As described elsewhere in this document, provision of services to all members of the community brings with it challenges in terms of the overcoming the sparsity and rurality factors within the county and a robust multi-agency approach is needed if these challenges are to be overcome.

Herefordshire has low proportions of ethnic minorities; experimental statistics¹⁰ suggest that, in 2005, only 3.7% of the county's resident population was from ethnic minorities (6,600 people). This is very low by national (15.3%) comparisons, but has grown rapidly since 2001, when it was just 1.4% of the total county population.

There are no official statistics of numbers in traveller communities in Herefordshire; however, estimates from a variety of sources range from 670 to around 1,000 individuals¹¹.

Herefordshire has substantial numbers of short-term international migrants; notably approximately 2,000 seasonal workers each year¹². It also appears that the numbers of short-term migrants coming into the county have increased substantially since Accession in May 2004.

Pockets of deprivation

The most deprived areas in Herefordshire are within Hereford (South Wye and Central) and Leominster. The Golden Post - Newtown Farm area in South Wye was ranked 3,394th most deprived nationally out of 32,482 areas, Leominster Ridgemoor was ranked 5,807th. Conversely, the least deprived areas are concentrated to the east of the county, in some of the fringes of Hereford and directly north and west of the city, and around Ross-on-Wye¹³.

The Income Deprivation Affecting Children Index highlighted that 53% of children living in the 'Ridgemoor' area of Leominster are in income-deprived households (ranked 1,805th most deprived nationally out of 32,482 areas, with rank 1 being most deprived).

Herefordshire has relatively low claim rates for Income Support (IS - 4% compared to 6% for England) and Pension Credit (17% compared to 21% for England)¹⁴. A large proportion of those

⁹ 2004-based national population projections, Government Actuary's Department

¹⁰ Population Estimates by Ethnic Group for 2001-2003, Office for National Statistics (ONS)

¹¹ University of Chichester report 2004 and Herefordshire Council Survey 2006

¹² Seasonal Agricultural Workers Scheme SAWs, 2004 onwards.

¹³ According to the Index of Multiple Deprivation (2004), which measures deprivation across 7 domains and ranks all 32,482 Super Output Areas in England; Office for the Deputy Prime Minister (ODPM, now DCLG)

¹⁴ DWP benefit statistics, February 2007 and 2001 Census, ONS - Crown copyright

2nd Iteration January 2008

claiming Income Support in Herefordshire are also claiming Incapacity benefit (59% of IS claimants were claiming Incapacity benefit as well in Feb 2007, compared to 33% who were lone parents)¹⁵.

Where appropriate, activity will be focussed on these areas in order to help to reduce inequalities by improving the life-chances of disadvantaged groups. This is a key aim of the Local Area Agreement and one of the criteria which has been used to identify the priorities.

Economic Development

Between 2003 and 2004, the number of people employed in the county increased by 2%. The sectors experiencing the largest increases were education and transport, storage and communication; and those with the largest decreases being hotels and restaurants and public administration and defence.¹⁶

In 2001, the sectors with the greatest number of employees in Herefordshire were wholesale, retail & repair trades (18%), manufacturing (17%) and health & social work (12%); comparable figures for England and Wales were 17%, 15% and 11% respectively. Agriculture accounted for 7% of employment in Herefordshire, compared to 2% nationally.¹⁷

Agriculture continues to be a significant part of the county's economy, with the numbers employed in this sector having increased by 6% between 2001 and 2005 - possibly in part due to a shift towards more labour-intensive farming activity such as small fruit. In contrast, numbers employed in agriculture in the West Midlands region and England have decreased by 4% and 6% respectively. The largest proportion (31%) of Herefordshire's agricultural workforce are self-employed, part-time farmers, which is also the case regionally and nationally (34% in both). However, the county has a much higher proportion of casual agricultural workers than the region or England (27% compared to 16% and 13% respectively), and the numbers of these workers have grown much more rapidly in the county over the last 4 years (60% increase compared to 10% regionally and a 2% decrease nationally).¹⁸

Herefordshire has relatively high levels of self-employment (20% of the economically active¹⁹ population, compared with 11% regionally and 12% nationally) and part-time employment²⁰ (28% of those employed, compared with 25% regionally and nationally).

Herefordshire has a thriving tourism sector, which is estimated to support 5,610 full time equivalent jobs²¹, which equates to approximately 7% of those in employment²². Of these 'tourism' jobs, 59% are in the Hotels and Restaurant sector²¹. The value of tourism to the county is £291 million, and though this is significant to the local economy the Visitor Economy for the West Midlands (2007) shows that the county has the lowest income in the region with potential for significant improvement. The tourism product reflects the distinctiveness of the county, including capitalising on food and drink production reflective of the agricultural nature of the county. Also, new technologies and creative industries play a part in diversifying the economy of the county – reflecting the innovative, micro-industry nature of the economy.

¹⁵ DWP benefit statistics, February 2007

¹⁶ 2003 & 2004 Annual Business Inquiry

¹⁷ 2001 Census, Office for National Statistics (ONS)

¹⁸ Agricultural Census 2004, Department for the Environment, Food & Rural Affairs

¹⁹ Those people aged 16-74 either in employment or actively seeking employment; 2001 Census, ONS

²⁰ People aged 16-74 in employment working for 30 hours or less per week, on average, in the 4 weeks before the 2001 Census, Office for National Statistics (ONS)

²¹ Heart of England Tourist Board, 2001

²² Calculated using the estimated numbers in 'tourism' employment from the Heart of England Tourist Board 2001 and the numbers in employment from the 2001 Census, ONS Crown-Copyright
Herefordshire Story of Place

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Herefordshire Voluntary and Community sector had an estimated income of £95 million in 2005, £28 million from voluntary activity; £63 million from sale of goods or services, £4m from investments and expenditure of £86.3 million. 28% of income is raised from contracts, primarily with Local Authorities. 90% of estimated expenditure is spent on activities which benefit the public. The sector employs an estimated 2,708 workers which equates to 3.9% of the workforce.²³

In 2006, average (median) gross weekly earnings for full-time employees working in Herefordshire were £390.60, compared to £415.50 for the West Midlands region and £453.30 for England.²⁴ Herefordshire's workers tend to do longer hours: 9.3% working 60 or more, compared to 5.8% in the West Midlands. Research for the County's economic development strategy shows that many residents with high-level skills are working outside of the county because of lack of opportunity in the local area. The objective is to address this through better-paid work and supporting entrepreneurship.

Education and Skills

Herefordshire has a high proportion of young people achieving 5 or more GCSEs at grades A*-G (nearly 93% in the June 2006 exams compared with 91% of the top performing English Authorities). This proportion falls to 48% of those achieving 5 or more GCSEs at grades A*-C (compared to the average of 46% across all English Authorities). Provisional results for the June 2007 exams show that this has increased to 52.5%. The percentage of young people leaving care aged 16 or over with at least one GCSE at grade A*-G or equivalent was 77% in the June 2006 exams, maintaining performance above statistical neighbours (59%) and all English Authorities (55%).

Whilst the focus of the Children's Trust in Herefordshire is on maintaining and improving educational achievement for all children and young people at all key stages, the Local Area Agreement places particular emphasis on improving participation in, and achievement for, young people in education, employment and training post 14, through the development of an area-wide programme for 14-19 learning. Particular attention will be paid to those who are at risk of being socially disadvantaged, such as children looked after, those leaving care, teenage mothers, those with learning difficulties and/or disabilities and young offenders. The proportion of young people aged 16 and above, known to the Youth Offending Service, and who are in education, employment and training is lower than the national target of 90% with current levels (November 2007) at 72.7%. Contributory issues are the types of jobs on offer (mainly poorly paid jobs in the agricultural sector); a lack of motivation; substance misuse; some young people not being job ready and behaviour issues.

The 2006/2007 outturn for 16-18 year olds not in education, employment and training (NEET) was 5.5%. Whilst this was low and compared favourably with national figures (7.7%), it is moving in the wrong direction which will put pressure on the county's ability to achieve the DCSF 2010 target of 4.3%. Issues include an increase in jobs without training; an increase in NEET from those in post-16 education, coupled with an increase in immigration which has impacted on jobs which had traditionally been the preserve of young people. The main pockets of NEETs are in South Wye and Leominster and include families where worklessness is part of the culture in those communities.

Although 19% of the adult population holds qualifications at Level 4 or 5 (compared to 16% regionally and 20% nationally), the overall skills level of the adult population is low, with 17 areas in Herefordshire falling within the 25% most deprived in England in terms of Adult Education, Skills

²³ Valuing the Voluntary and Community Sector in Herefordshire and Worcestershire, January 2007, Sustain Consultancy and GuideStar UK

²⁴ 2006 Annual Survey of Hours & Earnings, Office for National Statistics (ONS)
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and Training²⁵. This impacts in a number of ways, not least in the potential for service providers and local businesses within the county to gain and retain the appropriate level of skills needed for them to provide high quality services and to remain competitive within changing markets.

Worklessness

A priority within the Local Area Agreement will be to encourage and support those disadvantaged in the labour market to gain the skills, confidence and experience that they need in order to gain and sustain meaningful employment

Levels of those registered as unemployed continue to be relatively low; 1.6% in January 2007, compared to 3.4% for the region and 2.6% for England.²⁶ However, there are high levels of worklessness in some areas of the county, in particular, three wards in Hereford City and parts of Leominster. These areas have higher unemployment levels, higher number of people who are inactive, higher numbers of lone parents claiming income support, and higher numbers of people claiming income support who are also entitled to incapacity and severe disablement benefits and carers allowance.

In Herefordshire there are 5080 people in receipt of Incapacity Benefit and 1300 Lone Parents in receipt of Income Support. 4460 people have been in receipt of Incapacity Benefit and outside the labour market for more than six months.²⁷ Research shows that 37% of people claiming Incapacity Benefit are doing so due to mental health reasons and that General Practitioners spend more than one third of their time addressing mental health issues.²⁸ Poverty linked to worklessness divides our communities and deprives many children of a fair chance in life.

Travel, Communications and Access to Services

Transportation and communication infrastructure is a key issue for the county, as it impacts on employment, health, access to services and quality of life. Herefordshire has high levels of car ownership: nearly 37% of households have 2 or more cars²⁹, compared to 30% regionally. However, 18% of households in Herefordshire don't have a car, so a significant number of people have to travel to work or access services using public or community transport or, where feasible, by walking or cycling. Access to public transport is particularly poor in the north and western parts of the county where many residents, particularly the elderly, depend on community transport schemes.

Amongst Herefordshire residents who work (whether inside or outside the county), there is relatively low use of public transport for commuting (4% in county; 11% regionally; 15% nationally) but relatively high levels of walking or cycling (16% compared to 12% regionally; 13% nationally) and home-working (15% compared to 9% regionally & nationally)³⁰. Most travel to work is undertaken by car, with little difference in the profile between those living in the town and in the rural areas. Many people travel relatively short distances, which is a major factor in traffic congestion.

²⁵ According to the Index of Multiple Deprivation (2004), which measures deprivation across 7 domains and ranks all 32,482 Super Output Areas in England; Office for the Deputy Prime Minister (ODPM, now DCLG)

²⁶ Monthly Unemployment Claimant Counts, Office for National Statistics (ONS)

²⁷ DWP benefit statistics, February 2007 and 2001 Census, ONS - Crown copyright

²⁸ Jobcentre Plus research

²⁹ 2001 Census, ONS - Crown Copyright, Cars & Vans

³⁰ Usual method of travel for people aged 16-74 in employment the week before the 2001 Census, ONS
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Traffic often has to travel through Hereford City and the market towns, which puts extra pressure on the road network and often leads to congestion and delays during peak times. Traffic congestion has been highlighted as of particular concern to the local community³¹ and to address this will be a priority within the Local Area Agreement.

Despite the appeal of living in a rural environment, the sparsely distributed population of the county presents major challenges. Accessibility of services is a key issue, with 74 out of the 116 super output areas in Herefordshire falling within the 25% most deprived in England in terms of geographical access to services³². Use of shared facilities, for example local schools and fire stations, would help to make provision of services sustainable, as would an increase in the ability to access services and information electronically. Although the percentage of the population who have access to broadband facilities has risen, (40% in 2006 compared to 27% in 2005)³³ there are still a significant number of people who are disadvantaged by not having access to high speed communications. Dial-up connections are both slow and expensive; this impacts on the community and the ability of local businesses to remain competitive.

Stronger Communities

As part of the 2006 Herefordshire Satisfaction Survey³⁴, residents were asked to select 5 aspects affecting quality of life from a list of 20 that they felt were most important in making somewhere a good place to live, and 5 aspects that most needed improving in Herefordshire. Combining the responses to these two questions gives the five aspects that were most commonly identified as important and in need of improvement in Herefordshire. These were:

- affordable, decent housing
- clean streets
- health services
- a low level of crime
- a low level of traffic congestion.

Parish Plans and Community Forums/PACTS have also been used to highlight issues of concern to local residents and an analysis confirms that the five areas above are of significant concern to communities across Herefordshire.

Voluntary and Community Sector

Herefordshire has a particularly, diverse and independent Voluntary and Community Sector³⁵ (VCS), which contributes significantly to all aspects of life in Herefordshire. An estimated 17.7%³⁶ of the population volunteer and there are 1,580 VCS organisations, two thirds of which are registered charities. The sector has grown strongly in the past decade, benefiting from a coordinated approach to recent infrastructure investment.³⁷

The sector plays a strong role in service planning, signposting, delivery, advocacy, advice and support. The preventative role of the sector anticipates and mitigates costs of services and treatment that would otherwise have to be provided.

³¹ 2006 Herefordshire Satisfaction Survey, Herefordshire Council's Research Team

³² 2004 IMD

³³ State of Herefordshire Report 2007

³⁴ 2006 Herefordshire Satisfaction Survey, Herefordshire Council's Research Team

³⁵ VCS is also referred to as 'The Third Sector'

³⁶ 2005 mid-year estimate, Sustain Consultancy GuideStar Research, January 2007

³⁷ 2005 mid-year estimate, Sustain Consultancy GuideStar Research, January 2007

Additional impacts of the sector include developing new skills, confidence, and combating rural isolation, social exclusion, filling gaps in statutory provision and giving choice in relation to arts, sport and educational activities.

As many funding streams come to an end, the sector is facing a particularly challenging future to maintain its capacity. Small groups, particularly those located in sparsely populated, rural areas often struggle to keep going and lack the capacity to engage with wider agendas such as the delivery of services.

The third sector has been actively involved in identifying the priorities and indicators which sit within the Local Area Agreement and will be a key partner in the delivery of activities which will support these priorities.

Culture, sport and leisure

The county has a distinct cultural heritage and access to the countryside, including public rights of way, reflecting the unique offer of Herefordshire. The network of cultural centres contribute to access of services, with 70% of respondents finding it easy to access a library and 69% for sports and leisure centres. Sport centres provide opportunities to increase health with 55% of respondents using sport and leisure facilities / events in the last 12 months, including LIFT which is a JP referral scheme (showing that 77% feel healthy as a result of their referral). 59% of respondents of the 2007 satisfaction survey had used libraries in the last 12 months, 40% museums and galleries, 79% parks and open spaces. Herefordshire Voice Survey (2006) shows just over half of respondents (51%) are classified as users of the Courtyard Centre for the Arts (as the main arts venue in the county) and those who were involved in three of the main cultural events in the county showed high levels of satisfaction (h.art week 86%; walking festival 95%; and contemporary crafts fair 87%). These events also make a contribution to the tourism offer which supports the economic growth of the businesses involved and the county as a whole. However, what these figures do not show is the positive impact cultural activities can have on the engagement of those who are disenfranchised and at risk of social exclusion, specifically young people and older people.

Healthy communities

In general, health in the county is good. People in Herefordshire live longer than the average regionally and nationally: life expectancy is 77.6 years for males and 82.4 for females, compared with 76.9 and 81.1 respectively in England³⁸. However, there are pockets of poor health: three areas in Hereford (2 within South Wye and 1 in Central Ward) are within the 25% most health deprived areas in England³⁹. After accounting for differences in age-structure, death rates from all causes for the period 2003-05 were 24% higher for deprived parts of Herefordshire than for the county as a whole.⁴⁰

There are some causes of death where local rates are slightly above the national rates, but numbers are small and subject to year-on-year variation. The female death rate from stroke, the male death rate from accidents, and the death rates from some skin cancers remain persistently above what might be expected. Amongst children, there was a small increase in 2005 in the

³⁸ Life expectancy at birth, 2003-05 average, Office for National Statistics (ONS)

³⁹ Health Deprivation & Disability Domain, Indices of Deprivation 2004, ODPM (now DCLG)

⁴⁰ Public Health Department, Herefordshire Primary Care Trust

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number dying in the first year of life, and also the number of low birth weight. Child dental health is poor, and this has been the case for some years.⁴¹

Health inequalities exist in Herefordshire, as they do elsewhere and these are most clearly measured in terms of the differences in mortality rates cited above. These are significantly affected by different patterns of risk-taking behaviour and in particular smoking, drinking too much, and being overweight or obese are all more prevalent in areas of high social deprivation.

In respect of smoking, the largest concerns relate to 35-44 year olds (29% of 35-44 year olds in Herefordshire smoke, compared to 22% regionally⁴²); teenagers, in particular 15 year olds girls (25% reported that they smoked)⁴³; and pregnant women (around 17% of pregnant women had smoked during the last two years).

With regard to alcohol, our priority is to reduce hospital admissions, which have risen from 204 in 2002 to 516 in 2006, and where there has been a sharp rise among young people, with admissions of under 16 year olds rising from 9 in 2002 to 30 in 2006. Analysis of admissions by deprivation quartile shows that 46.8% of all alcohol-related admissions in 2002-6 were from patients in the most deprived quartile.

With regard to obesity, the weighing and measuring of children in reception class and Year 6 has shown that 23% of reception class children are either overweight or obese and that 31% of year 6 are. Whilst this is slightly below the figure for the West Midlands and England as a whole, it is a matter of considerable concern and must be addressed to control the future pressures on the health services and to enable today's young people to reach their full potential. There are links between obesity and social deprivation, and these can be shown locally as well as at national level. In Herefordshire, 19% of children from the most deprived 18 Super Output Areas were obese, compared with 12% in the areas outside this group⁴⁴.

The health, wellbeing and independence of older people is a key priority for Herefordshire and one which will only be achieved through robust multi agency-working. The vision promoted through the Growing Older in Herefordshire Strategy is that older people will remain independent and active, continuing to live in, and contribute to, strong local communities and be included in decisions regarding the future services and activities that they want and need.

The above average mortality from stroke, especially among women, is a persistent pattern and one, which is a service priority. The county has a very high rate of hip fracture too, and this is a significant factor in determining older people's independence. In 2005/6 there were 355 hospital admissions for hip fractures for those over 65 years, which is a rate of 780 per 100,000 people, compared with the regional and England averages of 565.

Housing and Affordability

Average (mean) prices within Herefordshire are high (£215,208) compared with the region as a whole (£172,152) and England and Wales (£207,573)⁴⁵. Lower quartile prices (i.e. the price that is exceeded by 75% of properties) represent the lower end of the housing market. Three-quarters of properties sold in Herefordshire are more expensive than £135,000, whereas the regional and national figures are markedly lower: £109,950 and £119,950 respectively⁴⁶.

⁴¹ Director of Public Health Annual Report 2007, Herefordshire PCT

⁴² 2005 Regional Lifestyle Survey

⁴³ 2007 Teenage Lifestyle Survey

⁴⁴ Director of Public Health Annual Report 2007, Herefordshire PCT

⁴⁵ 4th quarter of 2006, HM Land Registry

⁴⁶ 2nd quarter of 2006, Department for Communities & Local Government (DCLG)
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Low average levels of earnings, coupled with the relatively high house prices, mean that housing affordability is a major issue in the county. The preferred measure for house price affordability is the ratio of lower quartile house price to lower quartile earnings. For 2006, the ratio for Herefordshire was 8.6. Amongst the 14 West Midlands authorities, ratios range from 4.5 (Stoke on Trent) to 8.8 (Solihull & Shropshire) with Herefordshire in 3rd place for the worst affordability ratio.⁴⁷

The mix of properties affects affordability, with Herefordshire having a much higher proportion of detached properties (43.0%) than regionally (23.8%) or nationally (22.8%)⁴⁸. A key priority for the county is to increase the availability of appropriate, decent and affordable housing for the community, particularly for disadvantaged groups and first-time buyers.

The county has a different profile of housing tenure than both the region and England & Wales overall: a higher proportion of households are owner-occupied without a mortgage (35.8% compared with 30.3% regionally and 29.5% nationally), and a slightly lower proportion of households live in socially rented accommodation (15.2% compared with 20.6% regionally and 19.2% nationally)²³.

Safer Communities

Crime Levels

Herefordshire has relatively low levels of crime. It compares favourably with similar areas for some key crime categories, such as vehicle crime and domestic burglary; conversely anti-social behaviour, criminal damage and common assault are slightly higher. Marked decreases in recorded crime have generally been seen over the past five years, for example house burglaries have reduce by 66%, and reductions in vehicle crime and burglary of other buildings (e.g.. commercial, sheds) also falling by more than 40%.

Perceptions of crime often do not reflect the levels of recorded crime and can have a disproportionate impact on whether people feel their community is a good place to live. So while the overall level of crime in Herefordshire has decreased over the last four years, the fall in resident's fear of crime has not reduced to the same extent. House Burglaries is a illustrative example of this; whereas the number of fell from 965 in 2002-03 to just 372 in 2005-06, worry about it fell from 50% of people in 2005 to only 30% in 2006. It is therefore considered to be a priority for the Local Area Agreement, not only to decrease the already low level of crime overall but to address the disproportionate fear of crime felt amongst some members of the community.

Potentially, one way of tackling crime levels would be to focus on those who are prolific and priority offenders (statistics show that 20% of offenders commit 80% of the crime) as further reducing their offending should have a noticeable impact on crime rates. Likewise, it is important to tackle crimes such as arson, which is seen as a 'gateway' crime through education and prevention work, in order to prevent escalation into further antisocial behaviour and potentially more serious crime. The statistics for Herefordshire over the last two years show that the number of deliberate fires has risen as a proportion of all fires, representing some 43% of all fires in 2007 (38% in 2006), and that deliberate fires now represent almost 3 out of 5 fires to derelict buildings or outdoors, and 2 in 5 of all vehicle fires.⁴⁹ One other area where anti-social behaviour has an impact on the Fire and Rescue Service, and the community, is the number of hoax calls which are not only a considerable cost to the service but take resources away from real emergencies, potentially putting lives at risk. (74 hoax calls in 2007)

In addition to the need to address crime and the fear of crime, there are other issues affecting community safety and personal well-being. These include the impact of accidents, the well-being

⁴⁷ HM Land Registry and Annual Survey of Hours & Earnings, ONS

⁴⁸ 2001 Census, Office for National Statistics

⁴⁹ Source: H&W Fire and Rescue Service

and safety of older and vulnerable people, and the impact of events such as fires and flooding. Partners recognise the interdependence of many of these issues and will work together to address them through a range of community safety, education and prevention initiatives.

Road Safety

Rural roads, sometimes poorly maintained, are Britain's biggest killers, accounting for two-thirds of deaths across England, with a third of these involving young drivers. Herefordshire has some of the highest risk roads in the country in terms of road death statistics. 2006 saw a significant decrease in the numbers killed or seriously injured on the roads (119 in 2006 against 147 in 2005) but these figures have risen over the past few months (provisional figures for 2007 suggest 131 killed or seriously) and reducing road traffic collisions remains an issue, which is a priority for the County.

Environmental Issues

Waste and Recycling

Nationally the issue of waste and recycling is a high priority and in Herefordshire this is no different. The county does not perform well in terms of either reducing the amount of household waste collected or the amount going to landfill: approximately 521kg of waste was collected per person per year in 2005-06, compared to the worst 25% of all other English Authorities who collected on average 479kg. In 2005-06, Herefordshire land filled 76% of all household waste; this was an improvement on previous years but still below the 70% national average⁵⁰. (Add comparative data and anything else on Waste and Recycling)

Waste and recycling facilities has been highlighted as important issues throughout Herefordshire, with many Parish Plans mentioning the need for better recycling facilities, especially in the rural areas where there is no kerbside recycling collection.

Response to flooding, disease and other potentially damaging issues

Over the past years the Herefordshire community and the rural economy has been severely affected by issues such as Foot and Mouth Disease and flooding. In the July 2007 floods, Herefordshire was severely affected by the floods, causing an estimated £3.6 million of damage over and above the costs to individuals and businesses, and putting significant pressure on local service providers.

There is a need to enhance and co-ordinate the local partnership approach to dealing with emergency issues in order to hasten the recovery from events which could potentially have long-term effects on the local community and the local economy.

⁵⁰ Median of all English Authorities
Herefordshire Story of Place

Links to Local and Regional Strategies

West Midlands Economic Strategy

The West Midlands Economic Strategy (WMES) and the Regional Spatial Strategy (RSS) both support the achievement of smart growth where sustainable prosperity, and skills development are key. Both strategies place highest importance on preserving the quality of life, which means balancing economic prosperity with social and environmental changes.

Critical to maintaining the West Midlands as a desirable place to live, work and do business is the provision of infrastructure and critical rural services.

The Herefordshire Local Area Agreement puts forward priorities, which aims to increase economic activity and workplace skills across the county. It is also proposing a priority, which will aim to reduce worklessness by improving the training and development opportunities for disadvantaged groups.

Key areas of the strategic objectives of the Strategy which strongly link with Herefordshire's Local Area Agreement are summarised below:

Harnessing knowledge

The UK and West Midlands economies need to maximise their use of knowledge and creativity in order to compete in new global markets. The region must harness and grow our diverse knowledge assets and the competitive advantage tied up in the skills and attitudes of our people.

Improving infrastructure

Competitive regional economies require a comprehensive portfolio of infrastructure to support economic growth, which must be invested in and continuously improved to maintain competitiveness. Provision of transport, housing, land and property, and encouraging the use of technology, must be aligned with the economic needs of the region while recognising the need to meet the growing environmental challenge. More effective management and use of our infrastructure, including both transport and ICT, as well as more efficient use of resources including our natural environment, water and energy, is therefore key to ensuring that the region remains a competitive place to visit, live, work and do business.

Sustainable communities

Successful, thriving and growing economies require a network of high-quality sustainable urban and rural communities which attract and retain a diverse and thriving workforce, encourage enterprise, provide access to services and are designed to the highest quality.

Sustainable living

Long-term shifts in the region's environmental impact must be driven by changes in underlying patterns of consumption and demand. Changes in patterns of travel, waste production, energy use and overall consumption will encourage businesses to adapt their methods and stimulate the supply of lower-impact goods and services.

Raising ambitions and aspirations

To become a higher value added, more inclusive, region we need to create a more positive attitude to work and a stronger culture of life-long learning and continuous development among all the people of the West Midlands. This involves raising the aspirations of people at all skill levels, in and out of work from cradle to grave. This change has to be driven by inspirational leaders, and by the removal of barriers to investment in skills, employment and continuous development leading to a general rise in aspirations and ambitions.

Achieving full potential and opportunities for all

Raise the skill levels of all to increase employment opportunities and to meet demand for higher-level skills in the workplace, by providing better information and intelligence about the current and future skills needs of employers and better access to appropriate training at work and in local communities.

West Midlands Regional Spatial Strategy (RSS) Phase 2

The priorities in the Herefordshire Local Area Agreement align with the RSS Focuses on the major issues of housing, employment land, transport and waste.

RSS key considerations:

- Housing levels, type and distribution of housing in the Region, the role of the Sub-regional foci and whether these towns are capable of accommodating increased levels of growth; and the issue of increasing the provision of affordable housing across the region.
- Employment with Hereford identified as a strategic centre in the current RSS with the role and scale of housing development needing to be reflected in terms of related retail and leisure provision.
- Waste with each waste planning authority to identify sites to manage all the waste in its area and that only the residues from any waste treatment processes should be landfilled. In addition, a variety of new facilities will need to be built ranging from small composting sites to larger recycling and recovery plants.
- Transport covering a range of issues including strategic park and ride, car parking standards, road user charging and the role of airports in the region. Options on car parking standards focus on what needs to be done to ensure appropriate levels of parking supply and availability in everything from rural market towns to larger centres like Hereford.

The Children and Young People's Plan

The vision for the Children's Trust is for "every child to grow to reach their full potential within a happy, healthy and secure environment both at home and during their learning". Particular priorities in the new Children and Young People's Plan 2008-2011, currently out for consultation, are:

- To increase the participation of children and young people in shaping strategies and services that affect their lives
- To reduce offending, anti-social behaviour and bullying by children and young people
- To increase access to positive activities for all children and young people, including targeted activities for vulnerable groups.

The Local Area Agreement, therefore, places particular emphasis on encouraging and enabling children and young people to achieve their potential and participate in positive activities, thus deflecting young people from engaging in anti-social behaviour and involvement in crime.

Consultation with the Shadow Children's Trust Board, a representative group of children and young people of all ages and vulnerable groups, throughout 2007, together with a major consultation event in October 2007 has highlighted that children and young people in the county want more involvement and participation in decision making, more and better information, more sport and recreational facilities, improved transport and action to stop bullying. The Tellus2 survey undertaken in the summer of 2007 highlighted that the main reason for the lack of involvement in sport, cultural and recreational pursuits was the proximity of facilities to young people's homes and the lack of transport. 31% of young people in the 2007 Youth Survey felt that the Council gave them enough opportunity to influence important decisions about local services, a significant

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improvement on the 2005 baseline of 19.2%. Analysis of Parish Plans confirms that these areas are of concern to communities across Herefordshire.

Chamber of Commerce Manifesto

The following are excerpts from the Chamber of Commerce Herefordshire Manifesto

Skills and Education

Herefordshire Businesses have difficulty in filling skilled manual and technical positions and some managerial and professional roles. It is the Chamber's belief that young people are not being given the skills for the world of work. Some lack basic skills, but also the soft skills of communication, teamwork and punctuality. Others do not have the higher level vocational skills required from the local businesses. The Chamber therefore is concerned that the poor attitude to work and skills shortages are holding back the productivity and competitiveness of the county's businesses."

Transport

Herefordshire road network to the rest of the country is split between excellent in the south, which is served by the M50, compared to poor in the City and north as the trunk roads of the A49/ A44 are often congested and overloaded with traffic. Poor transport infrastructure and traffic congestion on roads in the area are imposing damaging restraints on the local economy. This often causes delays in delivery of goods and services to customers or from suppliers. The rural nature of the county means that poor quality local public transport provision has put more cars onto our already congested roads. Regional competition has seen the rural areas such as Herefordshire lose out in the West Midlands transport funding. This is a major setback and ways must be found to make up lost ground.

Further evidence

More comprehensive data showing comparisons and trends are in the *State of Herefordshire Report* www.herefordshirepartnership.co.uk

Our Priorities and the Local Area Agreement

Overall, Herefordshire presents an exceptional dichotomy. The rural nature of the County offers a unique, beautiful and healthy environment in which to live and work, but that same environment brings with it challenges in relation to economic development, employment, housing, access to services, transportation and quality of life.

Herefordshire is a unitary authority, which has a strong, well-established Local Strategic Partnership, with a wide range of partners across all sectors working together to make things better. The Herefordshire Sustainable Community Strategy, produced following extensive public involvement and consultation sets out the vision for Herefordshire to 2020. It is, therefore, the basis for the proposed priorities for the new Local Area Agreement. These have been extensively debated with the community as a whole, with partners and by elected members.

The *Herefordshire Partnership* is in no doubt that the vigorous pursuit of these priorities, rooted in evidence set out in this *Story of Place*, will make a major and lasting difference to the quality of life of people in the county. In particular, they are designed to have a major impact on reducing inequalities, so that currently disadvantaged groups enjoy significantly better life-chances.

Priorities for Herefordshire

The following criteria have been used to identify the priorities for the Local Area Agreement:

- Is this going to make a significant difference to Herefordshire?
- In particular, will it help to reduce inequalities by improving the life-chances of disadvantaged groups?
- Is this a priority for the local community?
- Is this something that can be achieved through partnership or multi-agency working?

Applying these criteria in the light of the foregoing factual analysis, the following priorities are proposed:

Local Area Agreement Priorities for Herefordshire
Economic Development and Enterprise
Increase the economic potential of the county, with particular regard to higher skilled and better paid jobs
Increase access to learning and development at all levels, and increase participation, in order to raise achievement, address worklessness and improve workforce skills.
Improve access to integrated public and community transport, reduce traffic congestion and encourage alternatives to car use
Children and Young People
Improve participation in, and achievement for, young people in education, employment and training post 14
Encourage and enable children and young people in Herefordshire to achieve their potential and participate in positive activities
Stronger Communities
Increase the availability of appropriate, decent and affordable housing
Improve the availability of sustainable services and facilities and access to them
Encourage thriving communities where people are able to influence change and take action to improve their area, regardless of their background
Older People and Health
Encourage and promote a healthy lifestyle, with particular attention to reducing smoking, levels of obesity and excessive consumption of alcohol
Help vulnerable people to live safely and independently in their own homes
Safer Communities
Further reduce the already low levels of crime, disorder and anti-social behaviour in the county and to reduce disproportionate fear of such
Increase safety for road users in Herefordshire (yet to be approved)
Environment
Minimise domestic and commercial waste, and increase recycling
Lead a local contribution to climate change reduction
To enhance the recovery from events that have significant and potentially long-term impacts upon the community through proactive and effective inter agency collaboration and co-ordination OR Strengthen resilience to and recovery from civil emergencies, which may have a long term impact on Herefordshire communities, through effective partnership planning and co-ordination

These priorities are substantially interlinked and interdependent. Transportation, for example, impacts on quality of life, access to services and the local economy, while the state of the economy impacts on worklessness, health, housing and crime. [A diagram showing the interrelationship between priorities and indicators will be included in the final draft.](#)

Indicators which support these priorities are shown within Appendix 1

HEREFORDSHIRE LOCAL AREA AGREEMENT

Indicators for the LAA 2008-2011 (as at January 2008)

Please note these proposals for indicators are still in draft subject to:

- Results of National Indicator Technical Definition Consultation
- Further discussion with lead officers
- Agreement with Herefordshire Partnership Chief Executive's Group and Herefordshire Council Corporate Management Board

Total numbers of indicators: 44 (excluding local)

Strong proposals for LAA: **7** (ones in bold)

Number of local ones suggested (not NI ones): 11

This 2nd iteration of the of Herefordshire's LAA will be presented to the Herefordshire Partnership Chief Executive's Group on the 25th January, the Herefordshire Council Corporate Management Board on 28th January and Cabinet in February 2008. Until it has been approved it should be considered to be a working draft.

ECONOMIC DEVELOPMENT AND ENTERPRISE

Theme	Priority	Indicator	Notes
Economic	To improve access to integrated public and community transport, reduce traffic congestion and encourage alternatives to car use	<p>NI167 - Congestion - average journey time per mile during the morning peak</p> <p>NI175 - Access to services and facilities by public transport, walking and cycling</p> <p>Use and/or provision of Community Transport Schemes (potential local indicator)</p>	<p>Check to see if Community Transport Schemes need to be monitored in addition to the NI175 which looks at access to services by transport</p>
Economic	Increase the economic potential of the county with a particular regard to higher skilled and better paid jobs	<p>NI166 - Average earnings of employees in the area</p> <p>NI163 - Working age population qualified to at least level 2 or higher</p> <p>NI164 - Working age population qualified to at least level 3 or higher</p> <p>NI165 - Working age population qualified to at least level 4 or higher</p> <p>Research and development was felt to be a potential way to increase skill and earning levels within the county (potential local indicator).</p> <p>Businesses developing – growing, improving or diversifying came out as a possible sub theme of this (potential local indicator).</p>	<p>Most suited from the national indicator set - but we are unlikely to be able to influence this within 3 years</p> <p>Most suited from the national indicator set - but we are unlikely to be able to influence this within 3 years</p> <p>Most suited from the national indicator set - but we are unlikely to be able to influence this within 3 years</p> <p>Most suited from the national indicator set - but we are unlikely to be able to influence this within 3 years</p> <p>There are not any suitable national indicators so we could try to adapt national ones or create our own local ones.</p> <p>This could be measured by NI172 or adapting one to suit this or create our own.</p>

Herefordshire Local Area Agreement
 Appendix 1 – Priorities and Indicators

Theme	Priority	Indicator	Notes
Economic	Increase access to and participation in learning and development at all levels in order to raise achievement, address worklessness and improve workforce skills	NI152 - Working age people on out of work benefits	

CHILDREN AND YOUNG PEOPLE

Theme	Priority	Indicator	Notes
Children & Young People	To encourage and enable children and young people in Herefordshire to achieve their potential and participate in positive activities	NI110 - Young People's participation in positive activities	Strong support but concerns about how this will be measured.
		NI50 - Emotional health of children	Strong support but concerns about how this will be measured.
		NI51 - Effectiveness of child and adolescent mental health (CAMHs) services	
		NI69 - Children who experienced bullying	Strong support but concerns about how this will be measured.
		Young people's perception about activities (potential local indicator)	
		Younger age group - mental and physical health (potential local indicator)	
		NI117 - 16-18 years old who are not in education, training or employment (NEET)	
Children & Young People	To improve participation in, and achievement for, young people in education, employment and training post 14	NI91 - Participation of 17 year olds in education and training	
		NI174 - Skills gap in the current workforce reported by employers	
		NI6 - Participation of regular volunteering	Also supported under Stronger Communities
		NI13 - Migrants English Language skills and knowledge	

STRONGER COMMUNITIES

Theme	Priority	Indicator	Notes
Stronger Communities	Increase the availability of appropriate, decent and affordable housing	<p>NI154 – Net additional homes provided</p> <p>NI155 – Number of affordable homes delivered (gross)</p> <p>NI159 – Supply of ready to develop housing sites.</p> <p>NI187 – Tackling fuel poverty – people receiving income based benefits living in homes with a low energy efficiency rating.</p> <p>Potentially include NI156 – Number of homeless households if we can show that homelessness is an important current issue for Herefordshire.</p>	
Stronger Communities	Improve access to and availability of sustainable services and facilities	<p>NI175 - Access to services and facilities by public transport, walking and cycling – repeated</p> <p>NI3 - Civic participation in the local area</p> <p>NI4 - % of people who feel they can influence decisions in their locality</p>	
Stronger Communities	Encourage thriving communities where people are able to influence change and take action to improve their area, regardless of their background.		

Herefordshire Local Area Agreement
 Appendix 1 – Priorities and Indicators

Theme	Priority	Indicator	Notes
		NI6 - Participation of regular volunteering - repeated	
		NI1 - % of people who believe people from different backgrounds get on well together	

HEALTH AND OLDER PEOPLE

Theme	Priority	Indicator	Notes
Health & Older People	Encourage and promote a healthy lifestyle with particular attention to: Reducing smoking, reducing levels of obesity and Avoiding excessive consumption of alcohol	<p>NI39 – Alcohol-harm related hospital emissions</p> <p>NI55 – Obesity among primary school age children in Reception Year</p> <p>NI56 – Obesity among primary school age children in Year 6</p> <p>NI57 – Children and young people's participation in high-quality PE and sport</p>	Check to see if we need a specific young people and alcohol indicator if they are not suitably included in NI139.
Health & Older People	Help vulnerable people to live safely and independently in their own homes	<p>See what is a good measure of 'smoking' prevalence or suitable 'proxy' indicators (potential local indicator)</p> <p>NI136 – People supported to live independently through social services (all ages)</p> <p>NI141 – Number of vulnerable people achieving independent living</p> <p>NI142 – Number of vulnerable people who are supported to maintain independent living</p>	.

Herefordshire Local Area Agreement
 Appendix 1 – Priorities and Indicators

Theme	Priority	Indicator	Notes
		Signposting scheme (potential local indicator)	
		Improving referral processes (potential local indicator)	

SAFER COMMUNITIES

Theme	Priority	Indicator	Notes
Safer Communities	To further reduce the low levels of crime, disorder and anti-social behaviour in the county and to reduce any disproportionate fear of such.	<p>NI17 - Perceptions of anti-social behaviour</p> <p>NI21 - Dealing with local concerns about anti-social behaviour and crime by the local council and police</p> <p>NI24 - Satisfaction with the way the police and local council dealt with anti-social behaviour</p> <p>NI19 Rate of proven re-offending by young people</p> <p>NI30 - Re-offending of prolific and priority offenders</p> <p>NI46 - Young offenders access to suitable accommodation</p> <p>NI143 - Offenders under probation supervision living in settled and suitable accommodation at the end of their order or licence</p> <p>NI115 substance misuse by young people</p>	

Herefordshire Local Area Agreement
Appendix 1 – Priorities and Indicators

Theme	Priority	Indicator	Notes
Safer Communities	Improve safety for road users in the county.	Repeat victims of domestic abuse (potential local indicator) NI147 people killed or seriously injured	

ENVIRONMENT

Theme	Priority	Indicator	Notes
Environment	Minimise domestic and commercial waste and improve recycling	NI191 - Residual household waste per head	
Environment	Lead a local contribution to climate change reduction	NI197 - Improved local biodiversity - active management of local sites	
		NI186 - Per capita reduction in CO₂ emissions in the LA area	
		My Herefordshire Carbon Foot printing (potential local indicator).	
Environment	To enhance the recovery from events that have significant and potentially long-term impacts upon the community through proactive and effective inter agency collaboration and co-ordination (draft wording)	NI37 - Awareness of civil protection arrangements in the local area	Further indicators may be identified when the final wording for this indicator has been agreed.

LAA Indicator Record Sheet

Herefordshire

NI Indicator	Status	PSA/DSO
1 % of people who believe people from different backgrounds get on well together in their local area	C	PSA 21
2 % of people who feel that they belong to their neighbourhood		PSA 21
3 Civic participation in the local area		PSA 15
4 % of people who feel they can influence decisions in their locality	C	PSA 21
5 Overall/general satisfaction with local area		CLG DSO
6 Participation in regular volunteering	B	CO DSO
7 Environment for a thriving third sector		CO DSO
8 Adult participation in sport		DCMS DSO
9 Use of public libraries	B	DCMS DSO
10 Visits to museums or galleries		DCMS DSO
11 Engagement in the arts	L	DCMS DSO
12 Refused and deferred Houses in Multiple Occupation (HMO) license applications leading to immigration enforcement activity		HO DSO
13 Migrants English language skills and knowledge	L	HO DSO
14 Avoidable contact: The average number, of customer contacts per received customer request		
15 Serious violent crime rate		PSA 23
16 Serious acquisitive crime rate		PSA 23
17 Perceptions of anti-social behaviour	C	PSA 23
18 Adult re-offending rates for those under probation supervision		PSA 23
19 Rate of proven re-offending by young offenders	C	PSA 23
20 Assault with injury crime rate		PSA 25
21 Dealing with local concerns about anti-social behaviour and crime by the local council and police	A	PSA 23
22 Perceptions of parents taking responsibility for the behaviour of their children in the area		HO DSO
23 Perceptions that people in the area treat one another with respect and dignity		HO DSO
24 Satisfaction with the way the police and local council dealt with antisocial behaviour	A	HO DSO
25 Satisfaction of different groups with the way the police and local council dealt with anti-social behaviour		HO DSO
26 Specialist support to victims of a serious sexual offence		PSA 23
27 Understanding of local concerns about anti-social behaviour and crime by the local council and police		HO DSO
28 Serious knife crime rate		HO DSO
29 Gun crime rate		PSA 23
30 Re-offending rate of prolific and priority offenders	B	HO DSO
31 Re-offending rate of registered sex offenders		PSA 23
32 Repeat incidents of domestic violence		PSA 23
33 Arson incidents		HO DSO
34 Domestic violence - murder		PSA 23
35 Building resilience to violent extremism		PSA 26
36 Protection against terrorist attack		PSA 26
37 Awareness of civil protection arrangements in the local area	C	CO DSO
38 Drug-related (Class A) offending rate		PSA 25
39 Alcohol-harm related hospital admission rates	L	PSA 25
40 Drug users in effective treatment	B	PSA 25
41 Perceptions of drunk or rowdy behaviour as a problem		PSA 25
42 Perceptions of drug use or drug dealing as a problem		PSA 25
43 Young people within the Youth Justice System receiving a conviction in court who are sentenced to custody		MoJ DSO
44 Ethnic composition of offenders on Youth Justice System disposals		MoJ DSO
45 Young offenders engagement in suitable education, employment or training		MoJ DSO
46 Young offenders access to suitable accommodation	A	MoJ DSO
47 People killed or seriously injured in road traffic accidents	B	DfT DSO
48 Children killed or seriously injured in road traffic accidents		DfT DSO
49 Number of primary fires and related fatalities and non-fatal casualties, excluding precautionary checks		CLG DSO
50 Emotional health of children	C	PSA 12
51 Effectiveness of child and adolescent mental health (CAMHs) services	A	DCSF DSO
52 Take up of school lunches		PSA 12
53 Prevalence of breastfeeding at 6 - 8 weeks from birth		PSA 12
54 Services for disabled children		PSA 12
55 Obesity among primary school age children in Reception Year	C	DCSF DSO
56 Obesity among primary school age children in Year 6	B	DCSF DSO
57 Children and young people's participation in high-quality PE and sport	C	DCSF DSO
58 Emotional and behavioural health of children in care		DCSF DSO

LAA Indicator Record Sheet

Herefordshire

NI Indicator	Status	PSA/DSO
59 Initial assessments for children's social care carried out within 7 working days of referral		DCSF DSO
60 Core assessments for children's social care that were carried out within 35 working days of their commencement		DCSF DSO
61 Stability of looked after children adopted following an agency decision that the child should be placed for adoption		DCSF DSO
62 Stability of placements of looked after children: number of moves		DCSF DSO
63 Stability of placements of looked after children: length of placement		DCSF DSO
64 Child protection plans lasting 2 years or more		DCSF DSO
65 Children becoming the subject of a Child Protection Plan for a second or subsequent time		DCSF DSO
66 Looked after children cases which were reviewed within required timescales		DCSF DSO
67 Child protection cases which were reviewed within required timescales		DCSF DSO
68 Referrals to children's social care going on to initial assessment		DCSF DSO
69 Children who have experienced bullying	C	DCSF DSO
70 Hospital admissions caused by unintentional and deliberate injuries to children and young people		DCSF DSO
71 Children who have run away from home/care overnight		DCSF DSO
72 Achievement of at least 78 points across the Early Years Foundation Stage with at least 6 in each of the scales in Personal Social	M	PSA 10
73 Achievement at level 4 or above in both English and Maths at Key Stage 2 (Threshold)	M	PSA 10
74 Achievement at level 5 or above in both English and Maths at Key Stage 3 (Threshold)	M	PSA 10
75 Achievement of 5 or more A*-C grades at GCSE or equivalent including English and Maths (Threshold)	M	PSA 10
76 Achievement at level 4 or above in both English and Maths at KS2 (Floor)		DCSF DSO
77 Achievement at level 5 or above in both English and Maths at KS3 (Floor)		DCSF DSO
78 Achievement of 5 or more A*-C grades at GCSE and equivalent including GCSEs in English and Maths (Floor)		PSA 10
79 Achievement of a Level 2 qualification by the age of 19		PSA 10
80 Achievement of a Level 3 qualification by the age of 19		PSA 10
81 Inequality gap in the achievement of a Level 3 qualification by the age of 19		DCSF DSO
82 Inequality gap in the achievement of a Level 2 qualification by the age of 19		DCSF DSO
83 Achievement at level 5 or above in Science at Key Stage 3	M	DCSF DSO
84 Achievement of 2 or more A*-C grades in Science GCSEs or equivalent		DCSF DSO
85 Post-16 participation in physical sciences (A Level Physics, Chemistry and Maths)		DCSF DSO
86 Secondary schools judged as having good or outstanding standards of behaviour		DCSF DSO
87 Secondary school persistent absence rate	M	DCSF DSO
88 Number of Extended Schools		DCSF DSO
89 Number of schools in special measures		DCSF DSO
90 Take up of 14-19 learning diplomas		DCSF DSO
91 Participation of 17 year-olds in education or training	C	DCSF DSO
92 Narrowing the gap between the lowest achieving 20% in the Early Years Foundation Stage Profile and the rest	M	PSA 11
93 Progression by 2 levels in English between Key Stage 1 and Key Stage 2	M	PSA 11
94 Progression by 2 levels in Maths between Key Stage 1 and Key Stage 2	M	PSA 11
95 Progression by 2 levels in English between Key Stage 2 and Key Stage 3	M	PSA 11
96 Progression by 2 levels in Maths between Key Stage 2 and Key Stage 3	M	PSA 11
97 Progression by 2 levels in English between Key Stage 3 and Key Stage 4	M	PSA 11
98 Progression by 2 levels in Maths between Key Stage 3 and Key Stage 4	M	PSA 11
99 Children in care reaching level 4 in English at Key Stage 2	M	PSA 11
100 Children in care reaching level 4 in Maths at Key Stage 2	M	PSA 11
101 Children in care achieving 5 A*-C GCSEs (or equivalent) at Key Stage 4 (including English and Maths)	M	PSA 11
102 Achievement gap between pupils eligible for free school meals and their peers achieving the expected level at Key Stages 2 and 4		PSA 11
103 Special Educational Needs - statements issued within 26 weeks		DCSF DSO
104 The Special Educational Needs (SEN)/non-SEN gap - achieving Key Stage 2 English and Maths threshold		DCSF DSO
105 The Special Educational Needs (SEN)/non-SEN gap - achieving 5 A*-C GCSE inc. English and Maths		DCSF DSO
106 Young people from low income backgrounds progressing to higher education		PSA 11
107 Key Stage 2 attainment for Black and minority ethnic groups		DCSF DSO
108 Key Stage 4 attainment for Black and minority ethnic groups		DCSF DSO
109 Number of Sure Start Children Centres		DCSF DSO
110 Young people's participation in positive activities	C	PSA 14
111 First time entrants to the Youth Justice System aged 10 - 17		PSA 14
112 Under 18 conception rate		PSA 14
113 Prevalence of Chlamydia in under 20 year olds		DCSF DSO
114 Rate of permanent exclusions from school		DCSF DSO
115 Substance misuse by young people	L	PSA 14
116 Proportion of children in poverty	A	PSA 9

LAA Indicator Record Sheet

Herefordshire

NI Indicator	Status	PSA/DSO
117 16 to 18 year olds who are not in education, training or employment (NEET)	C	PSA 14
118 Take up of formal childcare by low-income working families		DWP DSO
119 Self-reported measure of people's overall health and wellbeing		DH DSO
120 All-age all cause mortality rate		PSA 18
121 Mortality rate from all circulatory diseases at ages under 75	C	DH DSO
122 Mortality from all cancers at ages under 75		DH DSO
123 16+ current smoking rate prevalence	C	PSA 18
124 People with a long-term condition supported to be independent and in control of their condition		DH DSO
125 Achieving independence for older people through rehabilitation/intermediate care		PSA 18
126 Early access for women to maternity services		PSA 19
127 Self reported experience of social care users		PSA 19
128 User reported measure of respect and dignity in their treatment		DH DSO
129 End of life access to palliative care enabling people to choose to die at home		DH DSO
130 Social Care clients receiving Self Directed Support (Direct Payments and Individual Budgets)	C	DH DSO
131 Delayed transfers of care from hospitals		DH DSO
132 Timeliness of social care assessment		DH DSO
133 Timeliness of social care packages		DH DSO
134 The number of emergency bed days per head of weighted population		DH DSO
135 Carers receiving needs assessment or review and a specific carer's service, or advice and information	C	DH DSO
136 People supported to live independently through social services (all ages)	C	PSA 18
137 Healthy life expectancy at age 65		PSA 17
138 Satisfaction of people over 65 with both home and neighbourhood		PSA 17
139 People over 65 who say that they receive the information, assistance and support needed to exercise choice and control to live independently		PSA 17
140 Fair treatment by local services		PSA 15
141 Number of vulnerable people achieving independent living		CLG DSO
142 Number of vulnerable people who are supported to maintain independent living	C	PSA 17
143 Offenders under probation supervision living in settled and suitable accommodation at the end of their order or licence		PSA 16
144 Offenders under probation supervision in employment at the end of their order or licence		PSA 16
145 Adults with learning disabilities in settled accommodation		PSA 16
146 Adults with learning disabilities in employment		PSA 16
147 Care leavers in suitable accommodation		PSA 16
148 Care leavers in employment, education or training		PSA 16
149 Adults in contact with secondary mental health services in settled accommodation		PSA 16
150 Adults in contact with secondary mental health services in employment		PSA 16
151 Overall employment rate	A	PSA 8
152 Working age people on out of work benefits	C	PSA 8
153 Working age people claiming out of work benefits in the worst performing neighbourhoods	A	DWP DSO
154 Net additional homes provided	C	PSA 20
155 Number of affordable homes delivered (gross)	C	PSA 20
156 Number of households living in Temporary Accommodation	C	PSA 20
157 Processing of planning applications as measured against targets for 'major', 'minor' and 'other' application types		CLG DSO
158 % decent council homes		CLG DSO
159 Supply of ready to develop housing sites	L	CLG DSO
160 Local Authority tenants' satisfaction with landlord services		CLG DSO
161 Learners achieving a Level 1 qualification in literacy		PSA 2
162 Learners achieving an Entry Level 3 qualification in numeracy		PSA 2
163 Working age population qualified to at least Level 2 or higher	C	PSA 2
164 Working age population qualified to at least Level 3 or higher		PSA 2
165 Working age population qualified to at least Level 4 or higher		PSA 2
166 Average earnings of employees in the area	A	BERR DSO
167 Congestion - average journey time per mile during the morning peak	B	PSA 5
168 Principal roads where maintenance should be considered	C	DfT DSO
169 Non-principal roads where maintenance should be considered	A	DfT DSO
170 Previously developed land that has been vacant or derelict for more than 5 years		CLG DSO
171 VAT registration rate	A	BERR DSO
172 VAT registered businesses in the area showing growth	A	BERR DSO
173 People falling out of work and on to incapacity benefits	A	DWP DSO
174 Skills gaps in the current workforce reported by employers		DIUS DSO



HEREFORDSHIRE COMPREHENSIVE AREA ASSESSMENT PREPARATION PROGRAMME

**PORTFOLIO RESPONSIBILITY: CORPORATE, CUSTOMER SERVICES AND
HUMAN RESOURCES**

CABINET

21 FEBRUARY 2008

Wards Affected

County-wide

Purpose

To seek approval to the proposed action plan to ensure that the Council, with the Primary Care Trust (PCT) and its other partners, is well-placed for the new system of Comprehensive Area Assessment (CAA).

Key Decision

This is not a Key Decision.

Recommendations

THAT

- (a) **the proposed action plan be approved;**
- (b) **it be agreed that it be finalised having regard to discussions with partners and consideration by Strategic Monitoring Committee (SMC); and**
- (c) **it be agreed that progress against the plan be reported to Cabinet and SMC in July and October 2008, and in January and April 2009.**

Reasons

CAA is the new system under which, from April 2009, the performance and prospects of all local authorities, with their partner organisations, will be assessed by the Audit Commission and the other inspectorates. Good preparation is essential to the performance and reputation of the Council and its partners

Considerations

1. The intention to introduce the CAA, replacing the current system of

Further information on the subject of this report is available from Steve Martin, Corporate Policy and Research Manager on 01432 261877

Comprehensive Performance Assessment, was announced by the Government in the 2006 *Strong and Prosperous Communities White Paper*. Those aspects requiring legislation were enacted in October 2007. Implementation is now being led by the Audit Commission, working with the other inspectorates.

2. A simple summary of the proposals for the new system published by the inspectorates is at **Appendix 1**.

3. The timetable for the introduction of CAA is as follows:

1 April 2008 – Audit Commission area leads appointed

- National mandatory local authority performance indicators come into effect

June 2008 – new-style Local Area Agreements agreed

Summer 2008 – Consultation on the detailed CAA arrangements

December 2008 – Corporate Assessment, Joint Area Review and Annual Performance Assessment come to an end

January/February 2009 – Final set of Comprehensive Performance Assessment results

- Final CAA arrangements confirmed

1 April 2009 – CAA arrangements come into effect

October/November 2009 – First round of CAA reports

4. National consultation has taken place on the principles of the new system. Officers have worked with the County Councils Network to press, in the spirit of the White Paper (which promised greater autonomy for authorities and a significantly lighter touch), for a simpler, less burdensome system than that being proposed. Fundamental aspects are whether there is a need for three separate forms of assessment, namely Direction of Travel, Use of Resources and area risk assessment; whether they should be annual or less frequently, at least for higher performing authorities/areas; and whether any or all of the assessments should be scored or, instead, only described.
5. Notwithstanding the uncertainties, which will not be fully resolved until only a few months before the CAA begins to operate, the drift is abundantly clear and there is an urgent need to press ahead with Herefordshire's preparations. In particular, CAA carries an expectation that the Council and its partners will have a good understanding of the needs of the county and of the different groups within it. There is a particular emphasis on understanding the needs and wishes of disadvantaged and vulnerable people, and of working with them to improve their lot.
6. This is buttressed by the coming into effect, from 1 April 2008, of the statutory duty placed on the Council and the PCT to carry out Joint Strategic Needs

Assessment (JSNA) in respect of health and social care. This requires an up-to-date understanding of the needs, perceptions and wishes of people, an appraisal of the effectiveness and efficiency of current measures to address these, and the putting into place of detailed commissioning plans to secure successful outcomes.

7. Although the statutory duty applies only to health and social care, the effect of the CAA is to require a similar approach across all aspects of people's life-chances and quality of life, including the economy and the environment. Developing an overall, prioritised programme is imperative to ensure that we and our partners use our collective capacity to focus on the right things, to fill the most important gaps (particularly as regards individual disadvantaged groups about which we currently know too little), and to avoid waste and duplication.
8. Across the whole framework is the expectation that the priorities for an area will be derived from needs assessment, that councils and their partners will have identified the main risks to the achievement of those priorities, and that they will have a good grip on how those are to be managed, together with the capacity to do so.
9. Although we already do all these things, including needs assessment, to varying degrees, and with varying degrees of thoroughness and success, CAA dictates the need for a major development programme for the Council, working with the PCT and the Herefordshire Partnership.
10. Success depends on widespread understanding and ownership, including by members, and on systematic programme management. Regular progress reports will need to be made to Cabinet, Strategic Monitoring Committee, and the Chief Executives Group and Performance Management Group of the Herefordshire Partnership.
11. The draft programme at **Appendix 2** has been drawn up with managers across the Council, taking into account the developing programmes for closer working with the PCT and partner organisations more generally. It has been considered by the Joint Council and PCT Management Board. There has not yet been detailed consultation with partners but that does now need to take place urgently.
12. Cabinet's attention is drawn particularly to the aspects concerning:
 - the objectives of the programme (on the first page of Appendix 2)
 - the elements of the programme (on page 2)
 - the new statutory duty to involve local people in decisions, which comes into effect from 1 April 2009 (section 2.1);
 - the relationship of the programme to the further strengthening of scrutiny arrangements (sections 4.12 and 4.13);
 - the proposed inclusion of CAA preparation in the *Member Development Programme* (section 4.18); and

- the proposal that some members (as well as senior managers) should gain experience through participation in peer reviews of other local authorities.
- 13. There are no immediately identifiable financial consequences from the programme, which will need to be delivered within the budgets determined for relevant services and programmes. This is likely to require some rationalisation and re-prioritisation of existing work, such as in respect of satisfaction surveys and research.
- 14. There is, however, a major concern that the arrangements put out to consultation by the inspectorates would lead to steep increases in auditors' fees. Reassurances in this regard have been sought by local authorities collectively. This danger should be reduced to the extent that the inspectorates heed local authorities' concern to see a light-touch system.

Risk Management

The proposed preparation programme is the means of minimising the risks – and maximising the opportunities – of the CAA.

Alternative Options

The Council has to prepare with its partners for CAA, so there are no alternative options.

Consultees

The Joint Council and PCT Management Board and Council managers.

Appendices

Appendix 1 – The inspectorates' easy-to-read guide to the CAA proposals

Appendix 2 – The proposed CAA preparation programme

Background Papers

None identified.



The main points about the new Comprehensive Area Assessment: What do you think?

What is 'Comprehensive Area Assessment'?

Comprehensive Area Assessment (CAA) is a new way of finding out about how good life is for people in an area and how it can be improved.

It will tell you what is going fine and what might go wrong.

It will include looking carefully at the needs of people who are at risk of being abused or hurt and it will help to make sure people get equal chances in life.

It will check on how well big organisations work together to improve the area. The main organisations it will look at are:

- councils
- health services
- police forces
- and other organisations that run local public services

From 2009 the inspectors who check on these organisations will do this together.

Each year, they will report to local people about what is going well and what needs to get better in the places where you live and work.

If local services are improving, there might be fewer inspections. But if not, inspectors might check on services more.

The inspectors will tell local people what they find out about in a clear and straightforward way.

We are sure that this new approach will help to make life better for people and give them better value for money.

What will CAA include?

Things which have to get better in the area are written about in the Local Area Agreement. Each area will have to sign a Local Area Agreement by June 2008.

CAA will check that councils and the other organisations are keeping the promises made in their Local Area Agreement.

It will also make checks on the things the council does alone or together with other organisations, including

- If they help people keep healthy and well
- If they help people keep safe
- If they are making places where people want to live and work
- If there are enough homes for people to live in
- If they make life good for children and older people.

Each year the inspectors will do some work to find out how good life is for local people and what they can expect in the future.

The area risk assessment will also say what things are likely to get better and what the problems are that might stop things from getting better.

It might say something about:

- health care
- more affordable or better homes
- less crime
- better chances to learn and train

- finding more money for creating jobs and skills
- making the area a cleaner, 'greener' place.

It will also find out if local people are asked enough about what they want or need in their area.

It will pay close attention to people who are in most need.

There will be a special inspection of services for children in care.

And there might be other inspections of services for people who might need extra help and support.

There might be a new way of scoring how good local services are.

So what is new?

How well councils are doing is measured now by a **'Comprehensive Performance Assessment' or CPA for short.**

But this and other old ways of measuring how services are doing will stop.

After 2009, inspectors will know what to look at in an area by doing the risk assessment.

But they still will do some other important checks on the council and other local organisations to make sure that they get better and that their money is spent sensibly.

What will we do with what we find out?

Everyone, including people who use public services, will be able to see the information from the CAA.

We will tell people how well their local services are doing and how good life is in their area.

It will help the council and the other organisations make services better.

This should make sure that local services meet the needs of everyone.

It will help people from different communities to say what they think of their local services and what else they would like from them.

Inspectors will put all the information onto a website.

The website will be easy to find and it will be simple for people to find out about the areas where they live and work.

We will look at other ways of giving people this information too.

The Government will use the information when they are talking to councils and the other organisations about what they should do.

Inspectors will use the information to decide what other checks they need to make.

Timetable

We want everyone who uses public services to have their say in our plans for CAA.

Next summer, we will ask people again about CAA.

The old way of measuring how councils and other organisations will finish by the start of 2009.

The new way of measuring how well councils and other organisations are doing will start on 1 April 2009.

The first new CAA reports will appear in autumn 2009.

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

Herefordshire Comprehensive Area Assessment preparation programme: January 2008 to December 2009

Objectives:

- To establish and begin to operate the essential infrastructure in 2008-09
- To be well-prepared for the full introduction of the new system from April 2009
- To be improving well/have promising prospects for improvement in the direction of travel assessment in 2009-10
- To be consistently above minimum requirements, performing well in the use of resources assessment in 2009-10

Appendix 2

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The elements of the programme:

- 1 Understanding the area and its diverse communities, with particular emphasis on the disadvantaged*
- 2 Engaging and empowering local citizens and service users, with particular emphasis on the disadvantaged*
- 3 Using this understanding, engagement and empowerment as the basis for developing the Council's and the Herefordshire Partnership's shared vision, priorities, objectives and commissioning*
- 4 Ensuring that the necessary capacity is in place, including the right skills, knowledge and behaviours, to achieve the vision, priorities and objectives*
- 5 Ensuring that effective arrangements are in place to identify and manage the risks to achieving the vision, priorities and objectives*
- 6 Ensuring that the Council, with its partners, is improving well/has promising prospects for improvement in the direction of travel assessment*
- 7 Ensuring that the Council, with its partners, is consistently above minimum requirements, performing well in the use of resources assessment*
- 8 Effective communication of the programme to members, staff, partners, stakeholders and the public*

Appendix 2

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1 *Understanding the area and its diverse communities, with particular emphasis on the disadvantaged*

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
<p>1.1 Joint Strategic Needs Analysis (health and social care; statutory, comes into effect 1 April 2008)</p> <p>Scoping what exists/gaps, leading to a prioritised programme, particularly as regards the disadvantaged (likely focus in year one on making the best possible use of existing data sources)</p> <p>Carry out the initial programme</p>	<p>Apr 08</p> <p>Mar 09</p>	<p>In accordance with the Government guidance. Joint programme agreed by the Council and PCT</p> <p>Programme completed that provides a sound basis for setting health and social care priorities, objectives and targets, and for commissioning</p>	<p>Director of Public Health, Director of Adult and Community Services, Director of Children's Services</p> <p>(Other directors, Research, Heads of service and designated managers in Children's Services and Adult Social Care; partner organisations)</p>	<p>Existing health and social care needs analyses, including the <i>Annual report of the Director of Public Health</i> and <i>The State of Herefordshire Report</i></p>

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ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
<p>1.2 Needs analyses for other aspects</p> <p>Determine overall leadership</p> <p>Scoping what exists/gaps, leading to a prioritised programme, particularly as regards the disadvantaged (likely focus in year one on making the best possible use of existing data sources)</p> <p>Carry out the programme</p>	<p>Feb 08</p> <p>Apr 08</p> <p>Mar 09</p>	<p>Clear leadership</p> <p>Joint programme agreed by the Council and PCT</p> <p>Programme completed that provides a sound basis for setting priorities, objectives and targets, and for commissioning</p>	<p>Director of Adult and Community Services, Director of Corporate and Customer Services</p> <p>(Other directors; Research; designated heads of service; partner organisations)</p> <p>Tony Geeson (Heads of service, performance improvement managers, Research)</p>	<p>Existing needs analyses, including <i>The State of Herefordshire Report</i></p> <p>The <i>Sub-regional Economic Assessment</i></p>
<p>1.3 Identify changes needed to data collection and analysis to provide reliable, regular data, e.g. single, shared client data-bases, setting a prioritised timetable for each element</p>	<p>Apr 08</p> <p>Mar 09</p>	<p>Prioritised timetable in place</p> <p>Desired data and analysis produced, providing a sound basis for setting priorities, objectives and targets, and for commissioning</p>	<p>Tony Geeson (Heads of service, performance improvement managers, Research)</p>	<p><i>Data Quality Action Plan</i></p>

Appendix 2

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ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
1.4 Place-based mandatory satisfaction survey	Sep 08	In accordance with the statutory requirements	Tony Cramp (Martin Heuter, heads of service)	The Council's annual satisfaction and citizens' panel surveys, and its Community Consultation Strategy
1.5 Equalities impact assessments Current round Next round	Mar 08 Mar 09	Provide a sound basis for setting priorities, objectives and targets, and for commissioning	Carol Trachonitis (Heads of service; Research)	The various equalities action plans

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2 *Engaging and empowering local citizens and service users , with particular emphasis on the disadvantaged*

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
<p>2.1 Meeting the new statutory duty to involve local people in decisions (comes into effect on 1 April 2009), including amendments to the Council's Constitution, complaints process and handling of public petitions</p> <p>Scoping what exists, then and gap analysis, leading to prioritised programme, particularly in respect of the disadvantaged</p>	<p>Mar 08</p>	<p>Measurable improvements in services/outcomes, demonstrably related to local people's involvement</p> <p>Improved public perception ratings of the Council/PCT overall and individual services/factors</p> <p>Improved ratings in respect of the public's perception of involvement and influence</p>	<p>Jennifer Watkins, Martin Heuter, Alan McLaughlin</p> <p>(Research, heads of service, consultation staff elsewhere in the Council and in the PCT and partner organisations)</p>	<p>Community Involvement Strategy</p> <p>PACTs, LINKs</p> <p>Public consultation team's review of involvement and consultation mechanisms in the county.</p> <p>Public consultation on the <i>Local Development Framework</i></p>
<p>Able to meet statutory duty</p>	<p>Apr 09</p>	<p>Compliance with the statutory duty</p>		

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ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
2.2 Systematic collection and understanding of customer feedback and complaints Council More generally	Mar 08 Dec 08	Measurable improvements in services/outcomes demonstrably related to feedback/complaints	Geoff Cole (Heads of service, performance improvement managers, PCT and other partner organisations)	Current review of Council customer standards
2.3 Establish stronger, more effective links with neighbourhoods and parishes	Dec 08	Measurable improvements in services/outcomes demonstrably related to local people's involvement Improved public perception ratings of the Council overall and individual services/factors Improved ratings in respect of the public's perception of involvement and influence	Martin Heuter, Nina Bridges, Robert Blower (Heads of service, Research, Environment)	Early wins from parish plan action plans already made available to services PACTs, LINKs

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3 *Using this understanding, engagement and empowerment as the basis for the Council's and the Herefordshire Partnership's shared vision, priorities, objectives and commissioning*

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
3.1 New Local Area Agreement (LAA)	Jun 08	<p>Agreed priorities, outcomes, objectives and targets for Herefordshire on which all partners are agreed and working together to achieve</p> <p>Ministerial approval</p> <p>Achievement of the LAA targets</p>	<p>Michael Hainge, Jennifer Watkins (Heads of service, performance improvement managers, Research, PCT and other partner organisations)</p>	<p>Council's Corporate Plan and the plans of the PCT and other partner organisations</p>
3.2 Action plan for the Sustainable Community Strategy (SCS), including the new LAA	Mar 08	<p>Addresses the main risks to achieving SCS objectives and LAA targets</p>	<p>Michael Hainge, Jennifer Watkins (Heads of service, performance improvement managers)</p>	

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ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
3.3 Review of the SCS in light of the needs analyses and other actions under sections 1 and 2 above	Apr 09	SCS reviewed to reflect the findings of the needs analyses	Michael Hainge, Jennifer Watkins (Heads of service, performance improvement managers, Research)	<i>The State of Herefordshire Report</i>
3.4 Review and roll forward of the LAA in parallel with 3.3	Apr 09	LAA revised, as necessary, to reflect the findings of the needs analyses	Michael Hainge, Jennifer Watkins (Heads of service, performance improvement managers, Research)	
3.5 Council's Corporate Plan 2008-11 to deliver its lead elements of the SCS/LAA	Mar 08	Corporate Plan includes targets and key actions to deliver the Council's lead elements in the SCS and LAA Identification and successful management of the risks to achieving the targets and key actions	Steve Martin (Heads of service, performance improvement managers, Andrew Rewell)	

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ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
3.6 Council's Corporate Plans 2010-13 to deliver its lead elements of the reviewed and rolled forward SCS/LAA	June/July 09 ?	Corporate Plan includes targets and key actions to deliver the Council's lead elements in the SCS and LAA Identification and successful management of the risks to achieving the targets and key actions	Steve Martin (Heads of service, performance improvement managers, Andrew Rewell)	Timetable to be determined in the context of decisions on the performance improvement cycle 2008-09 (scheduled for SMC and Cabinet consideration in March 08)
3.7 Determine prioritised programme of commissioning plans	Dec 08	Prioritised programme for commissioning plans in place	Director of Integrated Commissioning (PCT, other directors, heads of service, performance improvement managers)	Procurement Plan
3.8 Commissioning plans	As agreed under 3.7	Improved services and outcomes for people; and improved value for money	The designated head of service for each commissioning plan (to be agreed under 3.7)	Procurement Plan

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

4 Ensuring that the necessary capacity is in place to achieve the vision, priorities and objectives

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
4.1 Integrated planning and performance improvement cycle between the Council, the PCT and the Herefordshire Partnership	April 08	<p>Agreed cycle in place, operating efficiently and effectively</p> <p>Shared understanding across the Council and with partners of performance and the prioritised actions needed to deliver improvements</p>	<p>Tony Geeson (PCT and other partner organisations, Michael Hainge, Jennifer Watkins, Sonia Rees, David Powell, performance improvement managers, Research)</p>	
4.2 Joint commissioning capacity established with the PCT, including compact principles	Dec 08	<p>Joint Council and PCT commissioning capacity in place</p> <p>Measurable improvements in services and outcomes for users; and better value for money</p>	<p>Director of Integrated Commissioning (PCT, the head of service for each designated commissioning area, other partner organisations)</p>	<p>Areas to be determined and prioritised under 3.7 above</p>

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
4.3 Joint commissioning capacity developed across the Herefordshire Partnership, including compact principles	Mar 09?	Joint commissioning capacity in place across the Partnership (commissioning areas to be determined) Measurable improvements in services and outcomes for users; and better value for money	Director of Integrated Commissioning (Heads of service, partner organisations)	
4.4 Joint procurement capacity established with the PCT, including compact principles	Dec 08	Joint procurement capacity established Better value for money	Dean Hogan (PCT, Eleanor Brazil, other heads of service, the Alliance)	
4.5 Joint procurement capacity developed across the Herefordshire Partnership, including compact principles	Mar 09?	Joint procurement capacity established Better value for money	Dean Hogan (Partner organisations, heads of service)	
4.6 Review Council/PCT and Herefordshire Partnership organisational structures	Mar 08	Review completed and prioritised programme in place	Chris Bull, Gi Cheesman (Other directors, PCT, other partner organisations, Tony Geeson, Jennifer Watkins)	Joint emergency planning team established Joint communications arrangements established Report on joint research capacity

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
4.7 Implement new Council/PCT and Partnership organisational structures	To be determined under 4.6	<p>New structures in place and operating effectively</p> <p>Integrated planning and performance management arrangements operating efficiently and effectively</p> <p>Efficient and effective delivery of priorities, objectives and targets</p>	<p>Jane Jones, Gi Cheeseman</p> <p>(Other directors, PCT, other partner organisations, Tony Geeson, Jennifer Watkins)</p>	
4.8 Review Herefordshire Partnership governance arrangements	Jun 08	Review completed and action agreed	Chris Bull, Jane Jones (Partner organisations, Tony Geeson, Jennifer Watkins)	
4.9 Implement revised Herefordshire Partnership governance arrangements	Sep 08	New arrangements in place and operating effectively	Chris Bull, Jane Jones (Partner organisations, Tony Geeson, Jennifer Watkins)	
4.10 Review ICT requirements to deliver this programme	May 08	Initial review completed, early priorities agreed	Head of ICT (Heads of service, performance)	<i>Herefordshire Connects</i>

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
	Sep 08	Review finalised, longer-term priorities agreed	improvement managers, PCT, other partner organisations)	
4.11 Implement the ICT requirements	To be determined under 4.10	To be determined under 4.10	Head of ICT (Heads of service, performance improvement managers, PCT and other partner organisations)	<i>Herefordshire Connects</i>
4.12 Establish strengthened scrutiny arrangements that will make a major contribution to planning and performance management across the Council/PCT and the Herefordshire Partnership	Mar 08	Strengthened arrangements in place	Tony Geeson (Alan McLaughlin, Committee Services, PCT and other partner organisations)	The full scrutiny programme
4.13 Operate the strengthened scrutiny arrangements	Sep 08	Strengthened arrangements operating effectively	Tony Geeson (Alan McLaughlin, Committee Services, PCT and other partner organisations)	The full scrutiny programme

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
4.14 Council and PCT workforce development strategy to deliver the programme	Mar 08 Sep 08	Initial joint actions agreed and being implemented Full joint strategy in place and being implemented	Gi Cheeseman	Corporate Plan and directorate/service plans <i>Investor in People</i> accreditation Existing Council Pay and Workforce Strategy Joint health and adult social care and children's workforce development strategy being developed
4.15 Annual training and development programme for the Council, PCT and partner organisations to help deliver the programme	Mar 08 Aug 08	Initial programme agreed and in place Medium-term programme agreed and in place (in light of SRD and other analysis) Programmes delivered Shared understanding of the Partnership vision, priorities and objectives Shared understanding of each other's	Liz Wallace (PCT, other partner organisations)	Communications strategy and action plan (see section 8 below)

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
		<p>organisations, cultures and how to work effectively together to deliver the desired improved services and outcomes</p>		
<p>4.16 Corporate, directorate and service induction to include the core objectives and themes of the programme, relating them to each individual's role and responsibilities</p>	<p>Mar 08</p>	<p>Induction delivered successfully</p>	<p>Liz Wallace, heads of service (Managers, PCT, other partner organisations)</p>	
<p>4.17 Programme to develop understanding for the roll-out of the strategic risk identification and management process</p>	<p>Mar 08</p>	<p>Programme agreed and in place</p> <p>Identifies risks to the prospects for the area and the priority quality of life outcomes for all groups, particularly those who are vulnerable, disadvantaged or hard-to-hear</p> <p>Successful management of the identified risks</p> <p>Favourable joint annual risk assessments by the inspectorates</p>	<p>Andrew Rewell (Tony Geeson, PCT)</p>	

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
4.18 <i>Member Development Programme</i> to include what is needed to equip members to play a fully effective role in the CAA preparation programme	Mar 08 Dec 08 Dec 08 Mar 09	CAA elements included in the <i>Member Development Programme</i> Programme implemented Better mutual understanding between members, partners and stakeholders Effective member contribution to CAA preparations	Alan McLaughlin (Tony Geeson, PCT, other partner organisations))	<i>Member Development Programme</i> , taking account of the Crookall Report
4.19 Learning by means of members and senior managers participating in peer reviews under final stage of CPA	Mar 09	Some members and senior managers participate in peer reviews of other local authorities	Tony Geeson	

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

5 Ensuring that effective arrangements are in place to identify and manage the risks to achieving the vision, priorities and objectives

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
5.1 Establish shared strategic risk identification and management process for the Council, the PCT and their partners, integrated with performance management systems and reporting	Mar 08	Sound basis for the identification and successful management of risks to the prospects for the area and the priority quality of life outcomes for all groups, particularly those who are vulnerable, disadvantaged or hard-to-hear	Andrew Rewell, Weny Huxley-Marko, Tony Geeson (Michael Hainge, Policy and Performance, PCT, other partner organisations, Jennifer Watkins, heads of service, performance improvement managers)	Joint approach to risk assessment being developed for the Council and PCT by Andrew Rewell and Wendy Huxley-Marko
5.2 Documented corporate process, including named lead officers, in place and	Sep 08	Agreed process understood by key managers across the Council, PCT and principal partner organisations	Tony Geeson, Andrew Rewell, Wendy Huxley-Marko	Joint approach to risk assessment being developed for the Council and PCT by Andrew Rewell

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ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
operating for the handing of the annual risk assessment and other inspections		<p>Agreed process operating effectively</p> <p>Favourable joint annual risk assessments and other judgements by the inspectorates</p>	<p>(Policy and Performance, PCT, other partner organisations, Jennifer Watkins, heads of service, performance improvement managers)</p>	<p>and Wendy Huxley-Marko</p>
5.3 Implement the shared strategic risk identification and management process for the Council, the PCT and their partners	Sep 08	<p>Identifies risks to the prospects for the area and the priority quality of life outcomes for all groups, particularly those who are vulnerable, disadvantaged or hard-to-hear</p> <p>Successful management of the identified risks</p> <p>Favourable joint annual risk assessments by the inspectorates</p>	<p>Andrew Rewell, Wendy Huxley-Marko, Tony Geeson (Michael Hainge, Policy and Performance, PCT, other partner organisations, Jennifer Watkins, heads of service,</p>	

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
5.4 Partnership working risks identified and managed	Dec 08	<p>Risks identified in the Audit Commission's national report on partnership working managed successfully</p> <p>Annual audit letter confirms this</p> <p>Favourable joint annual risk assessments by the inspectorates</p>	<p>performance improvement managers)</p> <p>Andrew Rewell, Jennifer Watkins (Michael Hainge, Tony Geeson, PCT, other partner organisations)</p>	Audit Commission summary report on public service trust risks (Nov 07)

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DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

6 Ensuring that the Council, with its partners, is improving well/has promising prospects for improvement in the direction of travel assessment

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
6.1 Identify priority areas for improvement against the mandatory national local authority indicators and other factors relevant to the Direction of Travel assessment	Mar 08	Priority areas identified	Kevin Lloyd (Directors, heads of service, performance improvement managers)	For 2007-08 PIs performance, which will be the prime factor in the February 2009 direction of travel assessment, regular reports to CMB until early April 2008.
6.2 Identify priority areas for improvement against partner organisations' indicators and other factors relevant to the Direction of Travel assessment	Mar 08	Priority areas identified	Chris Bucknell (Michael Hainge, other directors, Kevin Lloyd, heads of service, performance improvement managers, PCT, other partner	Corporate Plan 2008-11 Herefordshire Sustainable Community Strategy The new Local Area Agreement

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
6.3 Action plan for prioritised improvements in local authority indicator performance and other factors relevant to the Direction of Travel assessment to improve the rating in February 2010	<p>Mar 08</p> <p>Mar 09</p> <p>Mar 09</p> <p>Feb 10</p>	<p>Action plan in place, with the relevant elements included in directorate/service plans</p> <p>Action plan implemented</p> <p>Improved performance against indicators</p> <p>Higher assessment rating</p>	<p>Kevin Lloyd (Directors, heads of service, performance improvement managers)</p>	<p>For 2007-08 PIs performance, which will be the prime factor in the February 2009 direction of travel assessment, regular reports to CMB until early April 2008.</p> <p>Corporate Plan 2008-11</p>
6.4 Action plan for prioritised improvements in partners' indicator performance and other factors relevant to the Direction of Travel assessment to improve the rating in February 2010	<p>Mar 08</p> <p>Mar 09</p> <p>Mar 09</p> <p>Feb 10</p>	<p>Action plan in place</p> <p>Action plan implemented</p> <p>Improved performance against indicators</p> <p>Higher assessment rating</p>	<p>Chris Bucknell (Michael Hainge, other directors, Kevin Lloyd, heads of service, performance improvement managers, PCT, other partner organisations)</p>	<p>Herefordshire Sustainable Community Strategy</p> <p>The new Local Area Agreement</p>

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

7 Ensuring that the Council, with its partners, is consistently above minimum requirements, performing well in the use of resources assessment

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
7.1 Identify priority areas for improvement against the proposed new use of resources assessment criteria, with particular emphasis on improving value for money through improved systems and procedures	Mar 08	Priority areas identified and reflected in an updated action plan	Sonia Rees, David Powell (Directors, Gi Cheeseman, Alan McLaughlin, other heads of service, performance improvement managers)	Medium Term Financial Management Strategy Corporate Plan 2008-11 Action plan already in hand to improve performance in 2007-08; should improve the assessment in February 2009; being updated in the light of the latest Audit Commission criteria and common themes in the Director of Resources's special report, the <i>Crookall Report</i> and feedback from the <i>Investor in People</i> informal assessment

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ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
7.2 Action plan for prioritised improvements against the proposed new use of resources including milestones that could improve the Council's rating	<p>Mar 08</p> <p>Mar 09</p> <p>Feb 09 & Feb 10</p> <p>Feb 09 & Feb 10</p>	<p>Action plan in place</p> <p>Action plan implemented</p> <p>Improved performance against the criteria</p> <p>Assessment rating of consistently above minimum requirements, performing well</p>	<p>Sonia Rees, David Powell</p> <p>(Directors, heads of service, performance improvement managers)</p>	As for 7.1 above
7.3 Data quality policy, action plan and procedures	Mar 08	Meet a) the Audit Commission best practice criteria and b) ISO standards for data quality and security	Tony Geeson, John Pritchard (Heads of service, performance improvement managers, Anthony Sawyer)	Data sharing policy and procedures being developed by Anthony Sawyer
7.4 Rationalisation of back-office accommodation	Mar 08	Plan in place	Sonia Rees, Malcolm MacAskill	

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ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
	Dec 10	Accommodation rationalised Measurable improvements in efficiency, effectiveness and value for money	(PCT, other partner organisations)	
7.5 Rationalisation of front and back-office functions	To be determined	Functions rationalised Measurable improvements in efficiency, effectiveness and value for money	Chris Bull	

Appendix 2

DRAFT FOR CONSIDERATION BY CABINET ON 21 02 08

8 Effective communication of the programme to members, staff, partners, stakeholders and the public

ACTION	WHEN	SUCCESS CRITERIA	RESPONSIBLE OFFICER (and others with a major role)	RELEVANT PROGRAMMES/PROJECTS & OTHER COMMENTS
8.1 Communications strategy and action plan designed and rolled out	<p>Mar 08</p> <p>Mar 08</p> <p>Sep 08</p> <p>Dec 08</p> <p>Mar 09</p>	<p>Strategy and action plan in place</p> <p>The programme and its constituent parts are understood by the relevant audiences</p> <p>Committed and motivated members, staff and partner organisations</p> <p>Stakeholders, including central government and the public, understand the programme and are impressed by what it is achieving</p> <p>Improved public satisfaction rating for the Council overall</p>	<p>Robert Blower</p> <p>(Tony Geeson, Steve Martin, heads of service, PCT, other partner organisations)</p>	<p>The wider programme in respect of the Council's and the <i>Herefordshire Partnership's</i> reputation management</p>

COMPREHENSIVE PERFORMANCE ASSESSMENT AND DIRECTION OF TRAVEL UPDATE

PORTFOLIO RESPONSIBILITY: CORPORATE, CUSTOMER SERVICES AND
HUMAN RESOURCES

CABINET

21 FEBRUARY 2008

Wards Affected

County-wide

Purpose

To confirm the Council's 2007 Comprehensive Performance Assessment and Direction of Travel statement issued by the Audit Commission on 7 February.

Key Decision

This is not a Key Decision

Recommendations

THAT the report be noted.

Reasons

Comprehensive Performance Assessment (CPA) measures how well councils are delivering services for local people and communities. It looks at performance from a range of perspectives and combines a set of judgements to provide both a simple and easy to understand rating and a picture of where councils should focus activity to secure improvement. It brings together information from other inspectorates to form an overall view of the performance of councils.

The direction of travel assessment is intended to reflect a council's progress towards achieving improvement in the services it delivers to the public. It is reported alongside a council's CPA category to give a two-dimensional view about its performance. In summary:

- The CPA star category gives a rating about current performance.
- Direction of travel provides an assessment about the direction and strength of improvement a council is showing.

Considerations

Comprehensive Performance Assessment

1. The Council's overall CPA score has fallen from 3* to 2*. The Audit Commission assessment is retrospective and relates predominantly to performance to the year-end 31st March 2007. A comparison of the scores between 2006 and 2007 is shown in the table below:

	2006	2007
Use of Resources	3	2
Children and young people	2	2
Social care (adults)	2	2
Benefits	2	3
Culture	3	3
Environment	2	3
Housing	2	1

2. The application of the rules-based approach used by the Audit Commission has meant that the main determinant in the deteriorating overall score is the change in rating from a 2* to a 1* for Housing.
3. However, it should be noted that although the score for Housing has fallen to 1, this does not represent a deterioration in performance; instead, this is the result of a one-year change in the selection of housing performance indicators used by the Audit Commission for the purpose of the assessment, which do not reflect the success that the service has had in moving families out of temporary accommodation.
4. To put the Audit Commission judgement into context, the following table shows the star ratings by government office region:

Overall CPA star rating by government office region							
	Number of councils	4 star	3 star	2 star	1 star	0 star	Subject to review
East Midlands	9	3	2	3	1	0	0
East of England	10	1	8	1	0	0	0

Overall CPA star rating by government office region							
	Number of councils	4 star	3 star	2 star	1 star	0 star	Subject to review
London	33	10	21	2	0	0	0
North East	12	10	2	0	0	0	0
North West	22	11	4	5	1	0	1
South East	19	5	12	2	0	0	0
South West	15	3	7	5	0	0	0
West Midlands	14	4	7	3	0	0	0
Yorks and Humber	15	8	5	2	0	0	0
Total	149	55	68	23	2	0	1

5. Further changes to the performance indicators used in the housing service assessment for 2008 are expected to return housing to a score of 3, again without this necessarily reflecting any change in aggregate performance. If all other service scores were to be maintained at the 2007 level, the overall 2008 CPA score for the Council, which will be published by the Audit Commission in February 2009, is forecast to remain at 2*. This would come about as a result of the removal of protection of the 2002 Corporate Assessment score, which has been applied since 2005, and of its replacement by the 2005 Corporate Assessment score of 2.
6. The CPA system will end with the 2008 judgement, being replaced by the new system of the Corporate Area Assessment. A separate report about the preparation for the new system is on the agenda for this meeting.

Direction of Travel

7. For the third year running, the Audit Commission has judged the council as **improving adequately**.
8. The following summary has been provided to support the 2007 direction of travel statement:

"Herefordshire Council is improving adequately. Performance has improved in

most priority areas. Children's services remain adequate overall with some improvement in exam results and arrangements for looked after children. Progress in adult social care has been steady with more vulnerable people helped to live at home. Tax collection and benefits administration have improved, along with the speed of planning applications, street cleanliness and recycling levels. However, it costs more to collect waste and there has been limited progress on the Council's business transformation programme. The Council continues to contribute to improvements in road safety, regeneration initiatives and better health for children and vulnerable adults through working in partnerships. Value for money is reasonable but is not measured consistently. Progress is being made on most improvement plans but the overall picture is not being reported clearly. Further improvements are expected to result from the new managers of adult social care and a joint head of Human Resources with the Primary Care Trust. Some significant weaknesses in the governance of ICT have been recognised by the Council and plans agreed to address them."

9. To put the Audit Commission judgement into context, the following table shows the direction of travel assessment by government office region:

Direction of Travel judgement by government office region						
	Number of councils	Improving strongly	Improving well	Improving adequately	Not improving adequately	Subject to review
East Midlands	9	1	4	4	0	0
East of England	10	1	3	5	0	1
London	33	9	22	1	0	1
North East	12	2	7	0	0	3
North West	22	3	12	6	0	1
South East	19	2	10	6	0	1
South West	16	2	9	5	0	0
West Midlands	14	2	11	1	0	0
Yorks and Humber	15	0	10	2	0	3

Direction of Travel judgement by government office region						
	Number of councils	Improving strongly	Improving well	Improving adequately	Not improving adequately	Subject to review
Total	150 ¹	22	88	30	0	10

Alternative Options

Not applicable.

Risk Management

The following are intended to mitigate against the risk of the council's performance failing to improve:

- regular updates to CMB on performance of the indicators included in the Audit Commission's, performance information profile, which is used as part of the direction of travel statement.
- the Corporate Plan 2008-11.
- the Comprehensive Area Assessment preparation programme.

Consultees

Not applicable.

Background Papers

CPA – The Harder Test: Scores and analysis of performance in single tier and county councils 2007 (<http://www.audit-commission.gov.uk/Products/NATIONAL-REPORT/8906AF89-014B-4462-9094-5DE69A5D5C8F/CPATheHarderTest.pdf>)

¹ The Isles of Scilly are exempt from a star rating in 2007 because of the applicability of the methodology to the island's circumstances. This accounts for the variance between the number of authorities with * ratings and the number with direction of travel judgements.

REVIEW OF THE COUNCIL'S FINANCIAL AND CONTRACTUAL PROCEDURE RULES AND CONSTITUTION

PORTFOLIO RESPONSIBILITY: CORPORATE, CUSTOMER SERVICES AND HUMAN RESOURCES

CABINET

21 FEBRUARY 2008

Wards Affected

None

Purpose

To seek Cabinet's endorsement to the review of the Council's contract procedure rules and financial procedure rules made in light of the Section 151 Officer Report and Crookall Review (the Appendices to this report refer).

To seek Cabinet's endorsement to the three mini guides explaining the asset management, financial management and procurement processes described in the contract and financial procedure rules

To seek Cabinet's endorsement to changes to the deadline for receipt of formal questions from Councillors to full Council.

Key Decision

This is not a Key Decision

Recommendations

THAT it be recommended to Council that:

- (i) the financial and contract procedure rules attached to this report be endorsed and accepted;**
- (ii) the mini guides to asset management, financial management and procurement be endorsed;**
- (iii) the amendment to Standing Order 4.25 of the Council's Constitution be accepted and that questions from Councillors be received by 10.30 a.m. on the Tuesday before the relevant Council Meeting;**
- (iv) note be taken of any amendments from Cabinet to recommendations set out in (i) (ii) and (iii) and be presented to full Council on 7 March 2008 for approval.**

Reasons

Cabinet at its meetings of the 20 September 2007 and 15 November 2007 resolved that a review of the Council's financial and contractual procedure rules was undertaken by the Director of Resources and the Head of Legal and Democratic Services. This review has now been completed. The review contract and financial procedure rules and the Constitution on Councillors questions were presented to Strategic Monitoring Committee on 18 February 2007.

Considerations

1. Cabinet approved the recommendation to review the financial elements of the Council's Constitution. The revised financial and procedure rules and contract procedure rules were presented to Audit and Corporate Governance Committee on 21 December 2007 and subsequently to the Standards Committee meeting of the 18 January 2008 following Council on the 2 November 2007.
2. The Director of Resources and Head of Legal and Democratic Services met on 30 January 2008 along with relevant members of their teams to discuss the comments, questions and suggestions for improvement prepared by Legal Services. All issues were resolved to the satisfaction of the Director of Resources and the Head of Legal and Democratic Services.
3. A further series of small amendments has resulted and further amendments have been made to the review and the report attached hereto which present the outcome of that review and comments of the Constitutional Review Working Group of the 11 February 2008.
4. Mini guides to the asset management, financial management and procurement frameworks supporting the draft financial procedure rules are appended to the report which will assist both Members and Officers to understand the amendments to the existing rules.
5. Subject to Cabinet's approval, the revised financial procedure rules and contract procedure rules, plus the mini guides will be presented to Council on 7 March 2008 alongside the financial management strategy. Member and Officer awareness sessions can also be arranged as required.
6. The amendment in respect of Councillor's questions is at the second bullet point to change the time by which Councillor's questions should be received. Councillors questions should be received by 10.30 a.m. on the Tuesday before the relevant Council Meeting.

Financial Implications

The adoption of the revised financial procedure rules and contract procedure rules should ensure Council obtaining best value in relation to its contract and should be adopted as good practice across the authority

There will be ongoing costs in terms of Officer time to support seminars for both Members and Officers and for the rules to be embedded across the Council.

Risk Management

The proposed revisions to the financial governance elements of the Council's Constitution are designed to ensure that all reasonable steps have been taken to manage the risk of non compliance with financial policies and procedures to an acceptable level. The revisions are a positive and appropriate response to the issues identified in the Crookall Review.

Appendices

- Appendix 1 - The budget and policy framework (Appendix 3 of the Constitution)
- Appendix 2 - Financial procedure rules (Appendix 4 of the Constitution)
- Appendix 3 - Contract procedure rules (Appendix 5 of the Constitution)
- Appendix 4 - Mini guides

Background Papers

None identified

BUDGET AND POLICY FRAMEWORK PROCEDURE RULES

1. THE BUDGET AND POLICY FRAMEWORK

1.1 The Council is responsible for the adoption of a Budget and Policy Framework. This is set out in Standing Order 4.1 as follows:

Deleted:

- Children and Young People's Plan.
- Council's Corporate Plan including the Best Value Performance Plan.
- Crime and Disorder Reduction Strategy.
- Cultural Strategy.
- Economic Development Strategy.
- Herefordshire Plan (Sustainable Community Strategy incorporating the Local Agenda 21 Strategy).
- The Community Strategy for Herefordshire (A Sustainable Future for the County)
- Local Transport Plan.
- Unitary Development Plan / Local Development Framework.
- Youth Justice Plan.
- Medium-Term Financial Strategy including:
 - Annual capital and revenue budget;
 - Proposed contingencies, general reserves and specific reserves;
 - Statutory Council Tax calculations;
 - Treasury management policy and annual borrowing limits;
 - The Chief Finance Officer's statutory declarations on budget setting;
 - Virement limits; and
 - Scale of fees and charges.

Deleted: <#>Herefordshire Plan (Sustainable Community Strategy incorporating the Local Agenda 21 Strategy).¶

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Council cannot delegate responsibility for determining the Budget and Policy Framework.

Once a Budget and Policy Framework is in place, it is Cabinet's responsibility to implement it. The Cabinet can only determine matters affecting the Budget and Policy Framework where special urgency applies under rule 18 and 19 of the Cabinet Procedure Rules (Appendix 1 of the Constitution refers).

2. PROCESS FOR ESTABLISHING THE BUDGET AND POLICY FRAMEWORK

- 2.1 Cabinet will publicise by including in the Forward Plan, by publishing at the Council’s offices and other methods (e.g. on its website and in the local press), a timetable for making proposals to the Council for the adoption of any plan, strategy or budget that forms part of the Budget and Policy Framework, and its arrangements for consultation after publication of those initial proposals. The Chairman of the Strategic Monitoring Committee and Chairmen of the Scrutiny Committees will also be notified.
- 2.2 Budget consultees will include Town and Parish Councils, the Local Strategic Partnership, the Schools Forum, Business Ratepayers, Council Taxpayers, the Trade Unions, Political Groups, Strategic Monitoring Committee, Scrutiny Committees and such other organisations and persons as are deemed appropriate.
- 2.3 Having consulted on their initial proposals for any plan, strategy or budget that forms part of the Budget and Policy Framework, the Cabinet will draw up firm proposals taking into account the responses to the consultation. If the Strategic Monitoring Committee or relevant Scrutiny Committee wishes to respond to the Cabinet in that consultation process, then they may do so. As the Strategic Monitoring Committee and Scrutiny Committees are responsible for setting their own work programmes, it is incumbent on them to do so before the end of the consultation period. The Cabinet will take any response from the Strategic Monitoring Committee or Scrutiny Committees into account in drawing up firm proposals for submission to the Council, and its report to Council will reflect the comments made by consultees and the Cabinet’s response.
- 2.4 Once the Cabinet has approved the firm proposals, the Director of Resources will refer them to the Council for decision.

2.5 If Council decides to reject or amend the Cabinet’s firm proposals, the Cabinet will delay implementation of the proposals pending a further report to Council requesting the matter be reconsidered.

Deleted: The Council may not consider a proposal on a matter that forms part of the Budget and Policy Framework if the Cabinet has not considered.

2.6 If Council decides to reject or amend a proposal from Cabinet, immediately prior to the close of the meeting, the Chairman of the Council will adjourn the meeting until a date agreed by Council on the recommendation of the Leader of the Council. This shall be the date that Cabinet will report further to Council on the matter and Council must specify a period of at least five working days from the date of the adjourned meeting within which the Leader may:

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- a) Submit a revision of the draft budget, plan or strategy with the Cabinet’s reasons for any amendments for the Council to consider;

Or

- b) Inform the Council of any disagreement that the Cabinet has with any of the Council’s objections and the Cabinet’s reasons for any such disagreement,

2.7 If the Chairman of the Council considers it is unlikely that the Council may agree the date for the Council meeting recommended by the Leader, he / she may agree with the Chairman an alternative date providing at least 10 working days elapse starting from the following day.

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2.8 The Council must take into account Cabinet’s reasons for revising any budget, plan or strategy or reasons for disagreeing with the Council’s objections to its proposals before it amends or approves the Cabinet’s revised draft budget, plan or strategy .

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2.9 If a strategy, plan or budget allows for a policy to be developed and the financial implications reflected in the Council's Medium-Term Financial Management Strategy are in excess of £500,000, the relevant Director must report back to Cabinet for approval to detailed plans for implementing the policy and committing the financial resources.

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2.10 The Cabinet has responsibility for overseeing the Council's financial affairs within the framework of the Contract Procedure Rules and Financial Procedure Rules. Advice and guidance is provided by the Statutory Officers.

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2.11 Cabinet is responsible for reviewing and formulating the Council's budget with advice and guidance provided by the Director of Resources.

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2.12 Each Director shall be responsible for making sure that the Council's Contract Procedure Rules and Financial Procedure Rules are observed for those functions within their terms of reference.

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2.13 Each Director shall inform their respective Cabinet Member of compliance or exceptions to the Council's Contract Procedure Rules and Financial Procedure Rules.

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3. DECISIONS OUTSIDE THE BUDGET AND POLICY FRAMEWORK

3.1 If the Cabinet, Committees, Sub-Committees, or officers discharging functions on behalf of the Council want to take a decision outside of the Budget and Policy Framework or think a decision they want to make might be outside it, they must refer to the Chief Executive or Monitoring Officer, and also the Chief Finance Officer if it relates to the budget, for advice.

3.2 If the Chief Executive or Monitoring Officer, and Chief Finance Officer if it is a budget matter, determine that the decision would be outside the Budget and Policy Framework, then the proposal must form a recommendation to Council, unless the decision is a matter of urgency in which case the provisions of section 4 of the Budget and Policy Framework Procedure Rules apply.

4. URGENT DECISIONS OUTSIDE THE BUDGET AND POLICY FRAMEWORK

4.1 Cabinet, Committees, Sub Committees, or officers discharging functions of the Council may take a decision that is contrary to or not wholly in accordance with the Council's Budget and Policy Framework Procedures if the decision is a matter of urgency. However, such a decision may only be taken if:

- a) It is not practical to convene a quorate meeting of the Council; and
- b) The Chairman of the Strategic Monitoring Committee or relevant Scrutiny Committee agrees that the decision is a matter of urgency.

4.2 The reason why it is not practical to convene a quorate meeting of the Council and the agreement of the Chairman of the Strategic Monitoring Committee or relevant Scrutiny Committee to the decision being taken as a matter of urgency should be noted on the record of the decision. In the absence of the Chairman of the Strategic Monitoring Committee or relevant Scrutiny Committee, the Chairman of the Council or, in his / her absence, the Vice Chairman of the Council will be sufficient.

4.3 Following the decision, the decision taker will provide a full report to a subsequent Council meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

5. VIREMENT

5.1 Arrangements for budget virement will be in accordance with the provisions of the Council's Financial Procedure Rules.

6. IN-YEAR CHANGE TO BUDGET OR POLICY FRAMEWORK

6.1 Any decisions that involve an in-year change to the Budget or Policy Framework must be approved or adopted by the full Council unless:

a) It is an urgent decision in which case it will be dealt with as set out in section 4 of the Budget and Policy Framework Procedure Rules and Rules 18 and 19 of Appendix 1;

Or

b) It is within the scope of in-year decisions that the Council has previously agreed can be made by Cabinet.

7. CALL-IN OF DECISIONS OUTSIDE THE BUDGET OR POLICY FRAMEWORK

7.1 Where the Strategic Monitoring Committee or a Scrutiny Committee is of the opinion that a Cabinet decision is contrary to or not wholly in accordance with the Budget and Policy Framework and that it to be referred to Council, then it shall seek advice from the Chief Executive, Monitoring Officer and Chief Finance Officer.

7.2 For executive functions that are a Cabinet responsibility, the Chief Executive, Monitoring Officer and Chief Finance Officer will either:

a) Prepare a report for the Cabinet if they determine that the decision the Cabinet has taken is outside the Budget and Policy Framework; in these circumstances, the Cabinet must report to Council; or

b) Prepare a report for the Strategic Monitoring Committee or Scrutiny Committee if they determine that the Cabinet's decision was not contrary to the Budget and Policy Framework.

7.3 If the decision referred to in 7.2 (a) has yet to be made then that decision will become a recommendation to Council.

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FINANCIAL PROCEDURE RULES

1. INTRODUCTION

- 1.1 Further advice on this section of the Council’s Financial Procedure Rules can be obtained from the Director of Resources.
- 1.2 Authority is delegated to the Head of Financial Services to act on behalf of the Director of Resources in all respects in his/her absence or if requested by the Director to do so.

Background

- 1.3 The Financial Procedure Rules control the way the Council manages its finances and safeguards its assets. They form part of the Council’s Constitution and are to be read in conjunction with other sections of the Constitution in particular:
 - a) Parts 6–9 inclusive – the delegations to Cabinet, Committees and Sub-Committees.
 - b) Part 12 – the delegations to officers.
 - c) Appendix 3 – the Budget and Policy Framework Procedure Rules.
 - d) Appendix 5 – the Contract Procedure Rules.
- 1.4 The Financial Procedure Rules apply to every Member and officer of the Council and anyone acting on its behalf except where separate arrangements are made under the scheme for the Local Management of Schools.
- 1.5 The Council encourages innovation providing this is within the framework laid down by the Financial Procedure Rules and that the necessary risk management arrangements and approvals are in place.
- 1.6 Every report to Members shall contain a statement setting out the financial implications of the recommendation(s) proposed that has been approved by the Director of Resources.

General Responsibilities

- 1.7 Members and officers have a general responsibility for taking reasonable action to provide for the security of assets under their control and for ensuring that the use of these resources is legal, properly authorised, provides value for money and achieves best value.
- 1.8 Members, officers and others acting on behalf of the Council are required to have proper regard to the advice and guidance issued by the Director of Resources on the Financial Procedure Rules.

Cabinet Responsibilities

- 1.9 Cabinet is responsible for regulating the Council’s finances and ensuring that sound financial management policies are in place and are adhered to. Deleted: and controlling
- 1.10 The Cabinet should maintain a written record where decision-making has been delegated.
- 1.11 Each Cabinet Member shall be accountable for the observance of the Council’s Financial Procedure Rules for those functions within their terms of reference. Each Director is responsible for ensuring those functions within their terms of reference operate within the Council’s Financial Procedure Rules. Each Director is also responsible for providing Cabinet Members with evidenced assurance that this is the case. Deleted: responsible

Director of Resources' Responsibilities

- 1.12 The Director of Resources has been appointed under Section 151 of the Local Government Act 1972 as the officer with responsibility for the proper administration of the Council's financial affairs.
- 1.13 Reference in these Financial Procedure Rules to the Director of Resources shall be taken to include any officer nominated by the Director of Resources to act on his/her behalf.
- 1.14 The Director of Resources shall be entitled to attend a meeting of any body on which Members are represented where matters affecting the financial affairs of the Council are being discussed.
- 1.15 The Director of Resources, under the general direction of Cabinet, is responsible for determining the basis for all accounting procedures and financial records for the Council and for exercising a check over all financial matters.
- 1.16 The Director of Resources is responsible for maintaining a continuous review of the Financial Procedure Rules and advising the Council of any additions or changes necessary.
- 1.17 The Director of Resources is responsible for reporting, where appropriate, breaches of the Financial Procedure Rules or any other element of the Constitution that relates to the proper administration of the Council's financial affairs to the Council and / or Cabinet.
- 1.18 The Director of Resources is responsible for issuing advice and guidance to underpin the Financial Procedure Rules.

Corporate Management Board Responsibilities

- 1.19 Members of the Corporate Management Board should maintain a written record where decision-making has been delegated.
- 1.20 Members of the Corporate Management Board are responsible for ensuring that all employees are aware of the content of the Financial Procedure Rules and other internal regulatory documents and that they are complied with.
- 1.21 Members of the Corporate Management Board are responsible for consulting with the Director of Resources on any matter within their area of responsibility that is liable to materially affect the finances of the Council before any provisional or other commitment is incurred or before reporting the matter to a Cabinet Member.
- 1.22 Members of the Corporate Management Board are responsible for supplying the Director of Resources with all information necessary for the proper administration of the Council's affairs.
- 1.23 Members of the Corporate Management Board shall allow the Director of Resources and their authorised representatives access to all documents and records they keep on demand.
- 1.24 Members of the Corporate Management Board shall observe the following division of duties in the allocation of financial responsibilities to employees:

- a) The duty to provide information regarding money due to or from the Council, including calculating, checking and recording, shall be separated from the duty of collecting or disbursing such money.
- b) The duty of examining and checking the accounts of each transaction shall be separated from the duty of making those transactions.

1.25 Members of the Corporate Management Board are responsible for ensuring those functions within their terms of reference operate within the Council's Financial Procedure Rules.

1.26 Members of the Corporate Management Board are responsible for providing Cabinet Members with evidenced assurance that the Council's Financial Procedure Rules are being complied with.

2. PREVENTING FINANCIAL IRREGULARITIES

- 2.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Director of Resources.
- 2.2 The Council shall not tolerate fraud or corruption of any form or degree in the administration of its responsibilities whether from inside or outside the Council.
- 2.3 The Council's expectation of propriety and accountability is that Members and staff at all levels shall lead by example in ensuring adherence to financial and legal requirements, rules, procedures and practices.
- 2.4 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) that it comes into contact with, shall act towards the Council with integrity and without thought or actions involving fraud or corruption.
- 2.5 The key controls regarding the prevention of financial irregularities are that:
 - (a) The culture and tone of the Council is one of honesty and opposition to fraud and corruption.
 - (b) All Members and staff act with integrity, and lead by example.
 - (c) All individuals and organisations associated in any way with the Council shall act with integrity.
 - (d) Managers with employee management responsibilities are required to deal swiftly and firmly with those who defraud the Council or seek to do so or who are corrupt.

Responsibilities of the Director of Resources

- 2.6 The Director of Resources is responsible for:
 - (a) Maintaining adequate and effective audit arrangements for the Council.
 - (b) Ensuring that financial irregularities are reported to the Head of Paid Service, Cabinet and the Audit and Corporate Governance Committee.
 - (c) Determining, in conjunction with the Chief Internal Auditor, the scope of any internal enquiries or investigations, subject to consultation with the relevant member of the Corporate Management Board as appropriate.

- (d) Deciding, in consultation with the relevant member of the Corporate Management Board as appropriate, whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.
- (e) Keeping the Head of Paid Service and Monitoring Officer informed if a suspected irregularity occurs involving staff who are the responsibility of the Director of Resources.
- (f) Ensuring, in conjunction with the relevant member of the Corporate Management Board, that the Council's disciplinary procedures are followed where the outcome of an audit or other investigation indicates fraud or irregularity.
- (g) Ensuring that any case of fraud or loss or financial irregularity or bribery or corruption discovered or suspected to exist which involves the Council's interest shall be dealt with in accordance with the Council's Anti-Fraud and Anti-Corruption policy.
- (h) Appointing senior officers to be the Council's Money Laundering Reporting Officer and deputy to the Council's Money Laundering Reporting Officer.

Responsibilities of Directors, Heads of Service and Officers

2.7 Directors, Heads of Service and officers are responsible for:

- (a) Ensuring that all suspected irregularities are reported to the Director of Resources and Chief Internal Auditor.
- (b) Instigating the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- (c) Being aware of the Council's policies for the prevention of money laundering and other financial irregularities.

Responsibilities of the Money Laundering Reporting Officer

- 2.8 The Director of Resources shall appoint a Money Laundering Reporting Officer (MLRO). This officer shall ensure that all staff likely to receive payments from the public, businesses or professions are aware of the Authority's responsibilities under the Proceeds of Crime Act 2002, the Money Laundering Regulations 2003 and any other relevant acts and regulations, such as the anti-terrorism acts.
- 2.9 The MLRO, or the Deputy MLRO in the MLRO's absence, shall receive reports from staff about suspicious payments of any value for any purpose and payments in cash in excess of £10,000 or €15,000.
- 2.10 The MLRO shall report any instance of suspected money laundering to the Serious Organised Crime Agency.

3. ASSET MANAGEMENT

Introduction

- 3.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Asset Management and Property Services.
- 3.2 The Asset Management section of the Council's Financial Procedure Rules provides a framework of principles, minimum requirements, levels of authority and delegations to

ensure that Herefordshire Council property is managed effectively to achieve maximum value for money.

Overarching principles

- 3.3 A set of overarching principles govern the operation of this section of the Council’s Financial Procedure Rules. These are:
- (a) All property owned or leased by Herefordshire Council is held corporately (including Herefordshire Council-owned schools).
 - (b) The Director of Resources is responsible for ensuring that the occupation of all Herefordshire Council property by Directorates is in accordance with best management practice and in the interests of the Council as a whole.
 - (c) Directorates have discretion to manage the property they occupy in order to promote effective service delivery. However, this discretion operates subject to the corporate responsibilities of the Director of Resources who has the authority to intervene in property matters to protect Herefordshire Council’s overall interests.
 - (d) Resolution of disputes on property matters is through the Head of Paid Services.
 - (e) All property transactions should be referred to the Director of Resources who shall seek the comments of all interested parties, including relevant Cabinet Members, Directorates and local Members, before the decision is taken to proceed. All decisions must be taken in accordance with the delegations set out in this section of the Council’s Financial Procedure Rules and the decision making procedures set out in the Council’s Constitution.

Acquisitions

- 3.4 Land and property requirements are to be appropriately identified and appraised and all acquisitions are to have the necessary prior authority and funding, including an assessment of the impact on revenue of funding from borrowing.
- 3.5 All acquisitions (freehold and leasehold) shall be actioned by the Director of Resources following consultation with the relevant Cabinet Members, the Head of Financial Services, the Head of Legal & Democratic Services, Directorates and local Members) either in accordance with paragraph 3.3 (e) above, the delegations set out in paragraphs 3.6 to 3.12 below, or the decision making procedures set out in the Council’s Constitution.

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Non-Highways Acquisitions

- 3.6 For all non-highways acquisitions, the relevant Directorate shall provide the Director of Resources with:
- (a) A definition of the service requirement giving rise to the proposed acquisition.
 - (b) A full financial appraisal of options (including the ‘do nothing’ option) for meeting service delivery requirements (developed as appropriate with support from the Corporate Asset Strategy Group) for all proposals likely to cost more than £140,000.
 - (c) An evaluation of the potential (if any) for joint use.

Deleted: 3.7 The Cabinet Member for Resources shall be consulted on all proposed acquisitions and kept informed of their progress.¶

3.7. Property acquisitions shall be dealt with in accordance with the appropriate provisions of this section of the Council's Financial Procedure Rules and decision making procedures set out in the Council's Scheme of Delegation. Deleted: 8

3.8. The use of compulsory powers for acquisitions must be agreed by Cabinet. Deleted: 9

Highways Acquisitions

3.9. The Director for Environment shall, in the case of all acquisitions for highway purposes, seek local Member views as part of the consultation process for highways and traffic schemes. Deleted: 10

3.10. The Cabinet Member for Highways & Transportation and the Director for Environment (or officer authorised by him/her) shall approve highway scheme designs and budgets (including land acquisition costs) after considering the views of the Corporate Asset Strategy Group (CASG). Deleted: 1

3.11. The Director of Resources may action acquisitions for highway purposes provided the scheme is in an approved programme or the property concerned has as a consequence been blighted. Deleted: 2

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3.12. The Director of Resources shall ensure that acquisitions for highways purposes that are part of a scheme that is not in an approved programme is referred for formal decision in accordance with the Council's Constitution and Financial Procedure Rules. Deleted: 3

Management and Use

3.13. Property is to be used efficiently, effectively and economically with due regard to legislative requirements. When any property is no longer required for operational purposes it is to be formally declared surplus, at which point its management reverts to the Director of Resources. The budgetary implications of this are to be identified and reported to the Cabinet Member for Resources. Deleted: 4

3.14. The occupation and use of property by a Directorate is subject to the Director of Resources responsibility for approving all material changes to property, including change of use, appropriations, granting/taking of interests, alterations or additions. Such changes must be reported to the Head of Financial Services for correct accounting treatment and apportionment of charges. Deleted: 5

Premises Management

3.15. The Director of Resources has the authority to undertake reviews of the property portfolio, or parts of it, to determine if it is optimised in terms of its utilisation, cost and value and within this to challenge the retention or use of existing properties occupied by Directorates. Deleted: 6

Building works

3.16. Major capital works for properties (schemes likely to cost in excess of £140,000) should be subject to a formal project appraisal and should be consistent with existing financial approval and procurement processes. Deleted: 7

Health & Safety

3.17. Employees are required to ensure that, in respect of all property matters, all obligations under health and safety legislation and Herefordshire Council's health and safety policies are met. Deleted: 8

Disposals

- | 3.18 Land and property which is surplus to operational need is either to be reallocated to meet alternative needs or disposed of in line with statutory requirements and/or Herefordshire Council policy. Deleted: 9

- | 3.19 Directorates shall notify the Director of Resources of: Deleted: 20
 - (a) Any property (or part) that is:
 - o Vacant.
 - o Held against a future operational need.
 - o Not used for the principal purpose for which it is held.
 - o Likely to be surplus to requirements (with estimated time-scale).
 - (b) Any operational issues associated with such property (e.g. longer term requirements).
 - (c) Any statutory/process issues relevant to its disposal (e.g. prescribed consultation processes, reference to the Secretary of State, etc.).
 - (d) Any other issues which need to be considered prior to disposal.

- | 3.20 The Director of Resources may identify any property (or part) that is considered, or could be made, surplus to operational requirements. Deleted: 1

- | **Treatment of Capital Receipts** Deleted: 3.22 The Director of Resources shall consult with the Cabinet Member for Resources on all disposals and inform him/her of the comments of local Members. ¶
- | 3.21 Capital receipts from disposals are deemed to be a corporate capital resource available for allocation in line with corporate priorities. Deleted: 3
- | 3.22 All receipts are agreed through the Capital Strategy & Monitoring Group (CSMG) with no assumption on application to particular schemes. Deleted: 4
- | 3.23 Use of capital receipts are subject to the following rules: Deleted: 5
 - (a) Overspending on schemes dependent on receipts must be contained within the budget allocated to the directorate concerned.
 - (b) Capital schemes dependent on receipts are included in the Capital Programme only after full vetting and valuation by CSMG and ultimate approval by Cabinet or Council as appropriate.
 - (c) All dependencies, assumptions and risks to be clearly identified by the project sponsor leading to prudent valuation adopted in project sign-off.
 - (d) Scheme assumptions about the quantum, timing and phasing of receipts to be explicit and receipts cannot generally be “counted” until the sale is complete.
 - (e) Monitoring shall be undertaken by CSMG with Asset Management & Property Services using a traffic light system to assess the level of risk around the receipts.

3.24. The process for planning for the realisation of capital receipts shall take a medium term approach (3 years minimum) to allow:

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- (a) Asset Management & Property Services to be able to work on projects in good time prior to consideration by CSMG. Larger, complex schemes can need 12-24 months lead-in.
- (b) Asset Management & Property Services to agree the strategy for disposal including timescale, planning, marketing, viewing arrangements, temporary occupation, minimising holding costs, surplus declarations etc. as core components of project justification to CSMG.
- (c) Directorates must deliver vacant possession when required by project plan.
- (d) Risk analysis to be included as part of project plan.

Urgent Decisions

3.25. In exceptional circumstances, where an urgent decision is required on property matters, this shall be taken by the Director of Resources in accordance with the provisions of this section of the Council's Financial Procedure Rules and only after consultation with the Cabinet Member for Resources, the Head of Financial Services and the Head of Legal and Democratic Services. If the matter is outside the delegations set out in paragraph 3.30 below then the matter can only be authorised by the Cabinet Member for Resources in accordance with the procedures for the taking of urgent decisions set out in the Council's Constitution.

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3.26. Any decisions made under the 'Urgent Decision' arrangements shall be reported to the relevant Director, Cabinet Members and Local Members.

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Financial Procedure Rules

3.27. All of the protocols set out in the Council's Financial Procedure Rules and Schemes of Delegation must be adhered to. No transaction should be approved unless specific budgetary provision is identified, except where the purchase is approved under the authority given in paragraph 3.25 above.

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Delegation to Officers

3.28. Subject to the consultation and approval provisions set out in this section of the Council's Financial Procedure Rules, the Director of Resources is authorised to:

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- (a) Determine and settle the acquisition or disposal of any land or property, or an interest in land or property.
- (b) Determine and settle the terms of a lease (taken or granted) for any land or property.

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3.29. As provided by arrangements made in the Constitution for the Leader to discharge executive functions, the Chief Executive may exercise any power delegated under this section of the Council's Financial Procedure Rules to the Director of Resources. The Director of Resources may delegate his/her powers in writing to other officers.

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Supporting Mechanisms

3.30. Whilst having no Constitutional or decision-making status, the management of assets and property shall be exercised through a variety of mechanisms which amplify and support this section of the Council's Financial Procedure Rules. The key mechanisms and their purpose are summarised below:

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(a) The **Corporate Asset Strategy Group** chaired by the Director of Resources provides a forum to discuss and agree the strategic direction for asset management and key property related initiatives. It provides a mechanism to assess whether this protocol is working in practice and to identify and resolve issues with regard to corporate and service responsibilities.

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(b) The **Capital Strategy and Monitoring Group (CSMG)** considers capital projects and significant changes to capital projects and ensures that proper planning and processes have been followed and risk assessments undertaken in line with the Council's Constitution, the project appraisal handbook and associated financial procedures. It makes recommendations to the Cabinet for schemes to be included in Herefordshire Council's capital programme.

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(c) The **Asset Management and Property Services Annual Service Delivery Plan**, prepared in accordance with Herefordshire Council's planning guidelines, identifies the main priorities of the Asset Management & Property Services division and includes as an annex a schedule of properties for disposal as agreed by Cabinet in the Asset Management Plan.

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(d) The **Strategic Asset Review Group** assesses the corporate need for land and property to support service delivery. It assists Services and Directorates to achieve a sustainable property asset base which is both sufficient and suitable for service delivery. It considers the opportunities for co-location and shared working with partners in the public sector.

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(e) The **Medium Term Financial Management Strategy** sets out Herefordshire Council's spending priorities and/or financial allocations over the medium term. All capital schemes are subject to the appraisal and decision making processes around the Capital Programme and the Medium Term Financial Management Strategy.

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Information to the Council and Scrutiny

3.31 Transactions proposed to be authorised by the Cabinet Member for Resources are subject to the normal processes of publication and scrutiny for Cabinet Member decisions.

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4. AUDIT

4.1 Further advice on this section of the Financial Procedure Rules can be obtained from the Director of Resources or Chief Internal Auditor.

Responsibilities of the Director of Resources

4.2 The Director of Resources has delegated responsibility for maintaining an adequate and effective internal audit service.

4.3 Where an appropriate response to audit recommendations has not been made within the agreed period, the Director of Resources shall refer the matter to the Head of Paid Service and/or the Audit and Corporate Governance Committee.

4.4 The Director of Resources is responsible for ensuring that the Chief Internal Auditor submits an annual report to the Audit and Corporate Governance Committee detailing internal audit activity for the previous year and reporting significant findings and areas of concern.

- 4.5 The Director of Resources is responsible for producing an annual Statement on Internal Control for inclusion with the annual Statement of Accounts based on assurances provided by the Chief Internal Auditor.
- 4.6 The Director of Resources is responsible for ensuring that Audit Services complies with the Chartered Institute of Public Accountancy's Code of Practice for Internal Audit.
- 4.7 The Director of Resources is responsible for maintaining strategic and annual audit plans that take account of the relative risks of the activities involved. He/she shall liaise with the Corporate Management Board on the audit strategy and plan. In addition to the statutory requirement, this takes into account the need to seek added value, effective use of resources, improved performance and cost-effective controls.
- 4.8 The Director of Resources is to investigate promptly any apparent, suspected or reported irregularity or fraud he/she becomes aware of. He/she shall report his/her findings to the Head of Paid Service to discuss and agree appropriate legal proceedings and disciplinary action, consulting with the relevant member(s) of the Corporate Management Board as appropriate.

Responsibilities of Directors and Heads of Service

- 4.9 Officers are responsible for ensuring that internal and external auditors have:
 - (a) Access at reasonable times to premises or land used by the Council.
 - (b) Access at reasonable times to any employee or employees.
 - (c) Access to all assets, records, documents, correspondence and control systems relating to any matter or business of the Council.
 - (d) Any information and explanation considered necessary concerning any matter under examination.
- 4.10 Officers are responsible for requiring any employee of the Council to account for cash, stores or any other Council property under their control and produce such items for inspection if required by Audit Services.
- 4.11 Officers are responsible for considering and responding within two weeks to recommendations in audit reports.
- 4.12 Officers are responsible for ensuring that any agreed actions arising from audit recommendations are carried out in a timely and efficient manner.
- 4.13 Officers are responsible for ensuring that new systems for maintaining financial records, or records of assets, or changes to such systems are discussed and agreed with the Chief Finance Officer prior to implementation.
- 4.14 Officers are responsible for notifying the Director of Resources or Chief Internal Auditor immediately in writing/electronic medium of any suspected or alleged fraud, theft, irregularity, improper use or misappropriation of Council property or resources. Pending investigation, all necessary steps should be taken to prevent further loss and secure records and documents against removal, destruction or alterations.
- 4.15 Officers are responsible for ensuring that all paperwork and systems are up to date, kept securely and are made available for inspection by internal or external audit.

- 4.16 Officers are responsible for ensuring all fundamental systems as defined by the Chief Internal Auditor and other financial systems are reconciled on a monthly basis and that records are up to date and available for internal or external audit inspection when required.

Responsibilities of the Head of Financial Services

- 4.17 The Head of Financial Services is responsible for drawing up the timetable and issuing guidance for final accounts purposes and to advise employees and the external auditors accordingly.

Responsibilities of the Chief Internal Auditor

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4.18 The Chief Internal Auditor shall provide the Leader, Chair of Audit & Corporate Governance Committee and relevant Cabinet Member(s) with a copy of audit review reports with an unsound, unsatisfactory or marginal audit opinion. The Council's procedures for maintaining confidentiality shall apply.

4.19 The Chief Internal Auditor shall provide the Leader, Chair of Audit & Corporate Governance Committee and relevant Cabinet Member(s) with written confirmation of audit review reports with a satisfactory or good audit opinion.

4.20 The Chief Internal Auditor is responsible for providing the Audit & Corporate Governance Committee with a regular assurance report that highlights any areas of concern regarding the effectiveness or level of compliance with agreed systems of internal control.

5. IMPREST ACCOUNTS

- 5.1 Further advice on this section of the Financial Procedure Rules can be obtained from the Head of Financial Services.

Responsibilities of the Head of Financial Services

- 5.2 To consider requests from Heads of Service and Head Teachers to provide a cash or bank imprest account to meet minor expenditure on behalf of the Council.
- 5.3 To prescribe rules for operating imprest accounts.
- 5.4 To maintain a record of all advances made and reconcile to the Council's main financial system.

Responsibility of the Head of Benefit and Exchequer Services

- 5.5 To reimburse imprest holders as often as necessary to restore the imprest balance.

Responsibilities of Heads of Service and Head Teachers

- 5.6 To ensure that all officers operating an imprest account comply with the following procedures:
- (a) Obtain and retain vouchers to support each payment from the imprest account including official VAT receipts where appropriate.
 - (b) Make adequate arrangements in their office for the safe custody of the account including vouchers and any other supporting documentation.
 - (c) Produce upon demand by the Director of Resources cash and all vouchers to the total value of the imprest account.

- (d) Record transactions promptly.
- (e) Reconcile and balance the account at least monthly with reconciliation sheets to be signed and retained by the imprest holder.
- (f) Provide the Head of Financial Services with a certificate of the value of the account held at 31st March by 31st May each year.
- (g) Ensure that the imprest is never used to cash personal cheques or to make personal loans.
- (h) Ensure that the only payments into the account are the reimbursement payments and any notes/coinage relating to purchases made by a cash advance from the imprest account.
- (i) Ensure income due to the Council is collected and banked as provided in Section 6 of the Council's Financial Procedure Rules and not through an imprest account.
- (j) On leaving the Council's employment or otherwise ceasing to be entitled to hold an imprest advance, account to the Head of Service or Head Teacher for the amount advanced to them.
- (k) Do not allow any bank imprest account to become overdrawn.
- (l) Ensure that payments are limited to minor items of permitted expenditure with a maximum transaction value set by the Director of Resources from time to time (set at £50 in February 2008).
- (m) Submit a claim for reimbursement at least monthly.
- (n) Notify the Head of Financial Services of any new signatories.

6. INCOME

- 6.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Benefit & Exchequer Services.
- 6.2 The Director of Resources has overall responsibility for the Council's income and collection functions and has sub-delegated this to the Head of Benefit and Exchequer Services who is required to ensure the effective collection and recording of all monies due to the Council.
- 6.3 The Director of Resources shall agree arrangements for the collection of all income and approve procedures and systems. In order to achieve this, the following controls must be followed:
 - (a) All income due to the Council is identified, charged correctly and billed promptly.
 - (b) All money received by an employee on behalf of the Council is paid without delay to the Director of Resources or to a nominated officer or into the Council's specified bank account and is properly recorded.
 - (c) All receipts given for money should be on an official receipt form.
 - (d) All income is collected from the correct person, at the right time using the correct procedures and appropriate stationery and effective recovery action to pursue outstanding sums is taken within defined timescales.

- (e) A formal approval process for write-offs of uncollectable debts using the criteria detailed below.
- (f) Personal cheques shall not be cashed out of money held on behalf of the Council.
- (g) All income received shall be receipted immediately.
- (h) Officers shall bank all cash received immediately; its use for either personal or official purposes is strictly forbidden.
- (i) All paying in records shall be retained securely in line with the Council's policies on the retention of documents.

6.4 The Director of Resources has determined the following authorisations for writing off uncollectable debt:

- Under £150 – individual Service Managers.
- Between £150 and £500 – Revenues Manager.
- Between £500 and £1,000 – Head of Benefit and Exchequer Services.
- Between £1,000 and £20,000 – Director of Resources.

6.5 For write offs of amounts exceeding £20,000 the Director of Resources shall seek agreement from the relevant Cabinet Member and Cabinet Member (Resources).

6.6 The Director of Resources shall report details of amounts over £1,000 written off to Cabinet twice a year for information purposes.

6.7 Write off of amounts relating to other Directorates require the recommendation of the relevant Director.

7. PAYMENTS

7.1 Further information on this section of the Council's Financial Procedure Rules can be obtained from the Head of Benefit and Exchequer Services.

7.2 The Director of Resources has overall responsibility for making payments on behalf of the Council and has sub-delegated this to the Head of Benefit and Exchequer Services.

7.3 Individual Directors shall ensure that payments are authorised by appropriate officers who can certify that goods and services have been received and that price, quantity and quality are in accordance with the initial order, where appropriate.

7.4 Directors shall provide the Director of Resources with a list of authorised officers showing their signing levels with specimen signatures. This list should be reviewed at intervals to ensure is up to date and accurate and any changes being reported promptly.

7.5 Unless specifically authorised otherwise by the Director of Resources:

- (a) Directors must authorise all payments in excess of £250,000 (excluding VAT).
- (b) Heads of Service may authorise payments up to £250,000 (excluding VAT).

- (c) Managers who report to Heads of Service may authorise payments up to £100,000 (excluding VAT).
- (d) Other officers as authorised by the Director up to £5,000 (excluding VAT).

- 7.6 Once certified, all accounts paid through the centralised payment system must be passed to the payments section who shall ensure that the required payment is made to the correct person by the agreed method of payment and that all expenditure including VAT is accurately recorded against the correct budget.
- 7.7 Requests for payment shall be rejected by the Payments Manager unless certified by an officer using their full signature who has the appropriate level of authority.
- 7.8 All accounts should be paid promptly, normally within 30 days unless in dispute, having due regard to the Late Payment of Commercial Debts (Interest) Act 1998 and to maximise performance. All accounts received must be date stamped with the day of receipt.
- 7.9 The Director of Resources shall ensure that all appropriate payment documentation is retained for the required period of time in accordance with the 'Guidelines on the Destruction of Financial records'.

8. SALARIES, WAGES, PENSIONS, TRAVEL AND SUBSISTENCE

- 8.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Benefit & Exchequer Services.
- 8.2 The Director of Resources is responsible for making payments to employees, former employees and Members on behalf of the Council and has sub-delegated this responsibility to the Head of the Benefit & Exchequer Services.
- 8.3 Directors shall provide the Director of Resources with a list of officers authorised to sign claims and other payroll documents showing their signing limits with specimen signatures. This list should be updated and reported promptly to reflect staff changes.
- 8.4 Directors and Heads of Service shall ensure that:
 - (a) Appointments are made in accordance with Council policies and approved staffing list and grades and that there is adequate budget provision for the length of the appointment.

(b) The following information is notified to Human Resources within the required timescales as set out in corporate Human Resources policies for starters and leavers, absences and variations to remuneration (other than annual increments and pay awards).

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- 8.5 Directors are responsible for ensuring a record of annual leave entitlement due and the actual leave taken by each employee is maintained for their Directorate in a form recommended by the Head of Human Resources.
- 8.6 All claims for payment of allowances, subsistence, travelling and expenses must be submitted within one month of the period they relate to on the approved form, duly certified in a form approved by the Director of Resources with all required supporting evidence including VAT receipts for fuel and other expenses where appropriate. Any exceptions shall require individual certification by both the Director and the Head of Service.
- 8.7 The certification of claims by or on behalf of a Director or Head of Service shall be taken to mean that the certifying officer is satisfied that the journeys and the expenses incurred were

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<#>Absence.¶
<#>Variations to remuneration, other than annual increments and pay awards.¶

necessary and authorised as being in line with the Council's policies on travel and subsistence claims.

- 8.8 The Director of Resources shall ensure that all appropriate payroll documents are retained for the required period of time in accordance with the 'Guidelines on the Destruction of Financial records'.

9. REVENUE BUDGET MANAGEMENT

- 9.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.

- 9.2 The Cabinet shall recommend an annual budget to Council that includes the following:

- (a) Annual capital and revenue budget.
- (b) Proposed contingencies, general reserves and specific reserves.
- (c) Statutory Council tax calculations;
- (d) Treasury management policy and borrowing limits.
- (e) The Chief Finance Officer's statutory declaration on budget setting.
- (f) Virement limits.
- (g) Scale of fees and charges.

- 9.3 Budget management ensures that resources allocated by Members are used for their intended purposes and that these resources are properly accounted for. Budgetary control is a continual process enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism to call to account managers responsible for defined elements of the budget.

- 9.4 By identifying and explaining variances against budgetary targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual cash limit, approved in setting the overall budget. To ensure that the Council in total does not overspend, each service is required to manage its own expenditure within the cash limited budget allocated to it.

- 9.5 Directors are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not support recurring expenditure from one-off sources of savings or additional income.

- 9.6 The structure and format of the revenue budget should be sufficient to permit effective financial management. The structure and format of the revenue budget shapes how the rules around virement operate, the operation of cash limits and sets the level at which funds may be reallocated within budgets.

- 9.7 The key controls for the budget format are that it:

- (a) Complies with all legal requirements.
- (b) Complies with CIPFA's "Best Value Accounting – Code of Practice".
- (c) Reflects management accountability for service delivery.

9.8 The Director of Resources shall advise the Cabinet on the format of the budget that is approved by the full Council.

10. CAPITAL BUDGET MANAGEMENT

10.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.

10.2 The Cabinet shall, following the submission of proposals by [the Corporate Management Board](#), recommend to Council:

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- (a) A capital programme for each financial year.
- (b) A future indication of a capital programme over a three-year period.
- (c) The recommended funding method for each capital project (including the use of Prudential Borrowing, capital receipts, revenue or other financing methods).

10.3 All capital spending proposals including ICT should be subject to approval through the Council's capital planning processes.

10.4 Following the approval of a capital programme, and subject to any conditions specified in that programme, or specified by the relevant Cabinet Member, the relevant Director shall take all appropriate action to carry into effect the approved schemes, within the budget and timescale agreed in the capital programme. Any material variation in cost or timescale shall be reported to the Cabinet.

10.5 Any report for a project or policy of a capital nature shall include details of:

- (a) The estimated cost of the proposal.
- (b) Any phasing of the capital expenditure.
- (c) The proposed method of financing, whether by loan, revenue or otherwise.
- (d) The effect on the revenue estimates in the first and subsequent years.
- (e) The additional staff and grades required both initially and ultimately.
- (f) An assessment and measurement of the need for the scheme and the benefits it will produce.
- (g) A technical and financial appraisal of the alternative approaches to meeting the need.

10.6 In-year decisions on new capital spending requirements not in the approved budget should be dealt with via the Council's Scheme of Delegation.

11. BUDGETARY CONTROL

11.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.

General

- 11.2 Directors shall be responsible for budgetary control of the estimates relevant to their Directorate and, after consultation with the Director of Resources, shall keep the relevant Cabinet Member informed of any significant variations.
- 11.3 The Director of Resources shall provide Directors, budget holders and Cabinet Members with monthly financial management information reports.
- 11.4 Inclusion within an approved revenue budget provides authority for expenditure on those approved items, subject to any limitation expressed in the Constitution, the budget or by the relevant Cabinet Member.
- 11.5 Any new proposal or variation which would materially affect the finances of the Council shall require approval by the Cabinet.
- 11.6 Each Director shall be responsible for monitoring the revenue and any capital budget relevant to his/her Directorate to ensure that such budgets are properly spent and not exceeded.
- 11.7 If it appears to a Director that his/her overall cash limited budget may be exceeded, he/she shall report the details as soon as practicable to the Chief Executive, the Director of Resources and to the Cabinet Member. The relevant Cabinet Member shall then report on the matter to the Cabinet.
- 11.8 The Council may permit Directorates to carry forward managed under spends into the following financial year provided that all other budget targets have been met. The first call on any underspendings shall be to offset any Directorate overspends.
- 11.9 Managed underspends carried forward shall be part of the Directorate budget plan for the next financial year and must be used to fund one-off expenditure only. Carrying forward underspendings in order to ensure external funding is received is also allowed.
- 11.10 Windfall reductions in spend and any unbudgeted income shall be ring-fenced and transferred into the Council's General Reserves at the end of the financial year.
- 11.11 Action plans must be put in place by each Directorate at an early stage in the financial year in order to manage potential overspendings (e.g. due to additional spending or below target income). Where appropriate the additional spending or below target income should be met by virements from other elements of the Directorate budgets. All Directors are required to manage expenditure within the agreed budget for their areas of responsibility.
- 11.12 Underspendings where any savings should not accrue to the Council (e.g. schools standards fund, schools sickness absence scheme) can be carried forward.
- 11.13 The Director of Resources shall furnish each Director with periodic statements of income and expenditure under each head of approved estimate along with other relevant information.
- 11.14 It is the duty of Directors to ensure that responsibility for budgetary control is allocated to appropriate officers in their Directorates.
- 11.15 Directors shall monitor spend and income against budgets monthly and ensure, so far as practicable, that expenditure in excess of their net approved budgets is not incurred without prior approval. If actual income is expected to be below budget, this must also be actively managed.
- 11.16 Directors are required to put in place recovery plans for any overspend in excess of their net approved budget in consultation with the Director of Resources.

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- 11.17 A budget shall normally be the planned income and expenditure for a service area or cost centre. However, budgetary control may take place at a more detailed level if this is required.
- 11.18 The key controls for managing and controlling the revenue budget are:
- (a) Budget Managers should be responsible only for income and expenditure that they can influence.
 - (b) There is a nominated Budget Manager for each cost centre heading.
 - (c) Budget Managers accept accountability for their budgets and the level of service to be delivered and understand their financial responsibilities.
 - (d) Budget Managers follow an approved certification process for all expenditure.
 - (e) Income and expenditure are properly recorded and accounted for.
 - (f) Performance levels/levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.
 - (g) The gross expenditure budget position is monitored and controlled.
- 11.19 The Director of Resources shall establish an appropriate framework of budgetary control that ensures that:
- (a) Budgetary control is exercised within annual cash limits unless the full Council agrees otherwise.
 - (b) Each Director has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities.
 - (c) Expenditure is committed only against an approved budget head.
 - (d) All officers responsible for committing expenditure comply with relevant guidance and the Financial Procedure Rules.
 - (e) Each cost centre has a single named manager, determined by the relevant Director. As a general principle budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure.
 - (f) Significant variances from approved budgets are investigated and reported by budget managers regularly.
- 11.20 The Head of Financial Services shall provide financial management training courses that all budget managers must attend in order to obtain a 'licence to practice' as a Budget Manager in Herefordshire Council. Refresher training must also be undertaken every two years or the licence to practice shall be removed.

Virement

- 11.21 The Council operates a scheme of virement intended to enable budget holders to manage budgets with a degree of flexibility within the overall policy framework determined by the Council and therefore optimise the use of resources.

11.22 Directors have authority to vire expenditure between individual budget heads in accordance with the virement policy.

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11.23 Key controls for the scheme of virement are:

- (a) That it is administered by the Director of Resources within guidelines set by Council. Any variation from this scheme requires the approval of Council.
- (b) That the overall budget is agreed by Cabinet and approved by Council. Directors and budget holders are therefore authorised to incur expenditure in accordance with those estimates. The rules below cover virement, that is switching resources between budget heads. For the purposes of these Rules a budget head is considered to be a line in the Council's budget book which, as a minimum, is at an equivalent level to the standard service sub-division as defined by CIPFA. The scheme applies equally to a reduction in income as to an increase in expenditure.

11.24 All virements below £140,000 must be approved by the Head of Financial Services. All virements above £140,000 must be approved by the Director of Resources. All virements of above £140,000 shall be reported in the budget monitoring report provided to Cabinet.

11.25 The prior approval of the Cabinet is required to any virement of £25,000 or more where it is proposed to:

- (a) Vire between budgets of different portfolio Cabinet Members.
- (b) Vire between budgets managed by different Corporate Directors.

11.26 Virement which is likely to impact on the level of service activity of another Director should be implemented only after consultation with the relevant Director.

12. FINANCIAL PLANNING

12.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.

12.2 The Head of Financial Services shall prepare and review annually a three-year financial plan and strategy to provide an estimate of resources available to the Council and identify budget pressures.

12.3 Proposed budgets over periods of one year or longer shall be prepared by Directors, in consultation with the Director of Resources, for submission through the Cabinet to the Council.

12.4 Directors shall evaluate the financial implications of any new policy option, initiative or major project in conjunction with the Director of Resources and Head of Financial Services prior to a report to the Cabinet and/or Council.

13. BORROWING APPROVALS

13.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.

13.2 The Director of Resources shall report to Cabinet, on an annual basis, with recommendations to Council to determine the limits for the borrowing of monies.

14. EMERGENCIES

- 14.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 14.2 Nothing in these standing orders shall prevent expenditure required to meet immediate needs caused by a sudden emergency to which Section 138 of the Local Government Act 1972 applies, provided that such expenditure shall be reported as soon as possible to the appropriate Cabinet Member and the Cabinet.

15. BANKING ARRANGEMENTS & CORPORATE CREDIT CARDS

- 15.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 15.2 All arrangements with the Council's bank concerning the Council's bank accounts and for the ordering and issue of cheques shall be made by, or under arrangements approved by, the Director of Resources. The Director of Resources shall be authorised to open and operate such banking accounts, as he or she may consider necessary. This authority shall include the power to give the necessary directions to the bank as to signatures for withdrawals. The Director of Resources shall report periodically to the Cabinet or Audit & Corporate Governance Committee as to the opening or closing of such accounts.
- 15.3 All cheques and cheque stationery shall be ordered only on the authority of the Director of Resources who shall be satisfied that proper arrangements are in place for their safe custody. Where the signature is printed on the cheque by a Council system, the signature shall be that of the Director of Resources.
- 15.4 The Director of Resources shall be responsible for authorising the issue of corporate credit cards and determining spending limits. Cardholders are required to comply with the guidance issued by the Director of Resources regulating the use of corporate credit cards. This guidance will include the requirement for cardholders to provide the Payments Manager with a receipt and coding slip for each item purchased using a credit card within 14 days of the monthly card statement being received.

16. INSURANCE AND RISK MANAGEMENT

- 16.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services or the Risk & Insurance Manager.
- 16.2 All organisations, whether they are in the private or public sector, face risks to people, property and continued operations. Risk is defined as the chance or possibility of loss, damage or injury caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk.
- 16.3 Insurance has been the traditional means of protecting against loss, but this cannot be seen as the complete answer. By reducing or even preventing the incidence of losses (whether they result from crime or accident), the Council shall benefit from reduced costs of providing insurance cover and shall also avoid the disruption and wasted time caused by losses and insurance claims.
- 16.4 It is the overall responsibility of the Cabinet to approve the authority's Risk Management Strategy and to promote a culture of risk management awareness through the Council. Monitoring of and reporting on the effectiveness of the Strategy is an essential part of the process.

- 16.5 The key controls for risk management and insurance are:
- (a) Robust systems are in place to identify, assess, prevent or contain significant operational risks on an integrated basis and these systems are promoted throughout the organisation.
 - (b) Acceptable levels of retained risk are identified and evaluated and arrangements are in place for their funding, either by internal provision or external insurance as appropriate.
 - (c) Managers know that they are responsible for managing relevant risks and are provided with appropriate and timely information on claims experience and risk management initiatives relating to their areas of responsibility.
 - (d) Procedures are in place to investigate and process claims within required timescales.
 - (e) A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis.
- 16.6 The Director of Resources shall effect all insurance cover and negotiate all claims in consultation with the relevant Director and Head of Legal & Democratic Services where appropriate.
- 16.7 Directors shall give prompt notification to the Director of Resources of all new risks, properties, vehicles and other assets that are required to be insured or any alterations affecting existing insurances.
- 16.8 Directors shall promptly notify the Director of Resources in writing of any actual or potential loss, liability or damage or any event likely to lead to an insurance claim by or against the Council.
- 16.9 The Head of Financial Services shall oversee and ensure the preparation of the Council's Risk Management and promote the Strategy throughout the Authority.

17. LOANS, LEASING AND INVESTMENTS

- 17.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 17.2 The Director of Resources shall borrow as necessary to finance the approved capital programme and deal with all matters in connection with the raising or repayment of loans and is authorised to borrow for meeting expenses pending the receipt of revenues.
- 17.3 All investments and all borrowing shall be made in the name of the Council or the appropriate trust when the Council is acting as trustee and the security shall be lodged with the Director of Resources, Head of Legal & Democratic Services or the Council's banker as deemed most appropriate by the Director of Resources.
- 17.4 Directors shall not enter into financial leasing arrangements except with the consent of the Director of Resources.
- 17.5 The Director of Resources shall arrange the borrowing and investment activities of the Council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the Authority's Treasury Policy Statement.

- 17.6 The Director of Resources shall prepare an Annual Treasury Strategy for the forthcoming financial year for approval by Council prior to the start of that financial year including the determination of statutory financing limits in accordance with Section 45 of the Local Government and Housing Act 1989 and report annually to Cabinet on the implementation and effectiveness of the Treasury Strategy.
- 17.7 The Council has the discretion to provide loan facilities to staff and members that help individuals fulfil their duties. These include car loan facilities, corporate loan facilities and bicycle loan facilities. From time to time government initiatives may bring forward other proposals that shall be investigated for suitability.
- 17.8 Each loan facility shall be supported by a written policy developed by the Head of Financial Services and agreed by Corporate Management Board. Variations to the facilities is delegated to the Head of Financial Services in consultation with the Director of Resources.

18. TRUST FUNDS

- 18.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services.
- 18.2 The Director of Resources shall:
- (a) Arrange for all trust funds to be held wherever possible in the name of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc relating to the trust with the Director of Resources unless the deed otherwise provides.
 - (b) Arrange where funds are held on behalf of third parties for their secure administration approved by the Director of Resources and to maintain written records of all transactions.
 - (c) Ensure that trust funds are operated within any relevant legislation and the specific requirement for each trust.

19. INVENTORIES AND STOCKS AND STORES

- 19.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Chief Internal Auditor.
- 19.2 The Director of Resources shall:
- (a) Advise on the form, layout and content of inventory records to be maintained by the Council.
 - (b) Advise on the arrangements for the care and custody of stocks and stores in Directorates.
- 19.3 Directors shall:
- (a) Maintain inventories in a form approved by the Director of Resources to adequately record and describe all furniture, fittings and equipment, plant and machinery under their control.
 - (b) Carry out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly.

- (c) Ensure attractive and portable items, such as computers, cameras and video recorders are identified with security markings as belonging to the Council and appropriately controlled and secured.
- (d) Make sure that property is only used in the course of the Council's business unless the Director concerned has given permission otherwise.
- (e) Directors have discretion to write off redundant equipment up to the value of £5,000, but must seek Cabinet Member approval for write-offs in excess of £5,000. Directors shall seek independent quotations where it is not immediately obvious what the market value of the redundant item is.
- (f) Make arrangements for the care, custody and recording of stocks and stores in Directorates.
- (g) Ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- (h) Ensure stocks are maintained at reasonable levels and subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion.
- (i) Write-off discrepancies of up to £5,000 and seek advice from Internal Audit on discrepancies above this limit.
- (j) Authorise write-off and disposal of redundant stocks and equipment by competitive quotations or auction unless, following consultation with the Director of Resources, it is decided otherwise in a particular case.
- (k) Seek approval from the Director of Resources and Cabinet Member to the write-off of redundant stocks and stores valued in excess of £5,000.
- (l) Record the reasons for the chosen method of disposing of redundant stocks and equipment if not by competitive quotation or auction.

20. ORDERS FOR GOODS, WORKS AND SERVICES

- 20.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services or the Strategic Procurement Manager.
- 20.2 Orders shall not be issued for goods, work or services unless the cost is covered by an approved budget.
- 20.3 All orders given on behalf of the Council shall be in a written or electronic form approved by the Director of Resources. All orders are to be authorised by officers nominated by the appropriate Director who shall be responsible for official orders issued from his or her Directorate. Orders given verbally shall be confirmed by paper or electronic order as appropriate as soon as possible.
- 20.4 All works, goods or services supplied to the Council are to be subject to formal prior authorisation, in writing and/or electronic medium, as to need and budget cover. Written or electronic orders are to be issued for all work, goods or services to be supplied to the Council unless a written contract is required. An order or contract is not required for public utility services, periodical payments such as rent or rates, for petty cash purchases or for such other expenditure as the Director of Resources may approve. All orders and contracts are to be managed in compliance with the Council's Contract Procedure Rules and Financial Procedure Rules.

- 20.5 Each order shall conform to the directions of the Council with respect to central purchasing and the standardisation of supplies and materials and with respect to Contract Procedure Rules.
- 20.6 Written orders shall be marked with invoice details when relevant accounts are passed for payment. When an electronic procurement system is in use an appropriate entry shall be made in that system when a payment is authorised.
- 20.7 The key controls for ordering and paying for work, goods and services are:
- (a) All works, goods and services are ordered only by appropriate persons and recorded.
 - (b) All works, goods and services shall be ordered in accordance with the Council's Procurement Strategy and Contract Procedure Rules unless they are purchased from internal sources within the Council.
 - (c) Works, goods and services received are checked to ensure they are in accordance with the order.
 - (d) Payments are authorised by officers who can certify that goods have been received to price, quantity and quality.
 - (e) All payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method.
 - (f) All appropriate payment documents are retained and stored for the defined period in accordance with the Council's 'Guidelines on the Destruction of Financial Records'.
 - (g) All expenditure including VAT, is accurately recorded against the right budget and any exceptions corrected.
 - (h) That processes are in place to maintain the security and integrity of data for transacting business electronically.

21. WORKING FOR THIRD PARTIES

- 21.1 Further advice on this section of the Council's Financial Procedure Rules can be obtained from the Head of Financial Services and Head of Legal & Democratic Services.

General

- 21.2 Current legislation enables the Council to provide a range of services to certain other bodies. Such work may enable the unit to maintain economies of scale and existing expertise. Arrangements must be in place to ensure that any risk associated with this work is minimised.
- 21.3 All proposals to work for a third party shall be properly costed in accordance with guidance provided by the Director of Resources.
- 21.4 All decisions to work for a third party shall be made in accordance with the Council's formal decision making processes as set out in the Scheme of Delegation.
- 21.5 All contracts for providing work for a third party shall be drawn up using guidance provided by the Head of Legal & Democratic Services.

Responsibilities of Directors, Heads of Service and Officers

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21.6 Officers shall ensure that:

- (a) Legal advice is obtained from the Head of Legal & Democratic Services on the implications of providing the proposed service to the proposed third party.
- (b) Financial advice is obtained from the Head of Financial Services on the cost of providing the service.
- (c) Formal approval in line with the Council's Scheme of Delegation is obtained before any negotiations to work for third parties are concluded.
- (d) A register of all contracts entered into with third parties is maintained in accordance with procedures specified by the Head of Legal & Democratic Services.
- (e) Appropriate identity checks on the third party are carried out in accordance with the Council's anti money laundering policy and guidance.
- (f) Appropriate insurance arrangements are in place for the third party work.
- (g) The Council is not put at any risk of bad debts as a result of any third party work (see 21.2 above).
- (h) The Council is not subsidising any contracts for the provision of third party work.
- (i) Wherever possible, payment is received in advance of the delivery of the service under a third party contract.
- (j) The Directorate has the appropriate expertise to undertake the contract.
- (k) The contract does not adversely impact on the services provided for the Council.
- (l) All contracts are properly documented.
- (m) The Director of Resources is provided with the information he/she needs to make an appropriate note to the annual statement of accounts in respect of the Council's work for third parties.

CONTRACT PROCEDURE RULES

1. INTRODUCTION

- 1.1 The primary objective of the Council's Contract Procedure Rules is to ensure that all contracts for works, goods and services are entered into in a manner that secures value for money and is demonstrably free from impropriety.
- 1.2 The Council's Contract Procedure Rules also ensure that:
 - a) Contract selection and award procedures are conducted fairly, in a properly regularised manner and in accordance with relevant legal requirements.
 - b) Strategic service delivery and supply partners are used wherever possible to ensure value for money is obtained and the cost to procure is minimised.
 - c) Local firms are employed whenever they offer as good value for money as other firms and their selection is in accordance with the Council's legal obligations, for example in relation to European procurement rules.
 - d) The Council's strategic policies are taken into account, for example in promoting the economic development of Herefordshire and in relation to protecting the environment.
 - e) Alternative methods of procurement compatible with the objectives of the Contract Procedure Rules have been considered.
 - f) Procurement procedures are kept under review in order to ensure continuous improvements to services and provide Best Value to the community of Herefordshire.
 - g) Procurement of ICT equipment is achieved using the Council's on-line procurement system.
- 1.3 The Director of Resources has overall responsibility for the preparation of the Council's Contract Procedure Rules. The Head of Financial Services has delegated responsibility for implementing the Council's Contract Procedure Rules. The Strategic Procurement Manager assists the Head of Financial Services in this task.
- 1.4 The Head of Financial Services and Strategic Procurement Manager work very closely with the Head of Legal & Democratic Services due to the significant legal issues involved in contracting and procurement activity.
- 1.5 It should be noted that the Council's Contract Procedure Rules should be read in conjunction with the Council's Standing Orders, Scheme of Delegation, Budget & Policy Framework Rules and Financial Procedure Rules.
- 1.6 **It should also be noted that failure to observe the Council's Contract Procedure Rules could lead to disciplinary action.**
- 1.7 Please note that all financial limits outlined in this document exclude Value Added Tax (VAT).

2. STANDARDS OF CONDUCT

2.1 Declarations of Interest

- 2.1.1 Members and officers must ensure that they comply with the provisions of Standing Order 2.8 (Members) on the declaration of interests and Appendix 14 of the Constitution (officers) regarding the declaration of interests.

2.2 Gifts and Hospitality

- 2.2.1 Any offer of gift, favour or hospitality made by any person or firm doing or seeking to do business with the Council must be treated with extreme caution.
- 2.2.2 Any such offers must be noted on the appropriate form and reported to the Head of Legal & Democratic Services who shall maintain and make available to the Council's internal and external auditors a register of such matters.
- 2.2.3 Acceptance of gifts and hospitality must be in accordance with the Council's policies on such matters.

2.3 Honesty

- 2.3.1 All Members must follow the Members' Code of Conduct.
- 2.3.2 All employees must follow the Employee Code of Conduct (as set out in the Council's Employee Induction Handbook and available from Human Resources).
- 2.3.3 All officers must make sure that employees involved in an in-house tender for a contract do not take part in the preparation of tender documentation or the decision on the award of such a contract.

3. OFFICER RESPONSIBILITIES

3.1 Chief Executive's Responsibilities

- 3.1.1 The Chief Executive is responsible for resolving issues concerning the operation of the Council's Contract Procedure Rules seeking advice as necessary from the Director of Resources **and** the Head of Legal & Democratic Services.

3.2 Directors' Responsibilities

- 3.2.1 All Directors are responsible for:
- a) Monitoring compliance with the Council's Contract Procedure Rules in relation to contracts funded by their Directorate budget.
 - b) Appointing Contract Monitoring Officers (see 3.4 below) and ensuring they support them in their role and obtain regular briefings from them.
 - c) Appointing a senior member of staff to the Corporate Procurement Group (see 3.5 below).

APPENDIX 5

- d) Establishing, maintaining and utilising Approved Contractors Registers for their Directorate in accordance with section 4 of the Council's Contract Procedure Rules.
 - e) Bringing the provisions of the Council's Contract Procedure Rules to the attention of their staff.
 - f) Ensuring that the contracts within their Directorate are legal, comply with Contract Procedure Rules and Financial Procedure Rules and protect the Council's interests fully.
 - g) Ensuring that the Council's Criminal Records Bureau policies and procedures are followed.
- 3.2.2 The Director of Resources has overall responsibility for the preparation and review of the Council's Contract Procedure Rules but must do so in agreement with the Head of Legal & Democratic Services.
- 3.3 Head of Service Responsibilities**
- 3.3.1 The Head of Legal & Democratic Services is responsible for:
- a) Providing legal advice and guidance to Members and officers on the operation of the Council's Contract Procedure Rules and all contracting and procurement activity.
 - b) Working with the Director of Resources on the preparation and review of the Contract Procedure Rules.
 - c) Assisting the Chief Executive with the resolution of questions regarding the interpretation of the Council's Contract Procedure Rules.
 - d) Advising on the preparation of contract documentation.
 - e) Maintaining a central Procedures Exemption Register.
 - f) Informing relevant officers of any information received that calls into question the suitability of a contractor, consultant, agency or any other person carrying out work for the Council.
- 3.3.2 The Head of Financial Services is responsible for providing the professional lead on all the non-legal aspects of contracting and procurement relating to works, goods and services. The Head of Financial Services is also responsible for supervising the Corporate Procurement Group's activities (see 3.5 below) and maintaining a Contracts Register.
- 3.3.3 All Heads of Service are responsible for providing the Head of Financial Services with the information s/he requires to maintain a Contracts Register. This will include all contracts for purchases in total valued £10,001 and above and the name of the Contract Monitoring Officer or responsible officer.
- 3.4 Contract Monitoring Officers' Responsibilities**
- 3.4.1 Directors shall appoint one or more Contract Monitoring Officer(s) to take responsibility for contracts with an estimated total value (excluding VAT) in excess of £10,001. Directors shall nominate a Contract Monitoring Officer for each contract and nominate one of their Contract Monitoring Officers to be responsible for the overall reporting and maintenance of contract records within the Directorate. A responsible officer shall be appointed for all contracts below £10,000.

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- 3.4.2 Contract Monitoring Officers are responsible for liaising fully with Financial Services and Legal Services on all matters relating to contracting and procurement.
- 3.4.3 Contract Monitoring Officers are responsible for agreeing exemptions from the formal tendering procedures with the Head of Financial Services or the Strategic Procurement Manager **and** the Head of Legal & Democratic Services. All exemptions are to be approved in writing and reported in line with the requirements of Section 10 of the Council's Contract Procedure Rules.
- 3.4.4 Contract Monitoring Officers are responsible for liaising with officers administering contracts regarding any reports concerning failures by contractors to comply with contractual obligations or otherwise satisfactorily complete work.
- 3.4.5 Contract Monitoring Officers are responsible for posting any information they receive concerning the suitability of a contractor to carry out work for the Council on the Contracts Watch sub-folder of the Procurement/Contract Management public folder on the Council's Intranet. The message should advise any officer who has employed or is considering employing the contractor to contact the Head of Legal & Democratic Services for further information as the message should not state the reason for concern. The Contract Monitoring Officer should inform the Head of Legal & Democratic Services in writing of the reasons for the alert.
- 3.4.6 Contract Monitoring Officers are responsible for emailing copies of their Approved Contractor Registers to the central Approved Contractor Register sub-folder of the Procurement/Contract Management public folder on the Council's Intranet. They are responsible for keeping their Approved Contractor Registers updated with any additions, suspensions or removals (section 4 of the Council's Contract Procedure Rules refers). A hard copy shall be provided to the Strategic Procurement Manager.
- 3.4.7 Contract Monitoring Officers are responsible for emailing copies of their Suspended and Removed Contractors Lists to the central Suspended and Removed Contractors List sub-folder of the Procurement/Contract Management public folder on the Council's Intranet. A hard copy shall be provided to the Strategic Procurement Manager.
- 3.4.8 Contract Monitoring Officers are responsible for maintaining records of the:
- a) Contractors included in their Approved Contractor Registers.
 - b) Contracts awarded including the nature and value of contracts and the names of successful tenderers.
 - c) Total value of contracts awarded to each successful tenderer during each financial year.
 - d) Names of unsuccessful tenderers and reasons why their tenders were not accepted if the reason is other than price.
 - e) Details of any failure by a tenderer to comply with instructions to tenderers.
 - f) Details of the reasons for any tenders being withdrawn.
 - g) Details of failures by contractors to submit tenders after having requested and been invited to do so.

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- h) Contractors' performance.
- i) Reasons for opening late tenders (see section 5 of the Council's Contract Procedure Rules).
- j) Reasons for exceptions to tendering procedures (see section 10 of the Council's Contract Procedure Rules).

3.4.9 The lead Contract Monitoring Officer appointed by the Director is responsible for keeping their Director briefed on contract and procurement issues within the Directorate.

3.5 Strategic Procurement Manager's Responsibilities

3.5.1 Working to the Head of Financial Services, the Strategic Procurement Manager is responsible for providing advice on all aspects of the Council's Contract Procedure Rules save for the legal issues. The responsibility for the legal aspects of the Council's Contract Procedure Rules rests with the Head of Legal & Democratic Services.

3.5.2 The Strategic Procurement Manager is responsible for chairing the Council's Corporate Procurement Group. Each Director shall appoint a senior officer to be a member of the Corporate Procurement Group and the membership shall include the Head of Legal & Democratic Services or their nominated representative.

3.5.3 The Council's Corporate Procurement Group will meet at least quarterly in order to fulfil the following responsibilities:

- a) Continually reviewing the Council's Procurement Strategy and making recommendations on appropriate enhancements to the Head of Financial Services to take forward in consultation with the Head of Legal & Democratic Services for approval in line with the Council's arrangements for decision making as set out in the Constitution.
- b) Maintaining a register of current contracts.
- c) Monitoring compliance with the Council's Contract Procedure Rules and reporting non-compliance to the Head of Financial Services and Head of Legal & Democratic Services for appropriate action.
- d) Preparing an annual report on the operation of and compliance with the Council's Contract Procedure Rules as a basis for the Head of Financial Services, in consultation with the Head of Legal & Democratic Services, to report to the Audit & Corporate Governance Committee.
- e) Continually reviewing the Council's Contract Procedure Rules to ensure they keep pace with developing best practice and advising amendments as necessary.
- f) Prescribing the information needed from Contract Monitoring Officers and maintaining a central record of the information notified by Contract Monitoring Officers.
- g) Reviewing the Contract Procedure Rules Exemption Register and preparing an annual report on the exemptions recorded for the Head of Legal & Democratic Services.
- h) Providing training and support for employees involved in procurement activities.

3.6 Responsibilities of all Officers

3.6.1 All officers are responsible for:

- a) Following the Council's Contract Procedure Rules and any codes of practice, guidance or instructions provided by the Head of Financial Services or Strategic Procurement Manager and the Head of Legal & Democratic Services.
- b) Following all relevant English and European procurement laws.
- c) Seeking advice from the Head of Financial Services or Strategic Procurement Manager and the Head of Legal & Democratic Services in the case of any uncertainty.
- d) Ensuring that any departure from these Contract Procedure Rules is agreed with the Head of Financial Services or Strategic Procurement Manager **and** the Head of Legal & Democratic Services.
- e) Following the Council's Employee Code of Conduct (a copy is included in the Employee Induction Handbook and can be obtained from Human Resources).
- f) Following the Council's Financial Procedure Rules and the systems and procedures that are in place to control budgets properly.
- g) Declaring any interest that could influence their judgement in contracting matters to their Director and the Head of Legal & Democratic Services.
- h) Not taking part in **any** decisions relating to the procurement of work, goods or services if they are part of a formal in-house bid for that work.
- i) Reporting any suspected fraudulent, corrupt or other irregularity to the Chief Internal Auditor.
- j) Ensuring that value for money is evidenced through the procurement process.

4. APPROVED CONTRACTOR REGISTERS

4.1 Introduction

- 4.1.1 Approved Contractor Registers are very useful for some types of works, goods or services contracts and can be an efficient way of identifying suppliers.
- 4.1.2 **Contractors on an Approved Contractor Register must not be approached either formally or informally until after publication of the appropriate European contract notice for contracts governed by the European procurement rules.**
- 4.1.3 If an Approved Contractor Register exists and it is appropriate to use it then the register should be used.
- 4.1.4 If an Approved Contractor Register is to be used, a method for selecting the suppliers on it that will be invited to tender must be determined. The method chosen must ensure that all the

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suppliers on the relevant Approved Contractor Register have the same opportunity over time to tender for work (subject to suitability for particular work and financial limits under 4.2.6).

- 4.1.5 Officers may use Government-backed Approved Contractor Registers or other registers approved by the Corporate Procurement Group to select those to be invited to bid for a contract.

4.2 Managing an Approved Contractor Register

- 4.2.1 Contract Monitoring Officers must advertise and invite applications from potential suppliers to be added to an Approved Contractor Register for any given type of contract for works, goods or services.

- 4.2.2 Advertisements inviting applications from potential suppliers to be included in an Approved Contractor Register should be placed in the relevant local and trade press and, if necessary, the EC Journal.

- 4.2.3 The information needed from potential suppliers in order to assess whether they are suitable for inclusion on an Approved Contractor Register should be gathered using the same method for all suppliers seeking inclusion on the Register.

- 4.2.4 When considering whether to include a contractor on an Approved Contractor Register, officers must look at each contractor's:

- a) Past performance on similar contracts (quality and costs).
- b) Technical capacity.
- c) Specialist experience in the type of products and services being procured.
- d) Financial situation.
- e) Public and employer's liability insurance arrangements.
- f) Health & safety arrangements.
- g) Equalities policy.
- h) Written references on the contractor's reputation.

- 4.2.5 Officers may add other criteria to help them select suppliers for inclusion on an Approved Contractor Register providing the additional criteria are relevant, do not prevent fair competition and do not illegally discriminate between suppliers. The Contract Monitoring Officer must establish the minimum standard required for each criterion before inviting applications for inclusion on the Approved Contractor Register.

- 4.2.6 An Approved Contractor Register must state the value of work that can be placed with each supplier at any one time.

- 4.2.7 An Approved Contractor Register should normally contain at least five suppliers. Advice and guidance must be sought from the Head of Financial Services/Strategic Procurement Manager where fewer than five suppliers qualify for inclusion as this might indicate that an Approved Contractor Register is not the most suitable route for the works, goods or services in question.

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- 4.2.8 Officers must review their Approved Contractor Registers at least every two years using the criteria set out in 4.2.4 and 4.2.5 to assess whether a supplier should remain on the Register. The review should also consider whether the value of work that can be placed with each supplier at any one time should be revised.
- 4.2.9 Officers should consider suspending or removing suppliers from an Approved Contractor Register as a result of such a review or at other times if there are grounds to do so such as poor performance, disputes or poor financial standing. See 4.3 below for guidance on how to suspend or remove a supplier from an Approved Contractor Register.
- 4.2.10 Officers must advertise to compile subsequent Approved Contractor Registers at least every five years or earlier if fewer than five suppliers remain on the Register.
- 4.2.11 All contracts let using an Approved Contractor Register must comply with the Council's Contract Procedure Rules in every respect. The Head of Financial Services or Strategic Procurement Manager or Head of Legal & Democratic Services are able to advise on any aspect of the Council's Contract Procedure Rules.

4.3 Suspending or Removing a Supplier from an Approved Contractor Register

- 4.3.1 If an officer receives a materially adverse report concerning a contractor's performance or compliance with tendering procedures that suggests they should no longer be on an Approved Contractor Register, the officer must seek advice from the Head of Financial Services or Strategic Procurement Manager who will, in consultation with the Head of Legal & Democratic Services, advise what further action is necessary.
- 4.3.2 If the Head of Financial Services or Strategic Procurement Manager determines after consultation with the Head of Legal & Democratic Services that the supplier should be suspended or removed from an Approved Contractor Register, the officer shall follow this advice and amend the Register accordingly. The officer shall also include the contractor in a List of Suspended and Removed Contractors and notify the contractor accordingly.
- 4.3.3 An officer must seek approval as outlined in 4.3.1 and 4.3.2 to lift a suspension on a supplier or re-admit a supplier to an Approved Contractor Register.
- 4.3.4 If an officer concludes as a result of a routine review of an Approved Contractor Register that a supplier should be removed from that Register, then they must seek advice as outlined in 4.3.1 and 4.3.2.

5. FORMAL QUOTATION AND TENDERING PROCEDURES

5.1 Introduction

- 5.1.1 West Mercia Supplies (WMS) must be used for all purchases of office supplies and consumables, furniture, photocopiers, janitorial supplies and personal protective equipment.
- 5.1.2 Proposals to use an alternative supplier for such goods must be approved prior to an order being placed using a form prepared by the Strategic Procurement and Efficiency Review Manager.
- 5.1.3 Requests to use an alternative supplier to WMS will be approved or otherwise by the Head of Financial Services.

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5.1.4 Failure to comply with the Council's policy on the use of WMS will lead to a corresponding budget reduction equivalent to the total price of the supply.

5.1.5 Officers must also use Council approved strategic service delivery partners if the work required is within the scope of the Council's strategic service delivery contracts.

Deleted: (such as Amey Wye Valley Limited and Owen Williams)

5.1.6 Procurement of ICT equipment must be achieved using the Council's online procurement system.

5.1.7 The following procedures must be followed for all other types of procurement:

a) **Purchases in total valued up to £1,000** – no requirement for formal quotations or tenders but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the Council's Contract Procedure Rules have been followed.

b) **Purchases in total valued between £1,001 and £10,000** – two formal quotations must be obtained (see 5.2 below).

c) **Purchases in total valued between £10,001 and £50,000** – three formal quotations must be obtained (see 5.2 below).

d) **Purchases in total valued between £50,001 and up to relevant EU limit (£140,000)** – formal tendering arrangements must be followed (see 5.3 below).

e) **Purchases in total valued in excess of relevant EU limit (£140,001)** – European procurement rules must be followed (see section 6 of the Council's Contract Procedure Rules).

5.1.8 It is important to respect confidentiality in quotation and tendering processes. Officers must not therefore disclose any information they have about potential suppliers to other persons/suppliers potentially competing for the same contract.

5.1.9 Official orders should be raised for works, goods and services in line with the Council's Financial Procedure Rules.

5.2 Formal Quotation Procedure

5.2.1 The requisite number of formal quotations must be obtained for all purchases (other than those with WMS or within the scope of a strategic service delivery contract) where between £1,001 and £10,000 in total (see 5.1.7).

5.2.2 A quotation is a written estimate of the cost to execute works or supply goods, materials or services.

5.2.3 Officers must produce a description of the goods or specification of the services required before seeking quotations. This will enable a fair comparison of prices. The level of detail in the description or specification will depend on the value and type of goods or services being purchased. Advice can be obtained from the Strategic Procurement Manager

5.2.4 Formal quotations should contain as a minimum the following information:

a) Date and reference number.

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- b) Supplier company details.
- c) Council officer/department name.
- d) Item/part number.
- e) Description specification.
- f) Quantity required.
- g) Unit/service cost.
- h) Total cost.
- i) Delivery information.
- j) Payment details.
- k) Any special requirements.
- l) Details of any discounts/rebates.

5.2.5 An appropriate Approved Contractor Register should be used if available to select the suppliers that will be asked to provide a quotation.

5.2.6 Every person or firm who makes a quotation must be treated fairly. Selection of the preferred supplier from the quotations received must be done in accordance with the principles set out in the formal tendering procedures (5.3 refers).

5.2.7 Any departures from the formal quotation procedures must be discussed with the Head of Financial Services or Strategic Procurement Manager who will agree or otherwise any exception in consultation with the Head of Legal & Democratic Services. A record must be kept of the reasons for and approval given for departing from the formal quotation procedure.

5.2.8 Formal quotations for contracts up to £50,000 should be kept for a minimum of two years after the contract has been awarded.

5.3 Formal Tendering Procedure

Introduction

5.3.1 Formal tendering procedures apply to all contracts with a total value between £50,001 and the prevailing European procurement limit for supplies and services (currently £140,000) except for those with WMS or a Council approved strategic service delivery contract. To ensure that European procurement rules are properly applied, Contract Monitoring Officers should liaise with the Strategic Procurement Manager for all contracts with an estimated value in excess of £50,000.

5.3.2 It is important to respect confidentiality during all stages of the formal tendering process. Officers must not therefore disclose any information they have about potential suppliers to other persons/suppliers potentially competing for the same contract.

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5.3.3 Advice and guidance on how to describe the works, goods or services required for formal tendering purposes can be obtained from the Strategic Procurement Manager.

Selecting Potential Tenderers

5.3.4 An Approved Contractor Register should be used wherever possible for selecting potential tenderers for a contract. Officers must record the names of the persons/suppliers invited to tender from an Approved Contractor Register.

5.3.5 If an Approved Contractor Register does not exist or is unsuitable for selecting potential tenderers, officers will either need to advertise for potential tenderers or approach selected ones in cases where specialist works, goods or services are required.

5.3.6 If an Approved Contract Register is available but considered unsuitable for a specific contract, the Contract Monitoring Officer should discuss the reason with the Head of Financial Services or Strategic Procurement Manager. The Head of Financial Services or Strategic Procurement Manager should then consult with the Head of Legal & Democratic Services. The Director and Contract Monitoring Officer shall be informed of the decision of the Head of Financial Services or Strategic Procurement Manager and Head of Legal & Democratic Services.

5.3.7 Officers must also seek guidance as outlined in 5.3.6 above if they propose to approach selected persons or firms as potential tenderers.

5.3.8 Contract Monitoring Officers must keep a written record of the reasons for departing from the usual practice of selecting potential tenderers from an existing Approved Contractor Register and the approval given. They must also record the reasons for approaching selected tenderers and the approval given.

5.3.9 Advertisements for potential tenderers may be placed in relevant trade or professional journals, local and national newspapers, the Council's website and the EC Journal.

5.3.10 The method for collecting the information needed from potential suppliers to assess whether to invite them to submit a formal tender and the method of assessment must be agreed before the selection process begins.

5.3.11 A standard business questionnaire may be used to collect information from the potential suppliers but the same questionnaire must be used for all potential suppliers. Alternatively, information may be gathered by inviting potential suppliers to express an interest in writing covering the specifics identified by the officer in the advertisement or letter of invitation. Further advice can be obtained from the Strategic Procurement Manager.

5.3.12 The method for selecting tenderers must:

- a) Treat all tenderers in the same way.
- b) Keep the process clear and simple.
- c) Record all the selection decisions.

5.3.13 Officers must consider the following when selecting suppliers to be invited to tender for a particular contract:

- a) Past performance on similar contracts (quality and costs).

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- b) Technical capacity.
- c) Specialist experience in the type of products and services being procured.
- d) Financial situation.
- e) Public and employer's liability insurance arrangements.
- f) Health & safety arrangements.
- g) Equalities policy.
- h) Written references on the contractors' reputation.
- i) Environmental policies.

5.3.14 Officers may also use information from referees and from company searches to assess which persons or firms to invite to submit a tender.

5.3.15 At least three suitable suppliers should be invited to tender. If there are only three suitable suppliers (e.g. due to the number of suppliers responding to an advertisement) they must all be invited to tender.

5.3.16 If there are only one or two suppliers indicating they wish to be considered then an exemption from the Contract Procedure Rules **must** be sought from the Head of Financial Services or Strategic Procurement Manager and Head of Legal & Democratic Services and their approval given before proceeding. The names or details of suppliers must not be passed on to anyone at any time during the tendering process.

Inviting Tenders

5.3.17 Each potential supplier should be sent an invitation to tender, the contract documents, a tender form and a return label bearing the name of the contract and the word 'Tender' together with instructions on when and how the tenders should be returned. They must be instructed to return their tender in a plain envelope addressed to the Head of Legal & Democratic Services. There should be no marks or writing on the envelope, other than the address and the return label. Tenderers must be advised not to use a franking machine if they propose posting their tender.

5.3.18 A copy the Council's standard contract terms should also be included so that the tenderer is aware of the terms and conditions that will form part of the final contract. When an industry standard contract is used advice should be sought from the Head of Legal & Democratic Services on which of the standard clauses to incorporate.

5.3.19 Tenderers must be told that tenders sent by fax or e-mail will not be accepted.

5.3.20 Tenders can be returned by hand or by post to the Head of Legal & Democratic Services, Brockington, 35 Hafod Road, Hereford, HR1 1SH. Tenderers should be advised to use postal services that provide them with proof of postage and the time of sending.

5.3.21 Tenderers should be advised that tenders will be opened at the same time and no advantage is secured by seeking to delay submission until the last moment.

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- 5.3.22 The invitation to tender **must** state that the Council does not bind itself to accepting the lowest or any tender.
- 5.3.23 The invitation to tender needs to explain how the Council will deal with any mistakes it identifies in the tender documentation submitted (see Assessing Tenders below).
- 5.3.24 The invitation to tender **must** set out the criteria that will be used to select the preferred supplier. The assessment criteria must not prevent fair competition or discriminate between tenderers in any way. They must also comply with relevant legislation.
- 5.3.25 The tender assessment criteria should include:
- a) Price.
 - b) Technical standard.
 - c) Experience and skills.
 - d) Financial proposals.
 - e) Financial standing.
 - f) Contract management arrangements.
 - g) Quality management proposals.
 - h) Delivery proposals.
 - i) Employment practices.
 - j) Environmental considerations.
 - k) Diversity issues.
- 5.3.26 If an officer wants to know whether the supplier has received an invitation to tender, they must enclose a 'Tender Received Confirmation Form' with the invitation to tender documentation. They must not contact the potential supplier to check they have received the documentation.
- 5.3.27 During the period allowed for preparing tenders, all communications with tenderers must be recorded. All communications should go through the Contract Monitoring Officer who can obtain the information requested from others if necessary. If a tenderer raises a query during this period, it must be passed on to all other tenderers, together with the reply. The identity of the tenderer who has raised the query **must not** be revealed.

Receiving Tenders

- 5.3.28 The original tender return date should be fixed and unchanged except in appropriate and necessary circumstances. Any extension should not provide either advantage or disadvantage to any of the tenderers. Any proposal to extend the closing date must be agreed by the Head of Legal & Democratic Services.
- 5.3.29 Should it be necessary to extend the time limit for the submission of tenders all potential tenderers should be informed of the new date in good time before the original submission date.

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- 5.3.30 Tenders should be recorded in a register that shows the time, date and name of the contract as they are received. Tenders delivered by hand should be acknowledged with a written receipt and the time, date and name of the contract similarly recorded in the register. All tender envelopes must be date stamped on receipt with the time of receipt written on the envelope and countersigned by the receiving officer.
- 5.3.31 Tenders must not be opened until the final deadline for receiving them. Tenders must be stored securely until it is time for them to be opened. The storage used should be locked and access to it available only to those officers in Legal & Democratic Services responsible for handling tenders and they must ensure that keys are secure at all times.
- 5.3.32 A Legal & Democratic Services officer shall be responsible for opening the tenders for a contract in the company of the Contract Monitoring Officer and the Strategic Procurement Manager or his/her representative. The Legal & Democratic Services officer must ensure the number of tender envelopes to be opened tallies with the number recorded in the tender register and shall sign the register to indicate that this is the case.
- 5.3.33 If a tender is opened by mistake before the deadline, a record of how this has happened should be attached to the packaging. The tender should be re-sealed immediately and its contents kept confidential.
- 5.3.34 If fewer tenders are received than expected, do not contact tenderers to ask whether they have sent one in.
- 5.3.35 In exceptional circumstances, Legal & Democratic Services, in consultation with the Head of Legal & Democratic Services, can accept a late tender (see below).

Opening & Recording Tenders

- 5.3.36 The Head of Legal & Democratic Services must make sure that the procedures for opening tenders are followed and that the correct records and documents are completed.
- 5.3.37 All tenders relating to a contract must be opened at the same session and opened one at a time. Each officer present must sign, date and write on the tender form the time that the tender was opened.
- 5.3.38 The key documents submitted by each tenderer must be recorded on a tender return form along with value. Each officer must check, sign and date the form.
- 5.3.39 The Contract Monitoring Officer must sign each page of the tender document unless it is very long. In this case, they may only sign the pages that include pricing information.
- 5.3.40 Once the tenders have been opened, they should be held in a secure place by the Contract Monitoring Officer.

Late Tenders

- 5.3.41 The Head of Legal & Democratic Services must reject tenders that are received after the deadline unless none of the tenders submitted on time have been opened or there is proof that the tender was posted in enough time to meet the deadline (for example, the postmark date is the day before the deadline for a first class delivery or is three days before the deadline for a second class delivery).

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5.3.42 If the Head of Legal & Democratic Services decides to accept a late tender, they must treat that tender in the same way as all other tenders. The full details of the decision to accept the late tender must be recorded.

5.3.43 If the late tender is rejected, it should be returned unopened to the tenderer and a record of posting kept on file for two years. The tenderer should be informed in writing of the date and time the tender was received.

Assessing Tenders

5.3.44 The Contract Monitoring Officer will ensure the tenders are assessed in accordance with the advice provided by the Head of Financial Services or Strategic Procurement Manager.

5.3.45 Before assessing the tenders, the Contract Monitoring Officer needs to check that each part of them meets the requirements of the specification. The responsible officer also needs to make sure that there are no mistakes and that nothing is missing

5.3.46 If there are substantial omissions of data or documentation that make it impossible to assess the tender, this should be fully recorded and the tender rejected.

5.3.47 The accuracy of the figures in each tender must be checked. If mistakes are found that do not affect the overall price of the goods or services, the tenderer must be contacted and asked to confirm the correct figures in writing.

5.3.48 A record of all mistakes must be kept and attached to the tender documents together with any corrections agreed with the tenderer.

5.3.49 The correct tenders can then be assessed in accordance with the assessment criteria that have previously been agreed in accordance with these formal tendering procedures.

5.3.50 The assessment criteria used for the tender evaluation must be the same in all respects as the criteria advised to prospective suppliers at the beginning of the process.

5.3.51 Assessment details are strictly confidential and must not be passed on to anyone else. During the course of the assessment, tender documentation must be kept secure and confidentiality preserved. If, in a major tendering exercise, the documentation is going to be copied or divided to aid the assessment process, a record should be maintained to identify to whom such documents have been issued and the date returned.

5.3.52 The Contract Monitoring Officer shall retain a complete set of documents in a secure place in case any parts of the documentation go missing.

5.3.53 Once the assessment has been completed the responsible officer should produce a report showing:

- a) The result of the assessment of each tender.
- b) A comparison of assessment results.
- c) The recommendation on which tenderer should be offered the contract.

Accepting and Rejecting Tenders

5.3.54 The Contract Monitoring Officer should accept the tender that is:

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a) The lowest tender that meets the evaluation criteria.

Or

b) The tender that will be of most economic benefit to the Council. Where this is not the lowest tender, the Contract Monitoring Officer should explain in writing giving objective reasons why that tender is preferred and seek approval from the Head of Financial Services or Strategic Procurement Manager and the Head of Legal & Democratic Services to proceed to appoint. A note should be placed on file to show that the Head of Financial Services or Strategic Procurement Manager and Head of Legal & Democratic Services has reviewed the evaluation process and agreed with the outcome.

5.3.55 The Contract Monitoring Officer should always consider whether their recommendation for awarding the contract should be put before a Cabinet Member, the Cabinet or Council for formal approval **before** contacting the successful tenderer. The Scheme of Delegation (Part 12 of the Constitution) sets out the Council's procedures for making decisions. If in doubt, seek advice and approval from the Head of Financial Services or Strategic Procurement Manager and the Head of Legal & Democratic Services. Tenderers should be told at the outset if Cabinet or Council approval will be needed.

5.3.56 The officer should write to inform the successful tenderers of the decision as soon as possible **after all necessary approvals have been received.**

5.3.57 Care should be taken when issuing letters informing the tenderer that they have been successful as an unqualified acceptance of the tender may create a binding contract before the formal documentation has been completed and signed by the appropriate authorised signatories.

5.3.58 Unsuccessful tenderers should be informed after the successful tenderer has been told. If unsuccessful tenderers ask why their tender was not successful then general feedback should be given on the areas of their tender that scored poorly. The Contract Monitoring Officer should not become involved in detailed arguments or discussions in order to justify their decision. If the tenderer requires more detailed information the officer should advise them to put their request in writing and seek appropriate advice before responding in writing.

Negotiating

5.3.59 The Contract Monitoring Officer must comply with the following conditions when negotiating on price with tenderers:

a) Guidance must be sought from the Head of Financial Services or Strategic Procurement Manager who will consult with the Head of Legal & Democratic Services as appropriate before advising on the appropriate course of action.

b) The Contract Monitoring Officer must be accompanied by another officer during negotiations with tenderers and a full written record of all discussions should be made and signed by both officers. The results of the negotiation process must be shared with the Head of Financial Services or Strategic Procurement Manager.

c) All negotiations must be carried out at the Council's offices.

d) Officers must not discuss one tenderer's detailed prices, conditions or terms with another tenderer.

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- e) Officers must respect the confidentiality of information provided by tenderers.
- f) If negotiations lead to a material change in the description of the work, goods or services or other terms, the officer must invite everyone who has provided a tender to re-tender on the basis of the revised contract. If this is the case, the whole process should start again.

5.3.60 If there is an in-house tender for a contract, negotiations must not take place without permission from the Head of Financial Services or Strategic Procurement Manager as outlined in 5.3.59 a) above.

Awarding a Contract

5.3.61 Before awarding any contract, the Contract Monitoring Officer must first obtain the approval of their Director or their authorised representative with confirmation of:

- a) The competency of the proposed contractor and the adequacy of any necessary insurance.
- b) The prices quoted by the proposed contractor.
- c) The consistency of the proposed action with the objectives and requirements of the Council's Contract Procedure Rules.
- d) The financial stability of the proposed contractor.
- e) A satisfactory credit check if the Council has not dealt with that contractor for more than two years for contracts in excess of £50,000. A credit check should be carried out on all short listed tenderers for contracts in excess of the European procurement limit for supplies and services (currently £140,000). Advice on credit checks should be sought from Audit Services.

5.3.62 Once this approval has been granted, the officer needs to complete the contractual arrangements. The documents should clearly set out the name of the supplier, what the contract is for, and the terms and conditions of the contract. They should also show that there is suitable insurance to protect the Council's interests. Advice on insurance matters is available from the Council's Insurance and Risk Manager. Where an official order is used and where it makes reference to the Council's General Terms and Conditions for Services, Supplies and Works those terms will apply to the contract. If in any doubt with the contract documentation, advice should be sought from the Head of Legal & Democratic Services.

5.3.63 All contracts must be signed by the Head of Legal & Democratic Services. The Head of Legal & Democratic Services will only sign contracts if the Director has given written authority for him to do so and written assurance that the Council's Contract Procedure Rules have been complied with in all respects. A Director must also sign all contracts where European procurement rules apply.

5.3.64 Officers are responsible for seeking advice from Legal & Democratic Services if they are not clear about the form of contract to be used or changes are needed to the standard form of contract used by the Council.

5.3.65 The Contract Monitoring Officer must inform the Head of Financial Services or Strategic Procurement Manager of the contract and must record the details of all contracts in the Contracts Register.

APPENDIX 5

5.3.66 Officers must keep written records of each contract, including all the quotes and letters they have received and notes of telephone calls and meetings about selecting suppliers. These records must be made available to internal or external audit as required by them.

Publication of Contract Details

5.3.67 Officers must not give tenderers or suppliers any information about the bids or affairs of any other tenderer or contractor unless the law requires it. All information relating to tendering and contracting procedures is confidential.

5.3.68 The only information officers should make public is the name of the successful tenderer. However, this information must not be released until the contract has been awarded and signed.

5.3.69 If information is published on the amounts of the other bids received, the names of the unsuccessful tenderers must not be disclosed. Officers should ensure that all tenderers are aware that this information will or may be published when they are invited to tender and that the Council will need to meet its obligations under the Freedom of Information Act.

6. EUROPEAN PROCUREMENT RULES

6.1 Introduction

6.1.1 Whilst European procurement rules prevail, officers are expected to follow the principles set out in the Council's Contract Procedure Rules.

6.1.2 The European procurement rules are complex with significant penalties if the legislative requirements are not strictly adhered to. All officers are therefore responsible for seeking advice and guidance at all stages of the process from the Head of Financial Services or Strategic Procurement Manager and the Head of Legal & Democratic Services.

6.2 European Limits

6.2.1 The following table sets out the public sector thresholds for 1st January, 2008 to 31st December, 2009:

	Supplies	Services	Works
Public Sector Contracting Authorities	£139,893	£139,893	£3,497,313
Indicative Notices	£509,317	£509,317	£3,497,313

6.2.2 The figures are revised every two years on 1st January and officers should check with the Head of Legal & Democratic Services for the latest values.

6.2.3 If a contract for supplying goods or services will be worth more than the limits set out in the table above, the contract is likely to be governed by EC Directives and English Regulations.

6.2.4 The value limits apply to individual contracts and groups of contracts with similar characteristics that are to be agreed in the same year. Contracts with similar characteristics have to be added together to see whether they have reached the value limits. This is to prevent organisations packaging similar contracts into small units to avoid the rules.

6.2.5 Individual contract values are calculated as follows:

APPENDIX 5

- a) If the contract is part of a series or is renewable, its value will be:
- The value given in the previous financial year (over a 12-month period).
- Or
- The estimated value over the next 12 months from the date the goods, work or service is first provided.
- b) If the contract is for a fixed term of less than four years, the value will be the total value of the contract.
- c) If the contract has no end date or is for a fixed term of more than four years, the value will be the monthly value of the contract multiplied by 48.

6.2.6 If more than one of the above applies, the method that gives the highest value must be used. Again this is to prevent organisations by-passing the rules by choosing a calculation that puts a contract or group of contracts below the value limit.

6.2.7 Once the value of each contract has been calculated, it must be added to the value of other contracts with similar characteristics. If the value of a contract or group of contracts with similar characteristics is greater than the value limit, European procurement rules must be followed. To ensure that the aggregation rules are properly applied, Contract Monitoring Officers should liaise with the Strategic Procurement Manager for all contracts in excess of £50,000.

6.2.8 **Before going any further with a European procurement process, officers must discuss the next steps with the Head of Financial Services or Strategic Procurement Manager and the Head of Legal & Democratic Services.**

6.3 Awarding Contracts Subject to European Procurement Rules

6.3.1 Before issuing an award notification, or if contact is made by an unsuccessful tenderer at any time during the standstill period, contact the Head of Financial Services or Strategic Procurement Manager or your external procurement consultants for advice.

6.3.2 To ensure compliance with European procurement rules there must be a **minimum** standstill period of 10 calendar days between advising all tenderers of the award decision and the actual award of the contract. This 10-day standstill period incorporates other specific deadlines that can result in the standstill period being extended.

6.3.3 The standstill period is to allow unsuccessful tenderers an opportunity to challenge any award decision. Where a legal challenge is made within the 10-day standstill period, the contract cannot be awarded until the outcome of the application to court is known. **It is imperative that any correspondence amounting to an acceptance letter is not issued during this period.**

6.3.4 The written notification to the unsuccessful tenderers which triggers the standstill period **must** contain:

- a) The award criteria.
- b) The tenderer's score (where appropriate).

APPENDIX 5

- c) The winning tenderer's score (where appropriate).
- d) The name of the winning tenderer.

6.3.5 The European procurement rules require tender results to be published in the Official Journal within 48 days of the date a contract is awarded. This must be done in consultation with the Head of Legal & Democratic Services.

6.3.6 The Head of Financial Services or Strategic Procurement Manager and the Head of Legal & Democratic Services must be consulted on all EU procurements.

7. FRAMEWORK CONTRACTING

7.1.1 Framework contracting involves selecting a contractor from a list of contractors on an approved "Framework" for given works, goods or services. The contractors are included on the Framework following a tendering exercise to establish capability, quality and value. The tendering procedures will have had to comply with any relevant English or European law.

7.1.2 Purchasers can enter into subsequent 'call-off' contracts from a Framework. Framework contracting is becoming increasingly prevalent in an attempt to avoid bureaucracy and achieve best values via economies of scale.

7.1.3 Frameworks can be externally formed (e.g. by Government) or internally formed (e.g. by the Council). The number of approved contractors on a Framework can vary but the minimum number should be three. Frameworks should not be confused with internal Approved Contractor Registers.

7.1.4 When an external Framework is formed general terms and conditions are agreed between the Framework contractors and the Framework organiser. These pre-agreed terms and conditions will form a major part of any purchasers' 'call-off' contract and contractors are not obliged to agree to any amendments to them.

7.1.5 From the 1st January 2006, **EU Procurement Directive 2004/18/EC** has governed the process under which contracts under Frameworks are to be awarded and in the interests of competition has placed a maximum duration of 4 years on any Framework (unless special justification can be made for a longer period).

7.1.6 Officers must take the following steps to ensure compliance with EU Procurement Directive 2004/18/EC when using a Framework contract created since the 1st January 2006:

- a) All the contractors on a Framework that are capable of meeting the purchaser's specification must be allowed to submit a bid against that specification.
- b) The reasons for selecting a smaller number of contractors on a Framework must be clearly evidenced.
- c) Award of contract must be on the basis of the criteria for the Framework as set out in the Framework agreement itself, that is, within the original tender documentation setting up the Framework.

7.1.7 The Head of Financial Services or Strategic Procurement Manager and the Head of Legal & Democratic Services must be consulted on all Framework contract procurements.

8. OTHER PROCUREMENT PROCEDURES

- 8.1 There are a number of other procurement procedures that may be available in particular circumstances:
- a) Design contests, particularly in the fields of planning, architecture, civil engineering and information technology.
 - b) Public housing schemes where the size and complexity of schemes necessitate the close collaboration between the Council and Contractors.
 - c) Concession contracts where contractors derive income from the completed work, for example a toll bridge.
- 8.2 The Head of Financial Services or Strategic Procurement Manager and Head of Legal & Democratic Services must be consulted regarding any proposals to follow any such procedures.

9. CONTRACTS UNDER SEAL

- 9.1 All contracts for building, engineering (excluding highway maintenance), property repairs and property maintenance works with an estimated value in excess of the European procurement limit for supplies and services (currently £140,000) shall be sent to the Head of Legal & Democratic Services for execution under the Council's seal.

10. EXEMPTIONS FROM THE COUNCIL'S CONTRACT PROCEDURE RULES

- 10.1 Exemptions from the Council's Contract Procedure Rules are only allowed in exceptional circumstances such as there being insufficient suppliers for the goods, works or services being procured. Permission must be obtained for any exemption from the Head of Financial Services or Strategic Procurement Manager **and** Head of Legal & Democratic Services. Major contracts may be subject to the European procurement rules and the Head of Legal & Democratic Services cannot provide an exemption from those requirements.
- 10.2 A written application for an exemption from the Council's Contract Procedure Rules must be made to the Head of Legal & Democratic Services setting out the reasons for the application. The Head of Legal & Democratic Services must respond within 21 days. If agreed by the Head of Legal & Democratic Services, the exemption must be approved in accordance with the Council's Constitution.
- 10.3 Tenders need not be invited in accordance with the provisions of section 5 of the Council's Contract Procedure Rules if an urgent decision is required, for example for the protection of life or property or to maintain the functioning of a public service. Wherever possible though, at least two quotations must be obtained and the provisions within the Council's Financial Procedure Rules for making urgent decisions must be followed.

Mini Guide to Asset Management

1. USING THIS GUIDE

- 1.1 This 'mini guide' aims to help you navigate your way around the Council's formal policies and procedures for acquiring, occupying or selling land and property assets. It **does not** replace section 3 of the Council's Financial Procedure Rules which deals with asset management, nor does not apply to schools. Schools need to follow procedures agreed by the Schools Forum.

2. HEREFORDSHIRE'S APPROACH TO ASSET MANAGEMENT

- 2.1 Herefordshire's property services has until recently focused on the more day-to-day issues related to buying, occupying or selling a building. Property services have tended to be reactive, trying to support the needs of individual services as issues arise.
- 2.2 A modern local authority needs to manage its land and property assets in a much more strategic way to ensure that they are fit for purpose and represent best use of Council Tax payers' money.
- 2.3 Councils are much more likely to achieve this if they treat their land and property assets as a corporate resource, balancing overall priorities for meeting community needs with and individual service needs. After all, a council's first duty is to its community as a whole and then to the sections of the community it provides services to.
- 2.4 To this end, Herefordshire has reshaped its property function to create an Asset Management & Property Service, and the Council's procedure rules for acquiring, occupying and selling land and asset properties have been reviewed to support this more strategic approach.
- 2.5 Three officer working groups support the corporate approach to asset management. These groups create the links across the Council to ensure cohesion and more effective use of physical assets such as land and property.
- 2.6 The **Corporate Asset Strategy Group** is chaired by the Director of Resources. It develops proposals on the strategic direction for asset management as outlined in the Asset Management Plan approved by Cabinet on an annual basis. All Directorates are represented on this group and its role is to assess what if any impact a proposal from a service to acquire, alter or dispose of an asset has on the agreed strategic approach.
- 2.7 The **Capital Strategy and Monitoring Group** is chaired by the Head of Financial Services. It monitors progress with the approved capital programme, manages the process for preparing capital spending proposals and makes recommendations to Cabinet on new schemes to be included in the capital programme.
- 2.8 The **Strategic Asset Review Group** is chaired by the Head of Asset Management & Property Services. It helps Directorates / services to achieve a fit for purpose, sustainable asset base. It reviews service proposals to acquire, change or dispose of assets to ensure they represent the most effective use of the Council's land and property assets. It also reviews the Council's property portfolio to ensure its use is optimised.

Mini Guide to Asset Management

3. SOME KEY POINTS

- 3.1 The assets used to support service delivery belong to the Council as a whole, not the individual service that works from them or uses them in service delivery.
- 3.2 The Director of Resources has overall responsibility for the asset management and property services function.
- 3.3 The head of profession for asset management is the Head of Asset Management & Property Services.
- 3.4 The Head of Asset Management & Property Services' role is to provide service managers with advice and guidance on the use of assets so that the Council meets its statutory obligations and makes best use of its land and property assets.
- 3.5 Service managers have the discretion to manage the assets they use to promote effective service delivery. However, they must seek and have proper regard to advice provided by the Head of Asset Management & Property Services if changes to an asset, the Council's interest in it or the way it is used are proposed.
- 3.6 Capital receipts from the sale of surplus assets are treated as a corporate resource and they will be allocated in line with agreed corporate priorities. Disposal of a surplus asset will produce a benefit to the service as premises related costs are minimised.

4. HOW TO ACQUIRE, CHANGE OR DISPOSE OF AN ASSET

- 4.1 The charts on the following pages outline the process service managers must follow when thinking about acquiring, changing or disposing of an asset.

Mini Guide to Asset Management

ACQUIRING AN ASSET	
1. Needs Analysis	<p>1.1 Service managers shall prepare a robust business case for acquiring a new asset that:</p> <ol style="list-style-type: none"> a. Provides a clear analysis of need. b. Quantifies the service improvements that will result. c. Shows how the proposal supports corporate and service priorities. d. Identifies the risks, who will manage them and how. e. Provides a full financial appraisal including whole life and opportunity costs. <p>1.2 A full financial appraisal of all options must be prepared for acquisitions that are likely to cost more than £140,000 or have a whole life or opportunity cost of more than £140,000.</p> <p>1.3 The Head of Asset Management & Property Services and Head of Financial Services are to be consulted and proper regard given to their asset management and financial advice in preparing the business case.</p>
2. Consultation	<p>2.1 The service manager shall liaise with the Head of Asset Management & Property Services with regard to consulting the Strategic Asset Review Working Group on their proposal. This will only be necessary when it is considered that the proposal has the potential to impact on other services or presents an opportunity for more effective use of resources.</p> <p>2.2 The Head of Asset Management shall advise the service manager on whether the proposal needs to be considered by the Corporate Asset Strategy Group. This will only be necessary when it is considered that the proposal has the potential to impact on the Asset Management Plan approved by Cabinet.</p> <p>2.3 The service manager shall liaise with the Head of Financial Services with regard to consulting the Capital Strategy & Monitoring Group. This will only be necessary if the proposal represents a potential change to the approved capital programme.</p>
3. Approval	<p>3.1 The service manager must ensure the proposal has been formally approved in line with the Council's Constitution if it is not already included within the Asset Management Plan and relevant budgets approved by Cabinet (as adjusted in accordance with Section 11 of the Financial Procedure Rules on Budgetary Controls).</p> <p>3.2 Cabinet approval must be sought if the proposal involves purchasing an asset using compulsory powers.</p> <p>3.3 The Head of Legal & Democratic Services can advise on the correct decision making process for the proposal in question.</p>
4. Implementation	<p>4.1 The service manager must provide written confirmation that the consultation and approval processes have been complied with.</p> <p>4.2 The Director of Resources or nominated representative has delegated authority to determine and settle the acquisition in</p>

Mini Guide to Asset Management

	consultation on behalf of the services manager in consultation with the Head of Legal & Democratic Services.
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Mini Guide to Asset Management

OCCUPYING AN ASSET	
1. Responsibilities	<p>1.1 Service managers are to manage the land and property assets used in delivering their services in an efficient manner.</p> <p>1.2 Service managers are to consult the Head of Asset Management & Property Services on all proposals to change the way in which property is used or to change the property itself to ensure that all statutory requirements are met and that landlord's permission in the case of leased or rented properties is sought.</p>
2. Needs Analysis	<p>2.1 Service managers shall prepare a robust business case for change of use or adaptation of an existing asset that:</p> <ol style="list-style-type: none"> a. Provides a clear analysis of need. b. Quantifies the service improvements that will result. c. Shows how the proposal supports corporate and service priorities. d. Identifies the risks, who will manage them and how. e. Provides a full financial appraisal including whole life and opportunity costs. <p>2.2 A full financial appraisal of all options must be prepared for adaptations that are likely to cost more than £140,000 or have a whole life or opportunity cost of more than £140,000.</p> <p>2.3 The Head of Asset Management & Property Services and Head of Financial Services are to be consulted and proper regard given to their asset management and financial advice in preparing the business case.</p>
3. Consultation	<p>3.1 The service manager shall liaise with the Head of Asset Management & Property Services with regard to consulting the Strategic Asset Review Working Group on their proposal. This will only be necessary when it is considered that the proposal has the potential to impact on other services or presents an opportunity for more effective use of resources.</p> <p>3.2 The Head of Asset Management shall advise the service manager on whether the proposal needs to be considered by the Corporate Asset Strategy Group. This will only be necessary when it is considered that the proposal has the potential to impact on the Asset Management Plan approved by Cabinet.</p> <p>3.3 The service manager shall liaise with the Head of Financial Services with regard to consulting the Capital Strategy & Monitoring Group. This will only be necessary if the proposal represents a potential change to the approved capital programme.</p>
4. Approval	<p>4.1 The service manager must ensure the proposal has been formally approved in line with the Council's Constitution if it is not already included within the Asset Management Plan and relevant budgets approved by Cabinet (as adjusted in accordance with Section 11 of the Financial Procedure Rules on Budgetary Controls).</p> <p>4.2 Cabinet approval must be sought if the proposal involves purchasing an asset using compulsory powers.</p> <p>4.3 The Head of Legal & Democratic Services can advise on the correct decision making process for the proposal in question.</p>
5. Implementation	<p>5.1 The service manager must provide written confirmation that the consultation and approval processes have been complied with.</p> <p>5.2 The Director of Resources or nominated representative will implement the agreed change of use or adaptation to the property.</p>

Mini Guide to Asset Management

DISPOSING OF AN ASSET	
1. Needs Analysis	<p>1.1 Service managers are responsible for letting the Director of Resources or Head of Asset Management & Property Services know if they think an asset is surplus to requirements.</p> <p>1.2 The Director of Resources is also responsible for identifying assets that may be surplus to requirements from an operational or opportunity point of view.</p>
2. Consultation	<p>2.1 The Head of Asset Management & Property Services shall be asked for advice with regard to consulting the Strategic Asset Review Working Group on the proposed disposal. This will only be necessary when it is considered that the proposal has the potential to impact on other services or presents an opportunity for more effective use of resources, either in the short or long term.</p> <p>2.2 The Head of Asset Management shall advise whether the proposal needs to be considered by the Corporate Asset Strategy Group. This will only be necessary when it is considered that the proposal has the potential to impact on the Asset Management Plan approved by Cabinet.</p> <p>2.3 The Head of Financial Services shall be asked for advice with regard to consulting the Capital Strategy & Monitoring Group. This will only be necessary if the proposal represents a potential change to the approved capital programme.</p>
3. Approval	<p>3.1 The service proposal must be formally approved in line with the Council's Constitution if it is not already included within the Asset Management Plan and relevant budgets approved by Cabinet (as adjusted in accordance with Section 11 of the Financial Procedure Rules on Budgetary Controls).</p> <p>3.2 The Head of Legal & Democratic Services can advise on the correct decision making process for the proposal in question.</p>
4. Implementation	<p>4.1 The service manager must demonstrate in writing that the consultation and approval processes outlined in 6.2 and 6.3 have been complied with.</p> <p>4.2 The Director of Resources or nominated representative then has delegated authority to act on that instruction and dispose of the asset in a manner most likely to secure best price.</p>

Mini guide to financial management

1. How to use this Mini Guide

- 1.1 This mini guide aims to help you navigate processes to follow when managing finances. It also gives a brief overview to help you get started. It does not replace the Council's Financial Procedure Rules.

2. What is Financial Management?

- 2.1 A catch all term covering the way budgets are managed, planned and deployed to deliver a service or an activity.

3. Ten Questions to ask before getting started

- 3.1 Are you a recognised budget holder?
- 3.2 Are your clear your financial management responsibilities and have you agreed them with your manager?
- 3.3 Where on the financial system is the budget?
- 3.4 How will I know what I am spending or receiving in income?
- 3.5 Who supplies my financial information?
- 3.6 How often will I meet the financial services support staff?
- 3.7 Can I interpret the financial statements I receive?
- 3.8 Do I need access to the Council's financial system and if so, what skills will I need?
- 3.9 Have I attended the Council's financial management courses?
- 3.10 Do I understand the procurement rules?

4. Tips for successful Financial Management

- 4.1 Good financial management should ensure that:
 - 4.1.1 Staff in charge of delegated budgets have clear guidance on the size of the budgets, what they may be used for and how far they can be varied.
 - 4.1.2 Specific authority is obtained for expenditure when the amount is in excess of the budget holder's signing limit.
 - 4.1.3 Actual income and expenditure is regularly monitored against budgetary provision and corrective action taken if an overspend is projected.
 - 4.1.4 Managers operating budgets must do so in accordance with the Council's overall financial procedures including the taking on of commitments e.g. ordering goods and services, making grant offers and entering into contracts.
 - 4.1.5 Staff involved in authorising and making payments have clear instructions on the procedures they must follow including the prepayment checks to be made.
 - 4.1.6 All financial management instructions are up to date, that they provide adequate separation of duties and otherwise contain appropriate provisions to combat the possibility of fraud.
 - 4.1.7 Financial management is monitored to ensure compliance with financial procedures and that it is working effectively.
 - 4.1.8 Budget holders receive regular and understandable statements that include a projected year-end position.

Mini guide to financial management

5. Budget Monitoring

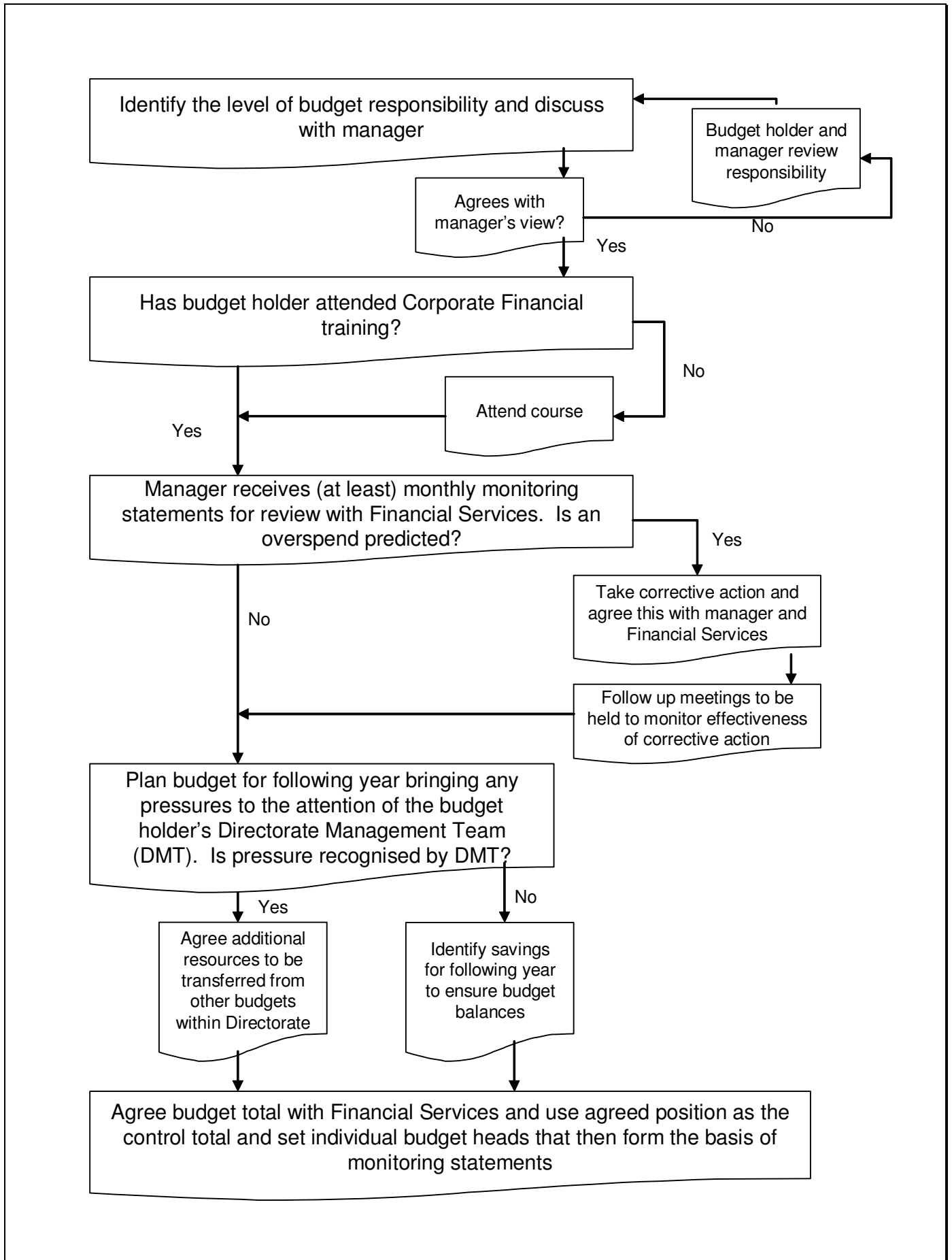
- 5.1 Effective budget monitoring provides vital information about spending patterns and makes realistic forecasts of year-end under or overspends. It is essential to closely monitor the budget, by comparing actual income and expenditure to the budget on a regular basis throughout the financial year. Reviewing the variances will highlight any problems and if remedial action is required.
- 5.2 The Budget Holder should review a regular budget monitoring report, showing income and expenditure against budget. The report should include all known commitments and creditors, to show where orders have been placed but the goods or services have been received but payment has not been made.
- 5.3 The monitoring report is produced to identify significant variances between the actual income/expenditure and budget. The reasons behind these variances should be investigated and documented. Corrective action should be taken as appropriate and recorded.
- 5.4 It is essential to budget monitoring that budgets are profiled correctly, the budget profile presents the likely spending pattern over 12 months of the year.
- 5.5 Individual budget holders should receive regularly monthly reports detailing actual expenditure against budget. The individual budget holders should review the business position and take remedial action where necessary. The review results should be communicated to the budget holder's manager who should assess the adequacy of the review and remedial action required.

6. Help and Advice

For help and advice contact your Financial Services representative.

David Powell	Head of Financial Services	3173
Greg Evans	Management Accounting Manager	1848
Heather Foster	Technical Accounting Manager	0284
Malcolm Green	Children's & Young Peoples Service Finance Manager	0818
Dean Hogan	Strategic Procurement & Efficiency Manager	0043

Budget Management Flowchart



Mini Guide to Procurement

1. How to use this Mini Guide

- 1.1 Use this mini guide whenever you are involved in procurement. It provides you with a quick check of the procurement processes you should follow when buying on behalf of Herefordshire Council. It does not replace the Contract Procedure Rules but provides a brief overview to help you to get started.

2. Important Issues

- 2.1 Before you start, check that the important issues have been considered – confirming the availability of budget provision; following guidelines on procurement ethics; aiming to achieve value for money; making best use of framework agreements and ensuring that the correct procurement procedures are carried out.

3. Questions to Consider

- 3.1 Look at the questions a procurer needs to ask – they will help you to make fundamental decisions about how to proceed. If you find that answers to any of these questions suggest areas of weakness, seek advice (see below).

4. Process Models

- 4.1 See the process models for the steps to take with contracts below a value of £10,000, contracts with a value between £10,000 and £50,000, and contracts with a value above £50,000. If you have a contract with a value greater than the current EU limits (£140,000) you must contact the Corporate Procurement Team. (Note: contract value is the total value of a contract, not annual value, excluding VAT).

5. Help and Advice

- 5.1 For sources of help and advice within the Council you can email the Strategic Procurement and Efficiency Review Manager (dhogan@herefordshire.gov.uk) or contact him on 01432 260043.

6. Questions a Procurer needs to ask...

- 6.1 Are the goods, services or works really required?
- 6.2 Do they contribute to the objectives of the Directorate and the Council?
- 6.3 Is a procurement necessary to acquire them? Could they be borrowed, shared or provided in-house?
- 6.4 Are they a priority? Could the money be better spent elsewhere?
- 6.5 Is this the right time to make the procurement? Might resources be available later, might the market change, are there potential major risks that might become clearer?

Mini Guide to Procurement

- 6.6 What quality level is needed (rather than desired)?
- 6.7 What will be the total cost, including maintenance, consumables, installation, in-house management, etc?
- 6.8 Can the environmental impacts be reduced? - raw materials (using substitutes), running costs and emissions (being energy efficient), disposal (re-usable or recycled option).
- 6.9 Can the cost and resource implications of the procurement exercise be justified? Can the cost be reduced? Can it be included in a similar procurement elsewhere in the council?
- 6.10 Is the budget available?
- 6.11 Is the necessary technical expertise available in house? How can it be obtained?
- 6.12 Are the resources available for the procurement?
- 6.13 What are the latest developments in the market and might they benefit the Council?
- 6.14 Who will be affected by the procurement and how can they best be involved in the decision making process?
- 6.15 What are the risks affecting the procurement and how will these be managed?
- 6.16 Are you competent to carry out the procurement in order to meet all legal requirements and to achieve the best value for money for the Council?

7. Ten Top Tips for a Successful Procurement Process...

- 7.1 Spend Plenty of Time Planning
 - 7.1.1 Consider at the outset the full extent of who needs to be involved, what needs to be done, by whom, and by when. Seek advice from others.
 - 7.1.2 Establish a complete procedure timetable from consultation period through to contract award, ensuring that adequate time is allowed.
- 7.2 Establish Roles and Responsibilities
 - 7.2.1 Establish roles and responsibilities of all involved.
 - 7.2.2 Get everyone to contribute to the planning process.
- 7.3 Ensure Transparency of Proceedings
 - 7.3.1 Be seen to be fair and conduct the process without favouritism.

Mini Guide to Procurement

- 7.3.2 Engage widely with stakeholders and existing contractors in advance of formal proceedings.
- 7.3.3 Get all internal players to contribute to the critical success factors and key evaluation criteria and record these!
- 7.3.4 Allow sufficient time for suppliers to submit tenders.
- 7.4 Observe Legalities
 - 7.4.1 Ensure compliance with EC Procurement Directives, domestic legislation, Contract Procedure Rules etc. Seek legal advice and involvement in the process at the outset. You are initiating events that will result in a contract. It has to be legal!
- 7.5 Accommodate Innovation and Secure Best Value
 - 7.5.1 Don't be too restrictive with suppliers. Don't be too prescriptive in how you want the work to be delivered. Describe the 'outcomes' you require.
 - 7.5.2 Try to find ways specialist suppliers and contractors can contribute their expertise; allow tenderers to innovate and offer you their best solutions.
 - 7.5.3 Make sure you secure Best Value, not just the lowest tender price.
- 7.6 Prepare Sound and Complete Tender Documents
 - 7.6.1 Specify clearly what you want and describe in detail how tenderers are to price their submissions – and whether VAT is included.
 - 7.6.2 Give thought to various pricing mechanisms (i.e. lump sum or schedules of rates) and how good these will be at accommodating change.
 - 7.6.3 The more information you provide, the greater your chances of success.
- 7.7 Consider Monitoring Payment Arrangements at the Outset
 - 7.7.1 Be clear as to how payments are to be calculated. Make payments on time.
 - 7.7.2 Establish monitoring procedures, which are required to satisfy the Council.
 - 7.7.3 Consider default procedures, performance incentives and profit sharing.
 - 7.7.4 Incorporate these processes into the tender documents.
- 7.8 Ensure Procedures Provide for Probity and Accountability
 - 7.8.1 Ensure the whole process is documented and recorded, and that all key documents are signed, dated and retained.

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7.8.2 Communicate all decisions to the whole team.

7.9 Think Before You Act

7.9.1 Review your plans before commencing and don't rush things.

7.9.2 Think, "What can go wrong?" and put possible contingencies in place.

7.10 Learn From the Process

7.10.1 Learn, experiment, and don't fear mistakes. Ask "How could it be improved next time?"

7.10.2 Develop your skills.

8. **Formal Quotation and Tendering Process**

8.1 West Mercia Supplies (WMS) or their supply partners must be used for all purchases of office supplies and consumables, furniture, photocopiers, janitorial supplies and personal protective equipment.

8.2 Proposals to use an alternative supplier for such goods must be approved prior to an order being placed using a form prepared by the Strategic Procurement and Efficiency Review Manager.

8.3 Requests to use an alternative supplier to WMS will be approved or otherwise by the Head of Financial Services.

8.4 Failure to comply with the Council's policy on the use of WMS will lead to a corresponding budget reduction.

8.5 Officers must also use Council approved strategic service delivery partners such as Amey Wye Valley Limited and Owen Williams where appropriate to do so.

8.6 Procurement of ICT equipment must be achieved using the Council's online procurement system

8.7 The following procedures must be followed for all other types of procurement:

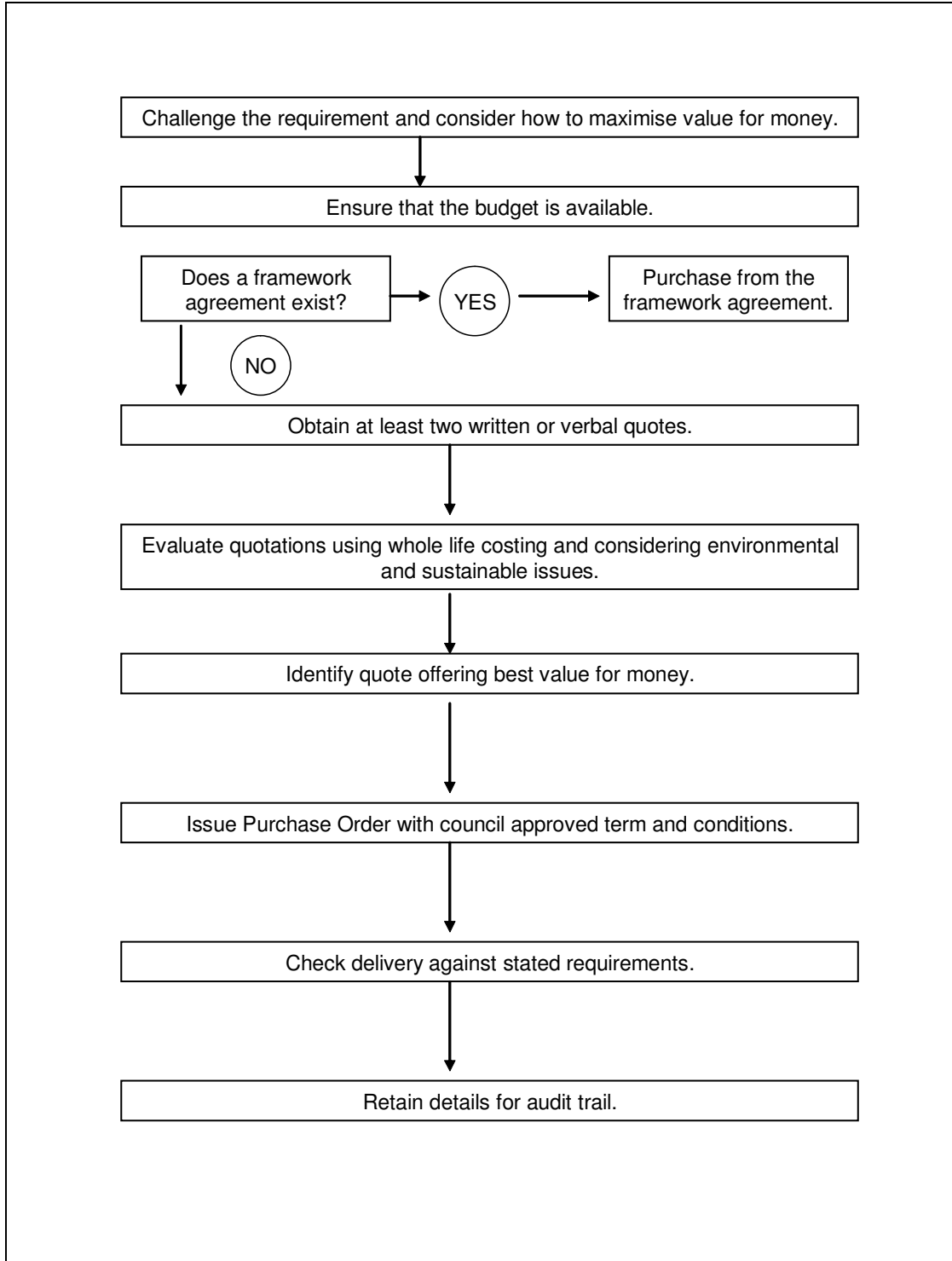
- a) Purchases in total valued less than £1,000 – no requirement for formal quotations or tenders but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the Council's Contract Procedure Rules have been followed.
- b) Purchases in total valued between £1,001 and £10,000 – two formal quotations must be obtained (see attached flowchart).
- c) Purchases in total valued between £10,001 and £50,000 – three formal quotations must be obtained (see attached flowchart).

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- d) Purchases in total valued between £50,000 and up to relevant EU limit (£140,000) – formal tendering arrangements must be followed (see attached flowchart).
- e) Purchases in total valued in excess of relevant EU limit (£140,000) – European procurement rules must be followed (see attached flowchart).

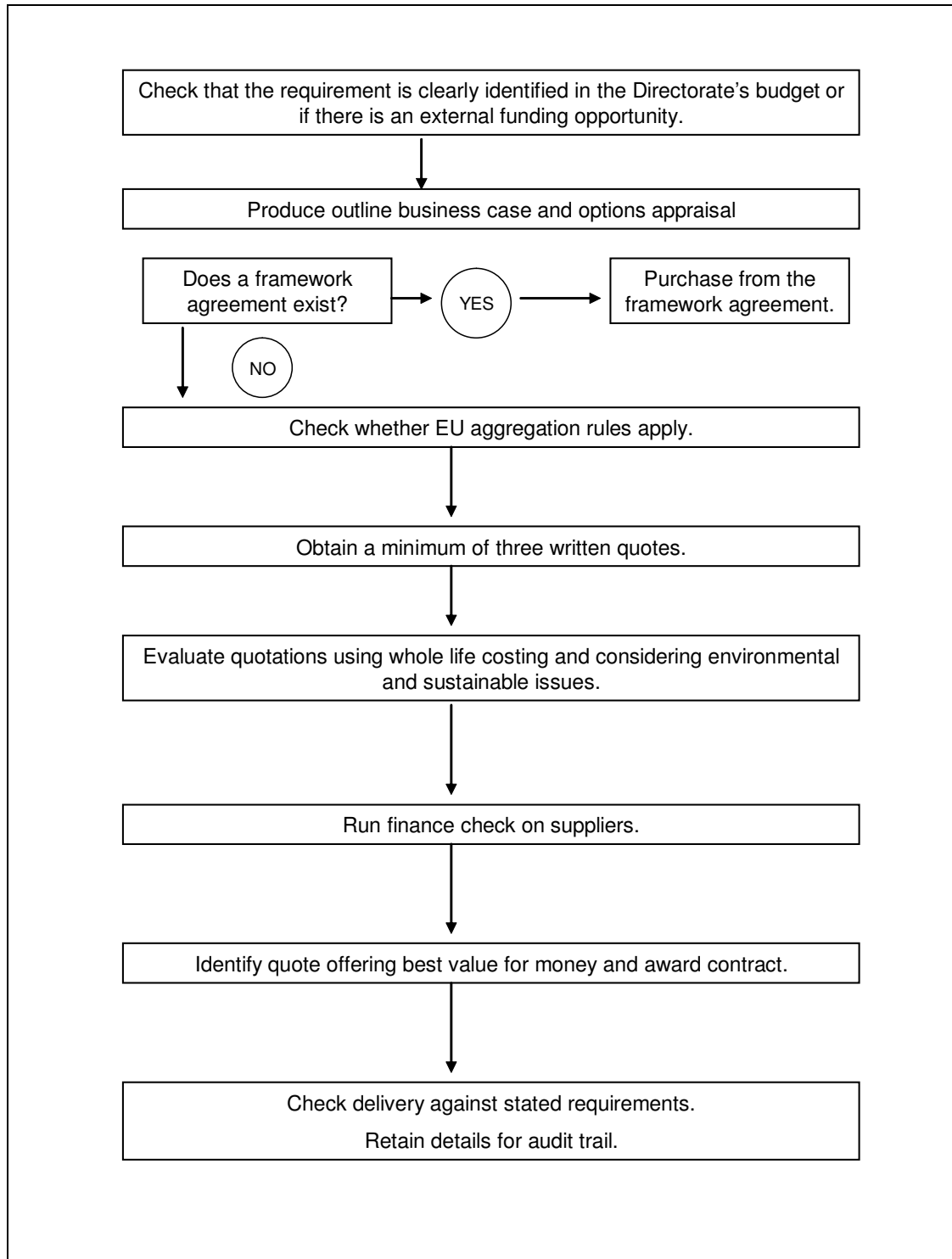
Mini Guide to Procurement

Contracts with a value below £1,000



Mini Guide to Procurement

Contracts with a value between £1,001 and £50,000



Mini Guide to Procurement

Contracts with a value between £50,001 and up to relevant EU input (£140,000)

