

AGENDA

Cabinet

Date: **Thursday 20 January 2011**

Time: **2.00 pm**

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

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

For any further information please contact:

Sally Cole, Committee Manager Executive

Tel: (01432) 260249

Email: scole@herefordshire.gov.uk

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Agenda for the Meeting of the Cabinet

Membership

Chairman **Councillor RJ Phillips**
Vice-Chairman

Councillor LO Barnett
Councillor AJM Blackshaw
Councillor H Bramer
Councillor JP French
Councillor JA Hyde
Councillor JG Jarvis
Councillor PD Price
Councillor DB Wilcox

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AGENDA

	Pages
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.	
3. MINUTES	1 - 4
To approve and sign the minutes of the meeting held on 16 December 2010.	
4. JOINT MEDIUM TERM FINANCIAL STRATEGY 2011/14 AND BUDGET UPDATE 2011/12	5 - 84
To agree the budget and Joint Medium Term Financial Strategy (MTFS) for recommendation to Council on 4 February 2011.	
5. JOINT CORPORATE PLAN 2011/14	85 - 90
To invite Cabinet to commend for Council's approval the Council and NHS Herefordshire Joint Corporate Plan vision, priorities and long-term outcomes attached at appendix 1.	
6. RESPONSE TO SCRUTINY REVIEW OF HOME CARE	91 - 126
To respond to the review of home care.	
7. REVIEW OF THIRD SECTOR SUPPORT AND DEVELOPMENT SERVICES	127 - 216
To be advised of the outcome of a joint review of third sector support and development services; to approve the principles for future delivery and delegate authority to officers to deliver the proposal, in conjunction with relevant voluntary and community organisations.	

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HEREFORDSHIRE COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Cabinet held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Thursday 16 December 2010 at 2.00 pm

Present: Councillor RJ Phillips (Chairman)

Councillors: AJM Blackshaw, JA Hyde, PD Price and DB Wilcox

In attendance: Councillors PA Andrews, WLS Bowen, PJ Edwards, TM James, RI Matthews, PM Morgan, WU Atfield and MAF Hubbard

73. APOLOGIES FOR ABSENCE

Apologies were received from Councillors: LO Barnett, Cabinet Member Adult Social Care Health and Wellbeing, H Bramer, Cabinet Member Resources and JP French, Cabinet Member Corporate & Customer Services and Human Resources.

74. DECLARATIONS OF INTEREST

6. RESPONSE TO CALL IN OF DILWYN SCHOOL CLOSURE.

Councillor AJM Blackshaw, Personal, School Governor, Canon Pyon CE Primary School.

6. RESPONSE TO CALL IN OF DILWYN SCHOOL CLOSURE.

Councillor RJ Phillips, Personal, School Governor, Pembridge CE Primary School.

6. RESPONSE TO CALL IN OF DILWYN SCHOOL CLOSURE.

Councillor WLS Bowen, Personal, School Governor, Kingsland CE Primary School.

75. MINUTES

RESOLVED: That the Minutes of the meeting held on 25 November 2010 be approved as a correct record and signed by the Chairman.

Note: The Leader of the Council advised Cabinet that the local government settlement had been received on Monday 13 December. He reminded Cabinet that an all Member seminar was to be held on Monday 10 January 2011 to address the issues of the settlement as the cut in funding had been 13.3%, which was a larger cut than had been expected. The Leader added that a general press release would be made to the local papers today, 16 December

76. 2011 CENSUS LIAISON

The Leader advised Cabinet of the need to raise public awareness of the forthcoming Census and how essential it was to the authority for future funding from central government.

A Senior Research Officer presented the report to Cabinet and the following comments were made/questions raised:

- Herefordshire Council was working closely with the Office for National Statistics.

- Cabinet was reminded of the hand book that had been sent to all Councillors regarding the Census and Census day was 27 March 2011.
- Reminded Cabinet of the need for all Councillors to raise the issue in their ward as there would not be the same degree of national publicity as in previous years.
- There had been a 94% response for the last Census and it was hoped to increase the response rate as the authority could lose out in future government funding if the detail was not gathered through the Census - current funding is based on 2001 statistics.
- There would be door to door visits to all households that didn't respond by post or online to gather the Census information.
- Currently there was a campaign to get Census collectors to carry out these visits for ONS – 100 needed for the county.
- Assistance would be provided for anyone with a language difficulty and posters would be available in different languages to raise awareness.

RESOLVED

THAT Cabinet:

- a) recognised the importance of supporting the Office for National Statistics to ensure the 2011 Census response is maximised in Herefordshire;**
- b) noted the ongoing liaison activities; and**
- c) encouraged all Members to use the information in the Office for National Statistics Councillor Handbook to help spread the work in their communities.**

77. JOINT CAPITAL AND ASSET MANAGEMENT STRATEGY 2010-13

The Head of Financial Services presented the report to Cabinet and reminded Cabinet that it was a joint strategy for both the Council and NHS Herefordshire for the approach to capital investment and disposal over the short and long term to deliver core service priorities.

Cabinet discussed the following points:

- The priorities for Herefordshire both current and future.
- Noted that the assessment of assets and joint management approach by Herefordshire was a forerunner at to how other authorities would need to proceed in the future.
- In assessing assets held by the authority, it was noted that some buildings were old and would require considerable maintenance and in line with this the authority needed to be mindful of its requirement to reduce its carbon footprint.
- Cabinet was reminded that Herefordshire was a net beneficiary of business rates and any changes to the scheme could have considerable impact for the county.
- This local government settlement only covers a two year period. Any proposal to change the business rates scheme was currently out for consultation. Herefordshire would be asking questions on the proposals through the consultation process to try to ensure a sound system was brought in place of the current system.
- Cabinet was reminded that not only salaries in the county were low, but also profit levels of some businesses.
- Following reference to the new livestock market and the interest by those companies wishing to relocate to the units available, Cabinet was advised there was a mixture of current companies wishing to relocate and new companies

wishing to take up units to make the new market the agricultural hub for the county.

- Cabinet was reminded that it was clear through the local government settlement that funds would not be available for capital programmes and therefore, funding needed to be found through asset disposal.
- In referring to capital costs in locality working, Cabinet was advised this would be looked at on a case by case basis and through the recycling of assets.
- Discussion was held on the Localities Bill and the issues that would be raised because of it. A request was made that further information on the bill be provided to Members at the earliest opportunity.

RESOLVED: That the Joint Capital and Asset Management Strategy be approved.

78. RESPONSE TO CALL IN OF DILWYN SCHOOL CLOSURE

Cabinet was provided with an extract from the minutes of the Children's Services Scrutiny Committee meeting, which resolved that, the Committee accepted the decision of Cabinet with no further comment.

It was noted that the Cabinet decision of 25 November would take effect and that Dilwyn Church of England Primary School be discontinued on 31 August 2011.

The meeting ended at 2.35 pm

CHAIRMAN

MEETING:	CABINET
DATE:	20 JANUARY 2011
TITLE OF REPORT:	JOINT MEDIUM TERM FINANCIAL STRATEGY 2011/14 AND BUDGET UPDATE 2011/12
PORTFOLIO:	CORPORATE STRATEGY & FINANCE

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To agree the budget and Joint Medium Term Financial Strategy (MTFS) for recommendation to Council on 4 February 2011.

Recommendation(s)

- THAT**
- (a) the attached MTFS including the overall 2011/12 budget be agreed for recommendation to Council; and**
 - (b) a freeze of Council Tax for 2011/12 at 2010/11 levels be agreed for recommendation to Council.**

Key Points Summary

- A set of principles and priorities has been developed, and used to assess all proposals and the resultant service changes.
- On 14 January 2011 Overview and Scrutiny Committee considered a report on the JMTFS and Budget Update; their views will be reported to Cabinet on 20 January.
- The Council will set its Council Tax on 4 March 2011 based on a balanced budget. It cannot budget for a deficit. Any proposals to increase expenditure in one service area must be matched by compensatory reductions elsewhere in the budget.
- The analysis of the provisional local government settlement has confirmed a number of grants have ceased, others have reduced and are now part of the "general" Formula Grant.
- Herefordshire has been adversely affected by funding formula changes.
- The 2011/12 net Budget total is £148.28m.
- A Star Chamber process has been used by JMT to identify and challenge savings proposals

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

and service pressures.

- The budget makes temporary use of reserves to support concessionary fares and to balance the impact of reductions over the two years financial years of the settlement.
- A budget management reserve is proposed in order to provide adequate financial reserves.

Alternative Options

- 1 Joint Management Team (JMT) has proposed a balanced budget for 2011/12 and this is summarised in the Financial Resource Model (FRM) in the attached MTFS. It incorporates inflation, service pressures and other spending requirements, the financing of which has been identified from within the Formula Grant, service efficiencies & reductions and council tax.

Reasons for Recommendations

- 2 The proposed MTFS, shown in Appendix A, provides a financial planning framework for the next three years.

Introduction and Background

- 4 On 20 January 2011, Cabinet is requested to consider the budget proposals set out in the MTFS, in order to make a recommendation to Council for setting the 2011/12 revenue budget based on holding Council Tax at current levels.
- 5 The provisional Local Government Settlement was announced on 13th December 2010; the key components were:
 - The Formula Grant, which includes Revenue Support Grant and Redistributed Business Rates, is set at £60.125m. It is unlikely there will be changes to this figure when the final settlement is published 20 January 2011.
 - Indicative figures have been provided for 2012/13. This confirms a continuing tightening financial picture for local government.
- 6 The Department for Education has yet to provide an overall Dedicated Schools Grant (DSG) estimate for 2011/12. However, we know that per pupil funding will be £4,723.65 per pupil. The planning total being used by the Council is 22,467 pupils.

Comprehensive Spending Review (CSR10)

- 7 CSR10, announced on 20 October 2010, was largely in line with the anticipated position and this in turn influenced the provisional Local Government Settlement announced on 13th December 2010. In summary CSR10 meant the following for Herefordshire:
 - If local authorities wish to take part in the voluntary scheme, Council Tax in 2011/12 will 'have the tax base funded at a rate of 2.5% in each year of CSR10'. Herefordshire intends to take advantage of this to freeze council tax.
 - By 2014/15, £1bn will be put into Formula Grant for Personal Social Services, meaning total funding for social care, including rolled-in grants, will be £2.4bn; in 2011/12 the addition is £530m. In 2011/12 this is an additional £1.96m for Herefordshire and a further £1.48m in 2012/13.
 - £1bn of funding will be provided through the NHS budget to support joint working between

the NHS and local authorities in the provision of social care. For Herefordshire this is £2.368m, and will be transferred from the NHS against an agreed business case.

- All ring fencing on grants will be removed, apart from a total of nine grants including the Dedicated Schools Grant and a new grant for public health, to be introduced in 2013. For Herefordshire this means we will have only six specific grants.
- The schools budget for 5 to 16 year olds will increase by 0.1% in real terms each year of the Spending Review period; this includes £2.5bn of funding allocated at £430 per pupil in receipt of free school meals. In 2011/12 Herefordshire estimates it will receive just over £1m. Further instalments are expected in future years.
- The number of transport grants to councils is to be reduced; however, councils will gain greater control and flexibility over spending these grants.
- Bus Operators' Subsidy will be reduced by 20%, but the statutory concessionary travel entitlements remain in place.
- The 'New Homes Bonus' will be introduced to 'reward' councils granting planning permission for the construction of new homes, by matching Council Tax receipts for each new home built for a number of years, with an additional premium added. It is estimated that this will provide £660k per annum.
- The Regional Growth Fund totals over £1.4bn over three years. A panel will assess funding bids from Local Enterprise Partnerships as well as the private sector.
- Revenue grants to local authorities from DfT will be reduced by 28%.
- From April 2011 grants currently paid outside Formula Grant worth more than £4bn, will be rolled into Formula Grant. For Herefordshire this is an estimated £13.55m.
- From 2013/14 Council Tax Benefit (CTB) will be localised. We await details of this change.

- 8 The announcement on 13 December included a significant factor that added to the pressure already faced in 2011/12. This sees the front loading of funding reductions and the profile of reduction is therefore uneven with Herefordshire facing 13.3%, 8.6% and 1.9% reductions for the next three years.

Provisional Local Government Finance Settlement 2010

- 9 The provisional settlement was announced on 13 December 2010 and remains subject to consultation until 20 January 2011. As previously indicated CSR10 and the subsequent provisional settlement form part of the Government's deficit reduction plan. In year savings for 2010/11 have already been made.
- 10 The provisional settlement gives local government greater flexibility to take decisions locally. Restrictions have been lifted on how local government spends its money by removing "ring fences". The intention is to give councils extra flexibility to make decisions about where savings are found. However, this is subject to the usual rules to ensure that capital funding is used on capital expenditure.
- 11 The provisional settlement covers two years (unlike CSR10 that covers the next four years). The shorter time frame is because local government is expected to have a new funding distribution system from 2013. It is anticipated that consultation on changes will commence in 2011.
- 12 The number of specific grants has reduced dramatically. In 2011/12 Herefordshire will receive only six specific grants compared with approximately 70 it received in 2010/11. The majority of funding is now via the general Formula Grant and this has been subject to a significant reduction of £11.008m for 2011/12 when compared with a like for like 2010/11 total for

Formula Grant (plus grants rolled into Formula Grant for 2010/11). In summary this is as follows, and the table shows its impact of the overall savings target:

	£'000
2010/11 Formula grant	57,583
Grants rolled into Formula Grant	13,550
TOTAL	71,133
2011/12 Formula Grant	60,155
TOTAL loss in Formula grant	11,008
Grants reduced or ceased	-2,566
NHS funding transferred to the Council	2,368
Net funding reduction	11,206
Budget no longer required in 2011/12	-904
Total savings required for 2011/12	10,302

- 13 In addition a number of grants have been reduced or have ceased and these total £2.566m. However, £2.368m in NHS funding transferred to the Council to provide support for Social Care. After the removal of changes in budget only valid for 2010/11 the net savings requirement is £10.302m.
- 14 The Council will receive £1.961m as part of the national allocation for Personal Social Services but this is within the 2011/12 formula grant total of £60.155m.
- 15 As part of the Local Government Settlement, the government reviews the funding formula that distributes funding to local authorities. The provisional settlement indicates that the Council has been badly hit by changes to the formula. The net change in grant is £2.7m, with the main variation arising from changes to concessionary travel funding distribution.
- 16 Changes to the funding formula in relation to funding to support concessionary bus fares, has adversely affected Herefordshire.
- 17 The formula grant consultation launched in the summer of 2010 presented 40 options for the transfer, with losses ranging from £1.5m-£3.5m for Herefordshire, based on the 2010/11 settlement. Due to the inherent unfairness of the transfer for unitary authorities we worked with organisations such as SPARSE Rural, the SCT and the LGA to persuade the government of this view. Subsequently, a 41st option was considered, which ensured a zero loss for all unitary authorities. This option was not supported by Government.

Budget and Policy Process

- 18 The authority has been preparing for the funding reduction for some time. In late 2009 there was evidence that the public finances would be reduced to meet the growing national deficit. As a result the process of preparing for the 2011/12 budget commenced as part of setting the

current year's (2010/11) budget. In 2009 Directorates were asked to submit proposals for an anticipated 5% year on year reduction as part of the overall resource allocation framework. This approach used an estimated 15% reduction in government funding over three years that represented a best estimate in 2009 of an approach to address the national deficit. These figures were built into the 2010 Medium Term Financial Strategy (MTFS) agreed by Council in March 2010.

- 19 A series of meetings (Star Chambers) have been held by JMT in preparation for the anticipated financial pressures ahead which challenged proposals for meeting savings targets and financial pressures. Over the same period, Cabinet has met informally to consider the emerging picture. Consideration has also been given to assessing the impact across Herefordshire Public Services (HPS). These preparations were focussed on the anticipated dates of Government announcements.
- 20 The provisional Local Government Settlement was announced on 13 December 2010. This was one of the latest announcements in recent times. The settlement includes a reduction in formula grant funding of £11.008m when comparing a rebased 2010/11 funding position with 2011/12. After taking into account further reductions and allowing for additional allocations of social care funding there is a net funding loss of £11.206m in 2011/12.
- 21 It is proposed that the 2011/12 budget will also include the setting up of a budget management reserve to be held on the balance sheet. In line with current policy the general fund reserve will remain at a minimum of 3% of net budget. This means that the general fund reserve will be £4.5m in 2011/12.

Star Chambers

- 22 The overall budget and policy process is now concluding. The Star Chambers had four key aims:
- To sign off the ongoing 5% savings previously identified for 2010 and beyond.
 - To review future savings identified in Star Chambers earlier in 2010.
 - To identify further cross-cutting savings from the 'Rising to the Challenge' transformation programme and challenge existing proposals. These are primarily Streamlining the Business (shared services, organisational redesign, office accommodation and commercial strategy), People & Performance (reducing the pay bill, agency spend), Communities First (property review) and Customer Services (replacement CRM).
 - To challenge and review all submitted service pressures.
- 23 The Star Chamber process used a set of core principles and priorities to guide the search for further savings and the necessary service changes. These re-emphasised the need to bring policy based issues to the centre of the process. Given the financial challenge ahead, the following core principles for the future were agreed.

PRINCIPLE	IMPACT
Valued Services	<ul style="list-style-type: none"> • Focusing on what matters to people, core business, stopping things we don't need to do

Cutting Red Tape	<ul style="list-style-type: none"> • Less regulation and bureaucracy, smaller local government
Supporting the Vulnerable	<ul style="list-style-type: none"> • Targeting more resources on individuals, families, communities at risk or disadvantaged; early intervention/prevention
Cutting Costs	<ul style="list-style-type: none"> • Reducing the pay bill; third party spend savings; smarter delivery
Local Delivery	<ul style="list-style-type: none"> • Devolution, role of parishes and the VCS; working through the nine localities
Personal Responsibility	<ul style="list-style-type: none"> • Self reliance, people and communities helping themselves, behavioural change

24 Alongside these principles the priorities to be delivered in the medium term were expressed in the form of the Joint Corporate Plan, which appears elsewhere on the Cabinet agenda.

PRIORITY	IMPACT
A resilient Herefordshire	<ul style="list-style-type: none"> • Preserving our environment and access to the countryside • Promoting access to services in rural areas • Strong voice in the region
Creating a strong economy	<ul style="list-style-type: none"> • Regeneration of Hereford; delivery of ESG • Delivery of key infrastructure for growth • Small business growth: jobs and wages; broadband
Raising Standards for Children & Young people	<ul style="list-style-type: none"> • An affordable education system • Meeting safeguarding standards • Increasing primary school and pupil performance
Improving Health Care and Social Care	<ul style="list-style-type: none"> • Reforming care for Older People • Creation of the ICO: April 2011 • Planning for GP Consortium and Health Promotion changes
Promoting self reliant local communities	<ul style="list-style-type: none"> • A balanced housing market • Reducing fear of crime • Encourage community and parish planning
Commissioning the right services	<ul style="list-style-type: none"> • Streamlining working practices • High levels of customers and citizen satisfaction • A High quality workforce

- 25 The Rising to the Challenge programme is the prime delivery mechanism for the budget saving and organisation change which the proposals represent. Realisation of benefits will be a key focus of this, with individual directors being accountable for delivery.
- 26 Given the provisional settlement only covers two years, more detailed financial planning over the two year period has been conducted based on the Joint Corporate Plan. The settlement announced on 13 December 2010 was worse than anticipated in terms of total reduction and timing of the reductions and therefore required a further phase. This led to the development of a further set of principles to help refine the budget proposals. These principles are as follows:
- Grant reductions and grants that have ceased won't be back-filled and therefore the grant-funded activity will cease with the grant. If the service considers the activity to be critical and therefore wish to continue funding, compensatory savings must be made from elsewhere within the relevant directorate budget.
 - Any growth requirement will need to be self funded by directorates.
 - The additional sums provided for Adult Social Care as part of the settlement and also via Health (on the basis of an agreed business case) will be added to the overall control total for Adult Services. This amounts to £4.329m.
 - There will not be any additional capital borrowing in 2011 apart from meeting agreed prior year decisions that still have a sound business case, any Health & Safety issues or where borrowing commitments cover projects already being delivered. Spend-to-save funding will be made available where a sound business case demonstrates a positive revenue contribution.
 - Inflation at 2% will be applied to budgets, and discretionary fees and charges. An holistic review of fees and charges, as part of the emerging income policy, will be undertaken in the coming months; any future decisions arising from that review regarding levels of fees and charges will need to take account of consequent implications for the overall budget.
 - Savings proposals identified for 2012/13 to be reviewed to assess if these could be brought forward.

Budget Setting Principles

- 27 The attached draft Medium Term Financial Strategy includes the Council's financial model. This indicates the amounts built in to meet unavoidable commitments. It also includes reductions to balance the budget. Key points included in the model are as follows;
- a. Inflation: The model includes net inflation of £2.962m. In previous years inflation has not been applied to the budget as part of efficiency savings. This approach is no longer sustainable and therefore inflation is included as part of the 2011/12 budget framework.
 - b. Additional funding for Adult Social Care: The council will passport to Adult Social Care the £1.96m for Adult Services included in the formula grant and the £2.368m of funding from the NHS included in the CSR10 announcement. In order to support the transformation of Adult Services £750k of funding will also go to Adult Services. This will enable a continuation of the activity commenced using the 2010/11 social care reform grant that is now part of general funding in 2011/12. After the provision of inflation the gross addition is £6m.

- c. Shared Services: Funding and savings associated with the Shared Services programme is included in the financial model.
- d. Budget Management Reserve: The potential pressures associated with the reduction in funding will require adequate reserves. The budget will include a £500k contribution to a specific budget management reserve. This will be brought to a level of £1m by the addition of £500k following a review of existing specific reserves.
- e. Change Management Reserve: In 2010/11 a reserve was established to support costs associated with staff reductions. In 2011/12 the annual budget will increase to £1m.
- f. Use of Reserves: Changes to the local government funding formula remove £2.7m of funding in 2011/12. The main reduction affects concessionary fare funding. In 2010/11 gross expenditure on concessionary fares of £1.8m is projected. In order to support concessionary fares' funding it is proposed £1m is temporarily used from specific reserves to ease financial pressure. This demonstrates the benefits of financial planning over more than one year with the sum being repaid in 2012/13 and to be included in the budget for that year.
- g. The council will take advantage of government funding up to 2.5% of council tax increase and this is included in our financial plan. For Herefordshire this is £2.15m;
- h. An additional 0.7% of pay is included for the outcome of the actuary's revaluation of the pension fund;
- i. The front loading of government funding reductions announced in CSR10 is now included in the financial plan.

Savings proposals

28 Savings proposals have been framed within an agreed set of principles. In summary, the proposals can be analysed by directorate or principle as set out in the two tables below.

29 The following tables provide the summarised information by directorate.

	2011/12 £'000	2012/13 £'000	TOTAL £'000
Adult Services	2,649	2,383	5,032
CYPD	1,747	839	2,586
DCX	1,033	853	1,886
Public Health	297	278	575
Resources	576	338	914
Sustainable Communities	2,200	1,092	3,292
Commercial Strategy	1,800	0	1,800
TOTAL	10,302	5,783	16,085

- 30 As indicated in paragraph 13 the overall 2011/12 savings requirement being built into the budget totals £10.302m and can be analysed against the budget principles as follows:

Savings analysed by budget principle	2011/12 £'000	2012/13 £'000	TOTAL £'000
Valued Services	1,925	394	2,319
Cutting Red Tape	729	570	1,299
Supporting the Vulnerable	453	250	703
Cutting Costs	6,743	4,166	10,909
Local Delivery	202	253	455
Personal Responsibility	250	150	400
TOTAL	10,302	5,783	16,085

Financial Management

- 31 It is important that the Council has appropriate levels of reserves at a time of financial challenge. The current policy for the general fund reserve requires it to be 3% of net revenue budget. The total net budget for 2011/12 is £148.8m and will require a general reserve of £4.5m. In addition our non schools specific reserves total £7.87m.
- 32 It is proposed that a specific financial reserve is established following a review of current specific reserves. The reserve will need to be £1m and any future use repaid as part of the budget process. In order to incentivise sound financial management the first call on "repayment" should be the directorate that has overspent in the previous year.
- 33 In 2010/11 the Council spends approximately £1.8m on concessionary fares. It is estimated that in 2011/12 £1.6m is required. Given that changes to the Formula Grant have reduced this funding, steps will be taken to ensure £1.6m will be available in 2011/12. Measure will include temporary use of £1m of the Council's Waste Reserve, with repayment in 2012/13..

Provisional 2012/13 Settlement

- 34 The two year settlement provisionally allocates £54.4m of formula grant to Herefordshire for 2012/13 with a new methodology to be in place for 2013/14. For this reason local authorities have a two year financial settlement compared with the four year timeframe of CSR10.

Joint Medium Term Financial Strategy 2011/14

- 35 The Joint Medium Term Financial Strategy (JMTFS) covers financial years 2011 to 2014. The JMTFS is a key part of HPS'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.
- 36 The strategy covers local and national factors affecting financial planning for public services in Herefordshire. Clearly CSR10 features as a key influence on our planning along with the local government finance settlement.

- 37 The Council is required to approve the Treasury Management Strategy Statement (TMSS) and Prudential Indicators. The annual treasury management strategy includes these as part of the budget setting process. Herefordshire's Treasury Management Strategy for 2011/12, is provided at Appendix A and complies with the detailed regulations that have to be followed. 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.
- 38 The JMTFS contains the council's financial model that has been amended for the provisional two year settlement. As a result the third year of the model has made an assumption about the likely level of formula grant from government. This is because the formula grant will be subject to variation arising from any changes in the local government funding formula that will be consulted upon over the coming year and will come into effect in 2013/14.

HR Implications

- 39 The number of posts (FTE) that would be deleted from the organisation as a result of the budget proposals has been assessed. The current estimate is that up to 250 posts will be deleted from the organisation.
- 40 Reductions in posts will be subject to the Council's existing policies on organisational change and appropriate consultations with individuals and Trade unions representatives.

Legal Implications

- 41 Local authorities must decide every year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:
- making prudent allowance in the estimates for services; and
 - ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.
- 42 Local government legislation requires an authority's chief finance officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so members will have authoritative advice available to them when they make their decisions.

Risk Management

- 43 Clearly, there is the potential risk that public finances will be in worse shape than assumed by CSR10. The appropriate management would be via further cost reduction.
- 44 The additional risk that may occur is if the services currently supported through former specific grants are no longer funded because of a change in priorities. This would need to be managed over time.

Consultees

- 45 Overview & Scrutiny Committee will consider the draft MTFS and budget proposals at its meeting on 14 January and any comments or views will be reported to Cabinet.
- 46 The Director of Resources has held a seminar for all members, and has met with all Town Councils and a number of Parish Councils. Further briefings are scheduled with Herefordshire Association of Local Councils and representatives of the Business Community.

Appendices

- Medium Term Financial Strategy 2011/14
- Reconciliation between the 2010/11 and 2011/12 budgets.
- Grants ceased for 2011/12

BUDGET 2010/11 TO 2011/12 – Movements

	<i>£M</i>	<i>£M</i>
2010/11 Net Budget		142.844
<i>Block 1: Additional Spend</i>		
Inflation for 2011/12	2.962	
Grants rolled into formula grant	10.832	
Adult Social Services	1.961	
capital financing	0.860	
Addition to redundancy reserve	0.500	
Shared Services costs	0.049	
West Midlands Councils	0.209	
Garrick House move	0.230	
Prior year changes	1.809	
Contingency addition	0.129	
		19.541
<i>Block 2: Additional Income/Budget No Longer required</i>		
Remove 2010/11 addition to Waste Reserve	(0.500)	
Remove 2010/11 funding for LDF	(0.275)	
Remove 2010/11 top ups of Winter Reserve	(0.500)	
Remove losses associated with academy schools	(0.370)	
Council tax freeze grant	(2.150)	
New Homes Bonus	(0.660)	
Reserves additions in 2010/11 no longer required	(1.500)	
		(5.955)
<i>Block 3: Savings required to balance</i>		
Directorate reductions	(4.594)	
Reductions in pay bill	(3.148)	
Shared Services and Commercial Strategy	(2.560)	
		(10.302)
2011/12 NET BUDGET		146.128

GRANTS CEASED***Area Based Grant***

School Development Grant	82
Extended Schools Start-Up Grants	334
Primary National Strategy - Central	115
Secondary National Strategy Central Co-ordination	141
Secondary National Strategy - Behaviour and Attendance	68
School Improvement Partners	108
Education Health Partnerships	55
School Travel Advisers	32
Choice Advisers	20
School Intervention Grant	70
14 - 19 Flexible Funding Pot	48
Sustainable Travel - General Duty	16
Designated Teacher Funding	15
	1,104

Standards Fund

Assessment for Learning (AfL)	122
Communication, Language and Literacy development (CLLD)	65
Early Years/Primary (Foundation)	26
Behaviour & Attendance	29
Primary (MfL) - missing one-third	43
Leading Teachers	10
Targeted gifted & talented support	2
Assessment for Learning AfL	64
Gaining Ground	191
Aim Higher DCSF	179
Key Stage 4 Engagement Programme	58
	789

Other

Cohesion	57
Climate Change	23
	80

The new Early Intervention Grant has already had a reduction of £597k; therefore the total of the above equates to £2.566m.

GRANTS CEASED BUT ROLLED INTO FORMULA GRANT

In addition a number of grants have been rolled into Formula Grant in 2010/11 these total £13.55m but in 2011/12 we assume that these are valued at £10.832m. The list of grants rolled into Formula Grant are as follows:

Grants rolled to Formula grant

Social Care Reform Grant
Stroke Strategy
Aids support grant
Animal Health
Concessionary Fares Special Grant
DfT Revenue Grants
Care Matters White Paper
Child Death Review Processes
LSC Staff Transfer
Adult Social Care Workforce
Carers
Child & Adolescent Mental Health
Learning & Disability Development Fund
Local Involvement Networks
Mental Capacity Act & Independent Mental Capacity
Mental Health
Preserved Rights
Economic Assessment Duty
Supporting People

GRANTS STILL TO BE ANNOUNCED

Stronger Safer Communities
Young People Substance Misuse
Extended Rights to Free Transport
Music Grant
Community Call for Action

Joint Medium Term Financial Strategy 2011/14

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Joint Medium Term Financial Strategy 2011/14

Foreword by the Council Leader & NHS Chair

The Joint Medium Term Financial Strategy (JMTFS) is an important document as it underpins our strategic, transformational and operational intentions for the Herefordshire Public Services. The strategy will support, shape and influence the challenging financial environment that public services are facing. The total resource envelope for Herefordshire Public Services is circa £650m. Our joint strategy is one that will need to enable a culture to develop and is one where there is a movement away from short-term budget setting and savings to an approach that reviews all expenditure and focuses on what matters to the people of Herefordshire. 2011/12 provides a great opportunity to develop service flexibility across Public services in Herefordshire and this JMTFS identifies the transfer of funding between the PCT and Council. We aim for a culture where there is less bureaucracy and where resources can be targeted towards frontline services. A culture where we stop doing things we do not need to do, ensuring a longer-term approach that brings service and financial stability to our service delivery.

CSR 10 will have a significant impact on funding from central government. It is currently estimated that the level of savings required to be delivered across the partnership for 2011/12 is circa £32m (£11m PCT, £11m HHT, and £10m HC). Throughout the coming year we will assess discretionary services, and consider alternative ways of working, in particular investigating broader partnership arrangements, to mitigate the effects.

The JMTFS identifies the scale of the impact of the economic downturn that has affected the world economy and reflects this impact on Herefordshire. However, during the past eighteen months Herefordshire Council and the PCT have been actively planning for the impact of the reduced settlement as part of CSR 10. There a number of joint assumptions about cross cutting service areas that are delivered across both organisations and by working in partnership and in line with government policy will enable improved service delivery in Herefordshire. In line with the equality act of 2010 which comes into effect from April 2011 Herefordshire Council and the PCT will ensure that any efficiency savings and service reviews will demonstrate that all financial decisions are made in a fair, transparent and accountable way, considering the needs and rights of different members of our communities. We have revised our joint medium term plans to address the implications of the significant change in the economy and the CSR 10 financial settlement. In line with government policy we will be implementing Shared Services to deliver back office savings which will be released for front line service delivery.

2011 will be both challenging and exciting as a result of not only the economic downturn but the creation of the Integrated Health and Social Care Organisation and the Pathfinder status for the emerging GP Consortia who will in 2011 operate as a subcommittee of the PCT Board with a defined scheme of delegation.

In 2011/12 it will be more important than ever that we continue to strengthen the partnership between the Council, NHS and Hereford Hospital Trust. The level of service transformation, improvement in quality and ensuring services deliver value for money can only be delivered through the strength of maximising the interfaces between primary and secondary care, between health and social care and between empowered service users. This deep partnership has already demonstrated both qualitative and quantitative benefits for Herefordshire in the past 12 months. However as we move forward, there will be even stronger evidence of the impact of the deep partnership, with the implementation of shared services. The Commissioning of integrated care pathways will deliver the service transformation that our population expects and will maintain financial stability across public services within Herefordshire.

**Cllr. Roger Phillips
Leader of the Council**

**Joanna Newton
Chair of NHSH**

**Cllr Harry Bramer
Cabinet Member – Resources**

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Joint Medium Term Financial Strategy 2011/14

Foreword by the Chief Executive and Director of Resources (Council and NHSH)

Herefordshire not only faces an economic challenge but the demands of an ageing population will require us to transform our services to ensure that people can maintain levels of independence. HPS will need to ensure that packages of care and support do not only contribute to independence but also prevention. It is accepted that service delivery will need to be undertaken in a less institutional setting in order that the additional challenge on the service delivery agenda can be met. Planning the use of public money and transparent accountability for Herefordshire is a key priority, from which we continue to ensure Herefordshire has financial stability and also deploy resources to support agreed priorities. This cannot be achieved if we limit our planning horizon to a single year. The Joint Medium Term Financial Strategy (JMTFS) helps planning over a longer time framework and demonstrates how we will use our resources in the future.

The JMTFS forms part of the service planning process and sets a framework for the interpretation of both the councils and NHSH's priorities and principles. It is an appropriate way to plan our expenditure and has played a part in helping maintain the Use of Resources standards. However, we continue to review and, where appropriate, improve the strategy each year.

The JMTFS has helped change Herefordshire's financial management culture; it includes a requirement that responsibility for managing individual budgets rests with our budget managers who operate within our financial policies and procedures. The JMTFS helps explain the overall position, so that we all know that financial management is part of our day-to-day activity and that we must demonstrate we provide value for money at a time when the economic downturn is having a widespread effect.

The JMTFS will support and drive delivery of the next stage of the Herefordshire transformational agenda,

Chris Bull
Chief Executive

David Powell
Director of Resources (Council)

Marcia Pert
Director of Resources and Delivery (NHSH)

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1. Introduction

- 1.1 The Joint Medium Term Financial Strategy (JMTFS) covers the financial years 2011/2014 and demonstrates how HPS will maintain financial stability, deliver annual efficiencies, and support investment in priority services, whilst demonstrating value for money and maintaining service quality.
- 1.2 The JMTFS is a key part of HPS'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.
- 1.3 A major development has been the continuation of the downturn in the economy and the clarity of how the "credit crunch", has impacted across the world. This has had a direct effect on the income earned from investing balances and income collected from the provision of services.
- 1.4 The coalition government has published a two year financial settlement for the public sector alongside a number of white papers that will transform local service delivery and resultant financial requirements:
 - Equity and Excellence – liberating the NHS
 - Operating framework NHS 2011/12
 - Schools – the importance of teaching
 - Healthy Lives, healthy people: our strategy for public health in England
- 1.5 The settlement reduces public sector funding thus providing a challenge to deliver front line services against severe financial constraints.

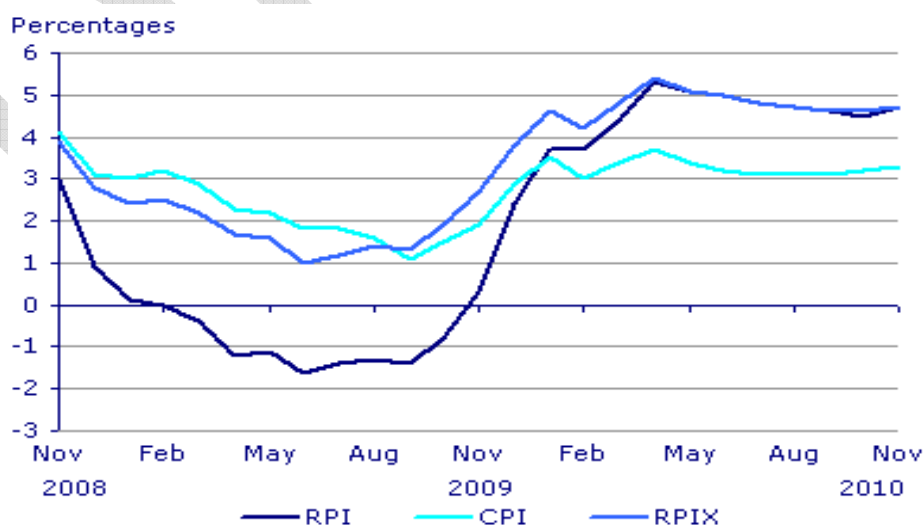
2. Economic and Demand Background

- 2.1.1 The national outlook suggests the economy will grow less than expected, although growth in 2012 will be better than predicted. The Office for Budget Responsibility recently downgraded its 2011 growth forecast from 2.3% to 2.1% but it indicated the economy was sufficiently robust to avoid slipping back into recession and was more upbeat moving forward because of private sector growth. The UK economy grew by 0.8% between July and September 2010, but most economists expect this rate to slow once the government's austerity measures kick in.
- 2.1.2 There are concerns that government spending cuts and tax rises, including the VAT increase, will undermine the recovery, with increased unemployment through public sector job losses as a result of the spending cuts.
- 2.1.3 The Monetary Policy Committee decided to a move away from further Quantitative Easing. Despite Money supply being weak and growth prospects remaining subdued the MPC have gravitated towards increasing rates as global inflation continues to rise along with household inflation.

2.2 Inflation

- 2.2.1 HPS needs to understand the future inflation rates and the potential impact on the cost of supplies and services. NHH has identified that inflationary pressures for 2011/12 are related to new technology and NICE guidance in addition to those identified by the Consumer Price indices. It is currently estimated that NHS inflation is running at circa 7%. The rates will also affect the potential cost of borrowing and at what point in the year they change assists in decisions on the timing of events.
- 2.2.2 The Consumer Price Indices rose to 3.3% year-on-year to November 2010. This was above the forecast by economists. This is in relation to October 2010 figure of 3.2%. It is likely to move above 4% when further price increases are implemented.

Annual Inflation Rates – 12 month percentage change



- 2.2.3 The most significant change in the 12 month rate between October and November came from food and non-alcoholic beverages, where prices increased by 1.6% on the month, in

comparison to 0.6% in November 2009. Clothing and footwear prices rose by 2%, the largest rise for the month on record. There was also a 3.7% rise in furniture and furnishings prices.

2.2.4 It is possible that some of these rises reflect 'temporary' reasons. For example, food price inflation was pushed higher by the rising bread and cereal prices, reflecting higher wheat prices. Clothing prices are known to always rise in November in advance of sales in December and January.

2.2.5 The cold weather could also be a reason for the increase in clothing prices. However, not all of those effects will reverse in subsequent months and headlines suggest that inflation continues to remain a problem and eventually this will impact on underlying inflationary expectations.

2.3 Economic Summary of Herefordshire

2.3.1 The Office for National Statistics supplies data on numbers and rates of unemployment (% of the working age population claiming Jobseekers Allowance). The claimant count for Herefordshire saw a decrease between September and October 2010.

2.3.2 In October 2010 the count was 2,368, a 1% decrease on September and a 16% decrease on this time last year (2,831) however a large increase as compared to July 2008 (1,505).

2.3.3 Herefordshire's unemployment rate in October was 2.2%, low compared to West Midlands region 4.4% and England as a whole 3.5%.

2.3.4 The unemployment rate for the 18-24 age group saw an increase in October 2010, increasing to 5.7% from 5.5% in September. The rate for the over 50s remained at 1.3%, whilst the 25-49 age group decreased to 2.3%.

2.3.5 The State of Herefordshire report for 2010 contains information that describes the county. Some of the key findings are:

- The population of Herefordshire is increasing - Herefordshire's resident population grew by 2% between 2001 and 2009 – which is a similar growth rate as that of the West Midlands region overall (+3%), but slightly lower than England & Wales (+5%).
- Herefordshire's economic output is low compared to regionally and nationally - as measured by Gross Value Added (GVA) per resident and has increased at a lower rate over the last ten years. This has resulted in a widening of the gap between Herefordshire and the rest of the West Midlands and England.
- Herefordshire's weekly work based earnings are low compared to regionally and nationally. In addition, the gap between Herefordshire's earnings and those of the West Midlands region and England as a whole is getting wider.
- The rate of self-employment in Herefordshire is higher than in the West Midlands and England as a whole.
- Increases in number of out-of-work benefit claimants have been seen during the recession. However, rates are still low in Herefordshire compared to regionally and nationally.

- Pockets of deprivation are concentrated in urban areas of Herefordshire, but smaller pockets also occur in more rural areas. Some of these areas have got worse since 2004.
- Rural areas in Herefordshire are less likely to receive a decent level of broadband service compared to urban areas.
- Affordability of housing is a key challenge in Herefordshire.
- Herefordshire has a longer life expectancy that is healthy, disability free and life in general than regionally and nationally.
- Mortality rates from circulatory disease are low compared with regionally and nationally, however it is the main cause of mortality in Herefordshire. In 2010/11 additional investment was made in Stroke services as this was seen as a service that required investment to deliver improved outcomes, reducing the incidence of stroke and therefore the risk of death or disability from stroke. The stroke pathway is currently being implemented which includes the following:
 - Increase public and health and care staff awareness of stroke symptoms, implement NHS Health Checks to ensure those at risk of stroke are assessed and given appropriate information and advice.
 - Improve access to urgent Transient Ischemic Attack (TIA) and stroke care, including where appropriate, a 24/7 thrombolytic service, direct admission to an Acute Stroke unit within 2011/12
 - Develop in county specialist stroke rehabilitation (Inpatient and home based),
 - Ensure that longer term care, support and advice is available for stroke survivors and their carers.
- Cancer is another high mortality area. Our commissioning intentions in 2011/12 will centre around further measures to improve detection and prevention as well as improving one year and five year survival rates. Cancer admissions are the main cause of hospital admissions in Herefordshire.
- The number of 18 - 64 year olds with disabilities in Herefordshire is likely to increase by 2026.
- The PCT and Herefordshire Council will work together in addressing reliance on, and support for carers and in line with the Operating Framework will consider the *Recognised, valued and supported: next steps for the Carers Strategy* which focuses on four priority areas:
 - Identifying carers earlier
 - Supporting carers to achieve their full education and employment potential;
 - Personalised support for carers so that they can live a full life; and
 - Supporting carers to remain mentally and physically well
 - Jointly agreed plans, policies and budgets will be developed and agreed between the partners.
- A substantial increase in numbers of older people expected by 2020 will require increased reablement services to enable greater independence and enable people to remain at home rather than receive institutional care in traditional health and social

care settings. It is envisaged that the commissioning of new care pathways for older people will address these issues.

- There is also expected to be a disproportionate increase in the number of older people with dementia which is in line with the demographic growth for elderly people. NHSH will progress the National Dementia Strategy and the Commissioning strategy will reflect the four priority areas as set out within the implementation plan published this autumn:
 - Good quality early diagnosis and intervention for all;
 - Improved quality of care in general hospitals;
 - Living well with dementia in care homes; and
 - Reduced use of anti psychotic medication

2.4 Potential Growth and Changes that will affect Service Need

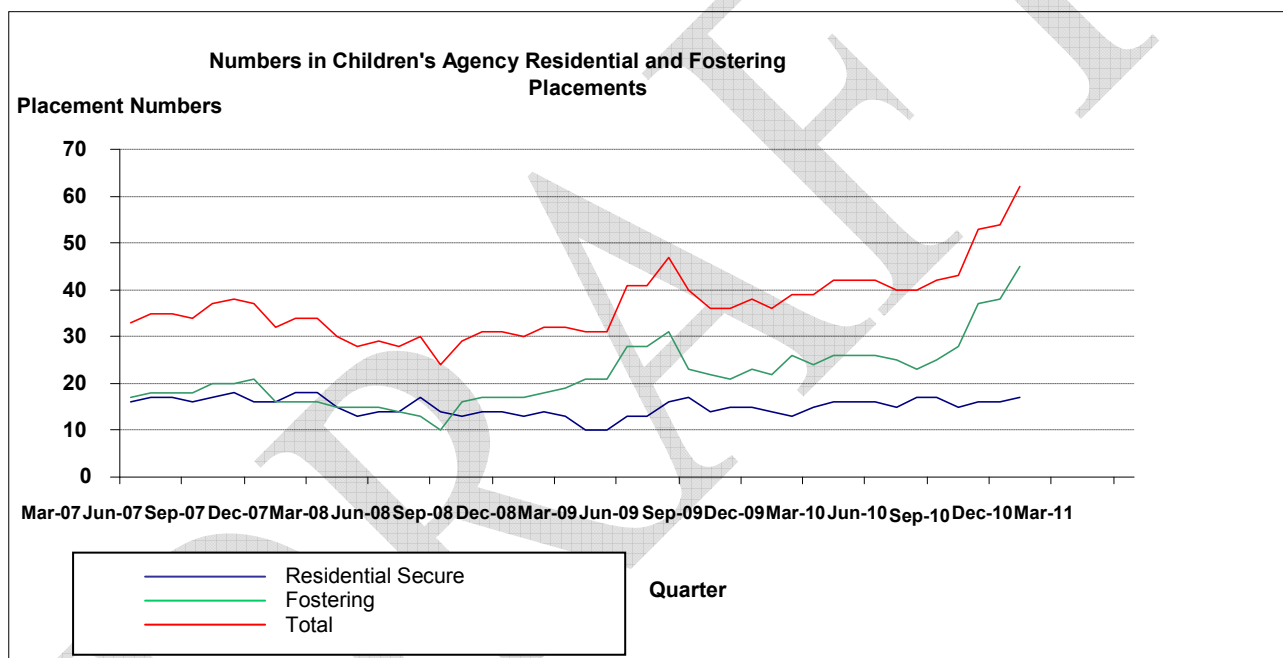
- 2.4.1 Over a fifth (22%) of Herefordshire's population is aged 65 and over (38,800 people), compared to 17% regionally and 16% nationally. Numbers of older people have grown more rapidly locally than nationally: there are 15% more people aged 65+ living in Herefordshire in 2009 than in 2001, compared to 8% more in England and Wales. This growth is expected to continue, but even more rapidly - with 57% more people aged 65+ forecast to be living in Herefordshire by 2026, an increase from 38,800 in 2009 to 61,000 in 2026. In particular, the number of people aged 85+ is expected to almost double, from 5,400 in 2009 to 10,200 in 2026.
- 2.4.2 Numbers of children in Herefordshire are decreasing, although there have been more births than expected in the last two years. The current proportion of Herefordshire's population aged under 16 (17%) is similar to England & Wales (19%), but numbers have fallen from 34,000 in 2001 to 31,000 in 2009. This decline is expected to continue and then stabilise from 2016; around 6% below 2009 levels (29,000 children).
- 2.4.3 Primary school numbers (including nursery classes) will continue to fall in 2011/12 with a predicted reduction of 191 pupils or 1.6% from January 2010. Since the establishment of Herefordshire Council in 1998, primary school numbers have fallen by 2,224 from a high of 14,230 in 2006 equivalent to 15.6%. Since January 2010 secondary school numbers have increased by 30 or 0.3%. From a high point in January 2005, secondary numbers have fallen from 10,511 to 9,791, a reduction of 720 (equivalent to 7%) and are expected to continue to fall until 2019.
- 2.4.4 Recent years have seen a slight decline in overall municipal waste in Herefordshire from over 100,000 tonnes per annum in 2002/03 to 90,000 tonnes in 2009/10. This trend has helped offset significant increases in Waste Disposal Costs for both Herefordshire Council and for our partner in the Waste Disposal Contract, Worcestershire County Council. This is at a time when the two councils, together with the district councils in Worcestershire, have invested significantly in expanding kerbside collection services, refurbishing existing Household Recycling Centres and developing the new EnviroSort materials recovery facility. Herefordshire is currently on track to meet the national recycling target of 40% which increases to 50% in 2020.
- 2.4.5 Significant challenges lay ahead in meeting landfill diversion requirements which will require significant investment in waste treatment infrastructure.
- 2.4.6 Although the council will continue to invest in the promotion of Waste Prevention with the aim of minimising waste it is very likely that in the future waste will once again start to rise

in line with population growth and this is illustrated in the graph below. The Joint Municipal Waste Management Strategy for Herefordshire and Worcestershire predicts that this growth will be in line with expected increases in housing stock as detailed in the Regional Spatial Strategy.

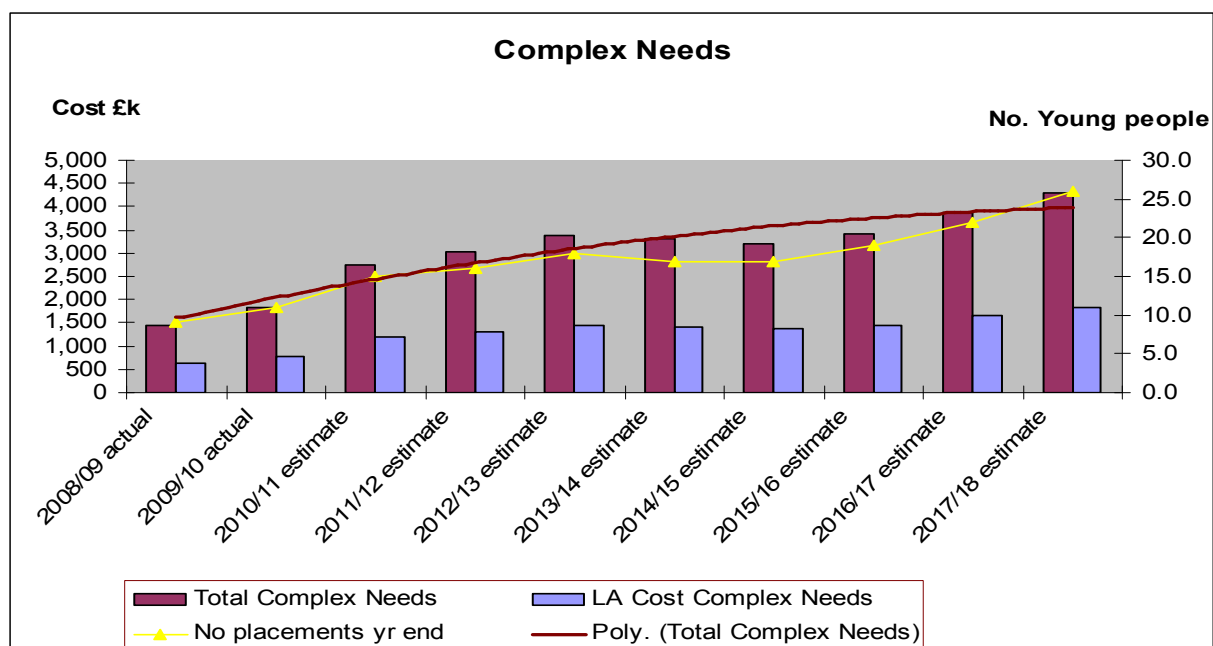
2.4.7 Central Government are expected to publish the Waste Strategy for England later in 2011 and this will give a clearer picture of the financial position in relation to waste in the future.

2.5 Impact of Demand for Services

2.5.1 In August 2010 it was reported that the number of looked after children showed a significant increase over the summer period with numbers of children being placed with agency foster carers up from 28 at the end of July 2010 to 37 at the end of August 2010. Since then numbers have continued to rise with numbers as at 12th October being 14 in residential placements and 45 in agency foster placements. The trends are demonstrated in the chart below.



2.5.2 The number of children requiring intervention and subsequent support from Children's Services is increasing. There have been a number of reports on the national trends which show a 33% increase in referrals from 2008 to 2009/10 (post the "Baby Peter" case of 2008). The following graph shows the upward trend and expected cost. The projections and trend line give an indication of the potential pressures.



2.5.3 Adult Social Care face significant future pressures due to increased life expectancy and future demand due to an aging population. The main service pressures are:

- An increase of 21% in the number of older people requiring care from 2011 to 2020 which will result in an additional 155 new care packages per annum.
- Ten new learning disability service users coming into adulthood per annum in addition to existing clients now meeting FACS criteria and now eligible for support. There are also additional pressures on the older carers of learning disability clients (currently 19 over 85 years old) which will no longer be able to provide support.
- There are also increased cost pressures for high complex packages.
- The number of adults experiencing common mental health problems in the county is expected to increase by an average of 10 cases per year.
- The number of clients with a serious physical disability is due to rise by 5% between 2005 and 2021, 10 per annum.

3. National Financial Context

3.1 Introduction

3.1.1 This section of the JMTFS sets out the financial context at national level across both NHS and Herefordshire Council.

3.2 Pre Budget Cuts – Summer 2010

3.2.1 On 24th May 2010 the Chancellor of the Exchequer announced spending cuts totalling £6.2bn to be implemented in the 2010/11 financial year. From these savings there was a net spending cut of £5.7bn; the remaining £500m to be reinvested in further education, apprenticeships and social housing. This announcement also detailed that grants to local authorities would be cut by £1.166bn.

3.2.2 On 10th June 2010 the Communities and Local Government Minister, Eric Pickles, laid a written ministerial statement before the House of Commons. The statement outlined details of the £1.166bn local government contribution to the £6.2bn spending cuts, broken down by central government department as shown in the table below.

<i>Department</i>	<i>Revenue Cut</i>	<i>Capital Cut</i>	<i>Total Grant Cuts</i>
Department for Education	£311m	-	£311m
Department for Transport	£35.6m	£273.4m	£309m
CLG DEL	£278.5m	£80.0m	£358.5m
Local Government DEL	£175m	-	£175m
Defra	-	£7.5m	£7.5m
Home Office	£6m	-	£6m
Adjustment grant	£-1.1m	-	£-1.1m
	£805m	£360.9m	£1.166bn

3.3 June 2010 Budget

3.3.1 The Coalition Budget of 22nd June gave the overall level of public spending for the four years from 2011/12 to 2014/15 (spending envelope). The Spending Review 2010 is the process through which this spending envelope is allocated to pay for all areas of Government activity including public services, social security, and administration costs.

3.3.2 The Budget suggested action to eliminate the bulk of the structural deficit through plans for additional consolidation of £40 billion per year by 2014/15. This is expected to be achieved through £32bn of spending cuts and £8bn of net tax increases. The plans are for the structural current deficit to be eliminated by 2014/15, with a projected surplus of 0.8% of GDP in 2015/16.

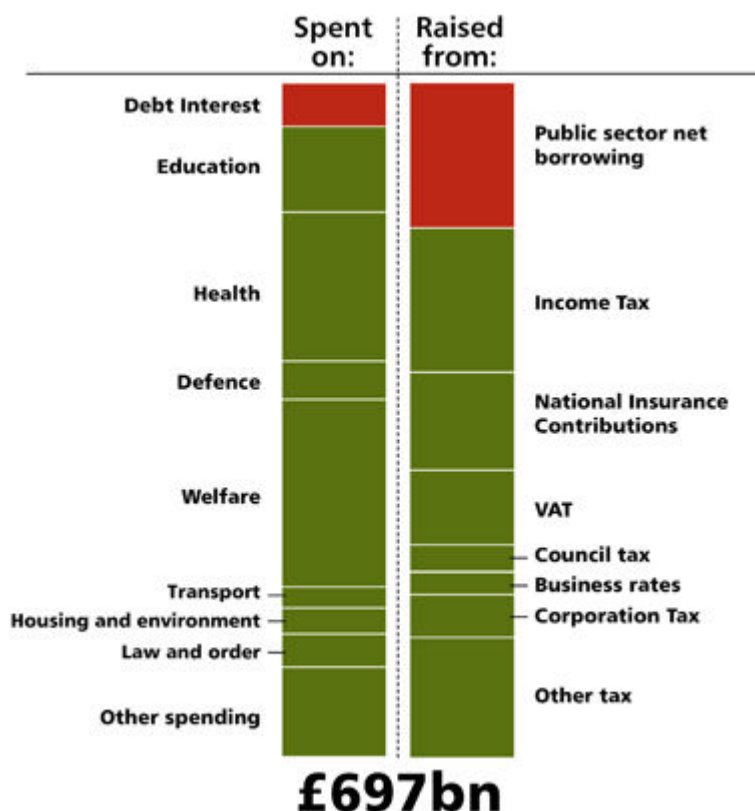
- **Borrowing** - The current structural deficit "should be in balance" by 2015/16. The balance of spending cuts to tax rises would be 77% to 23%. The measures are forecast to result in public sector net borrowing of £149bn this year, £116bn in 2011, £89bn in 2012/13 and £60bn in 2013/14. The Chancellor said by 2014/15 borrowing should reach £37bn, falling to £20bn in 2015/16.

- **Spending** - Current expenditure would rise from £637bn in 2010/11 to £711bn in 2015/16, the Chancellor blaming a "rapidly rising bill for debt interest". He said his Budget implied a further £17bn cuts in departmental spending by 2014/15, unprotected departments face an average real terms cut of around 25% over four years.
- **Tax** - VAT will rise from 17.5% to 20% from 4th January 2011. Personal income tax allowance for basic rate taxpayers to go up by £1,000 in April to £7,475. Councils which propose no council tax increases will be offered extra funds to allow them to freeze the tax for one year from April 2011. Capital Gains Tax remains at 18% for low and middle-income savers but, higher rate taxpayers will pay 28%. The capital gains tax "entrepreneurs' relief" rate of 10% on the first £2m of gains will be extended to the first £5m.
- **Benefits** - From 2011 - except for the state pension and pension credit - benefits, tax credits and public service pensions will rise in line with CPI, rather than RPI, saving over £6 billion a year. A new maximum limit of £400 a week will be applied to Housing Benefit, to save £1.8bn a year by the end of the Parliament. The government will introduce a medical assessment for Disability Living Allowance from 2013 for new and existing claimants. The above measures are expected to save £11bn by 2014/15.
- **Public Sector Pay and Pensions** - Public sector workers face a two-year pay freeze. John Hutton (ex Labour cabinet minister) to head an independent commission to undertake a fundamental and structural review of public sector pensions which would unveil "early steps" by September, with full proposals in time for the 2011 Budget.
- **Business** - From April next year, the threshold at which employers start to pay National Insurance will increase by £21 per week. Corporation Tax will be cut in 2011 to 27%, and by 1% annually over the next three years, until it reaches 24%. The small companies' tax rate will fall to 20%. Tax relief for the video games industry will be scrapped.
- **Pensions** - The basic state pension will be linked to earnings from April next year, with the pension guaranteed to rise in line with earnings, prices or 2.5%, whichever is the greater. The government will accelerate the increase in state pension age to 66.
- **Banks** - Introduction of a bank levy, which will apply to the balance sheets of UK banks and building societies and the UK operations of foreign banks from January next year - but smaller banks will not have to pay. It is expected to rise over £2bn a year.

3.4. Four Year Spending Review

- 3.4.1 The Comprehensive Spending Review was announced on the 20th October 2010, Last year, the Government borrowed one pound in every four that it spent and the UK currently spends £43 billion on debt interest, which is more than it spends on schools in England.

3.4.2 The diagram below show government spending on debt interest and amount of borrowing as part of the total budget:



3.4.3 The Government has said that tackling Britain's deficit is its top priority and that it is necessary to secure sustainable economic growth. The consequences of not acting could be serious: higher interest rates, business failures and rising unemployment.

3.4.4 The Spending Review sets out spending plans for the four years until 2014-15. In its approach to these choices, the Government has prioritised:

- spending that promotes long-term growth, and creating the conditions for a private sector-led recovery and
- fairness, with all sections of society contributing to tackling the deficit, whilst protecting the most vulnerable and providing opportunity for the poorest.

3.4.5 This is underpinned by a radical programme of public service reform, improving transparency and accountability, giving more power and responsibility to citizens and enabling sustainable long term improvements in services. It also includes further savings and reforms to welfare, environmental levies and public service pensions. Around 490,000 public sector jobs are likely to be lost over the period and on average departmental budgets will be cut by 19% over the four-year period.

3.4.6 The Spending Review also delivers the Government's specific commitments set out in the Coalition Agreement to:

- increase NHS spending in real terms in each year of this Parliament;
- spend 0.7 per cent of Gross National Income on overseas aid by 2013 and

- restore the earnings link for the basic state pension from 2011, as part of the triple guarantee of using earnings, prices or 2.5 per cent, whichever is highest, from April 2011

3.4.7 The main changes for local government are:

Formula Grant

- Formula Grant will decrease 10.7% from £28.0bn in 2010/11 to £26.0bn in 2011/12
- From April 2011 grants currently paid outside Formula Grant worth more than £4bn, will be rolled into Formula Grant.
- An additional £1bn for personal social services will be included in Formula Grant by 2014/15.

Un ring fencing Grants

- From April 2011 onwards, grant streams to local authorities will be reduced to less than ten.
- All ring fencing on grants will be removed, except from the Dedicated Schools Grant and a new grant for public health, to be introduced in 2013.
- A separate new unringfenced Early Intervention Grant, worth around £2bn will be introduced.

Council Tax Freeze

- Authorities, which choose to freeze Council Tax in 2011/12, will 'have the resultant loss to their tax base funded at a rate of 2.5% in each year of the Spending Review period'. The report tables show this will cost CLG £700m in each of the four years.

Social Care

- £1bn will be put into Formula Grant for Personal Social Services, meaning total funding for social care, including rolled-in grants, will be £2.4bn a year by 2014/15.
- In addition, £1bn of funding will be provided through the NHS budget to support joint working between the NHS and councils in the provision of social care.

Transport

- Bus Operators' Subsidy will be reduced by 20%, saving over £300m by 2014/15.
- Statutory concessionary travel entitlements will remain.
- Revenue grants to local authorities from DfT will be reduced by 28%.
- The number of transport grants to councils will be reduced; councils will gain greater control and flexibility over spending these grants.

Education

- The schools budget for 5 to 16 year olds will increase by 0.1% in real terms each year of the Spending Review period. This includes £2.5bn of funding for the new pupil premium.
- £15.8bn of capital funding will be made available for schools over the Spending Review period. The Government will rebuild or refurbish over 600 schools from the Building Schools for the Future and Academies programme.

Housing

- The 'New Homes Bonus' will be introduced to incentivise councils to grant planning permission for the construction of new homes, by matching Council Tax receipts for each new home built for a number of years.

- The council housing finance system will be reformed so councils can invest in housing stock.

Economic Growth

- The Regional Growth Fund will be worth over £1.4bn over three years. A panel will assess funding bids from Local Enterprise Partnerships as well as the private sector.

Council Tax Benefit

- From 2013/14 Council Tax Benefit will be localised; Government also plans to reduce spending by 10%.
- Government will consider measures to give authorities more flexibility 'to manage pressures on council tax', to be implemented from the same date.

Local Authority Borrowing

- Interest rates on loans from the PWLB have been increased to 1% above the rate for British Government gilts, previously the rate tracked gilts. The Treasury estimate this will lead to a reduction of 17% in self-financed expenditure by councils over the Spending Review period.

Internal Restructuring

- In 2011/12 a £200m capitalisation fund will be available for capitalisation to support authorities wishing to deliver savings through internal restructuring.

Public Sector Pensions

- The state retirement age will reach 66 in 2020, four years earlier than planned
- Employee contributions to public sector-pensions scheme will be increased. However, they will remain as 'defined-benefit' schemes. A consultation will be launched on a Fair Deal system, recommended by Lord Hutton.

3.5 Local Government Settlement

3.5.1 The Provisional Local Government Finance Settlement was presented to the House of Commons on 13th December 2010, and will be ratified in the Final Local Government Finance Report (England) presented in a written statement to the House of Commons on 20th January 2011. The Final Settlement potentially remains unchanged from those published in the Provisional Settlement.

3.5.2 A key message contained in the provisional settlement is that local government has been given flexibility to take decisions locally to address local priorities. Restrictions have been lifted on how local government spends its money by removing "ring fences". The intention is to give councils extra flexibility to make decisions about where savings are found, however, this is subject to the usual rules to ensure that capital funding is used on capital expenditure.

3.5.3 The settlement is for a two year period, a second two year settlement is expected to follow, for which Government intend to adopt a new distributional system.

3.5.4 A significant factor that added to the pressure faced in 2011/12 is the front loading of funding reductions. The profile of reduction is therefore uneven and for Herefordshire is 13.3%, 8.6% and 1.9% for the next three years.

3.5.5 The headline changes are:

- Two year settlement, then a further two year settlement which will have a new distribution system from 2013
- Nationally Formula Grant falls by 12.1% for 2011/12
- Significant formula distribution changes – concessionary fares, social care and transport
- Specific grants have rolled into either formula grant, dedicated schools grant (DSG) or early intervention grant
- Damping arrangements are in place based on four banded floors and dependency on formula grant; Herefordshire in Band 3
- Those worst hit by the changes (limited to 8.9% of spending power reduction) will be provided with a transitional grant of £85m
- There will be the ability to capitalise redundancy costs
- Council tax grant will cover a one year (2011-12) freeze
- £1bn additional funding for social care within the formula grant by 2014/15.
- NHS Funding of £648m in 2011-12 and £622m in 2012-13 has been identified to support integrated working between health and social care
- Bus operators subsidy reduction of 20% but statutory concessionary entitlement remains
- New homes bonus to incentivise the support of new housing development
- Dedicated Schools Grant has an overall increase of 1%, but this translates into a flat cash per pupil increase, due to pupil number rises. There will be a minimum funding guarantee at school level of -1.5%
- Pupil premium of £625m will be distributed, which has been set at £430 per free school meals pupil for the first year
- Pupil premium will rise to £1,750 per free meals pupil as the premium increases over the next four years

3.5.6 Although formula grant is being cut nationally by 12.1 per cent, cost pressures in areas such as adult social care, children's protection, waste management, and flood defence will continue to mount. As a result, local government faces a total funding shortfall in the order of £6.5bn in the next two years.

3.5.7 The government has introduced a measure known as "local authority spending power". This is based on funding from central government and council tax receipts. For 2011-12 this is made up of:

- Council tax
- Formula grant
- Specific grants
- NHS funding to support social care
- NNS Operating Framework 2011/12

3.6 NHS Health Settlement 2011/12 and Financial Context

- 3.6.1 2011/12 is the first year of the new NHS Spending Review period and whilst the settlement represents growth for the NHS it is considerably below previous levels of funding and does not equate to the pressures that are faced for rising demand, changing demography and new technologies. Therefore it is important that a focus remains on the delivery of the National £20billion of efficiency savings for re-investment and improving quality across the spending review period. NHSH's figure is estimated currently at £73m for the period 2011/12 to 2014/15. This equates to £48m on inflationary cost pressures and £25m demographics and demand.
- 3.6.2 PCTs will continue to be required to set aside non recurrently 2% of their budgets to create financial flexibility and headroom to support change. Within the West Midlands the approach being taken for 2011/12 is a top slice of the 2%. This equates to £5.6m for NHSH. NHSH will be required to submit business cases to the SHA in order to release our funding. It is envisaged that the top slice will be used to support restructuring costs.
- 3.6.3 NHSH received an uplift of 3.1% equating to £8.6m. Contained within the revised 2011/12 baseline is the non recurrent funding to support joint working between Health and Social Care therefore £2.368m will be transferred to Herefordshire Council to invest in Social Care services that will benefit Health and improve overall Health gain. A joint plan will be required that outlines appropriate areas for Social Care investment and the outcomes that will be expected from this investment. NHS Commissioners will need to demonstrate plans that alleviate pressure put upon the social care system through reduced length of stay in hospital beds.
- 3.6.4 The Department of Health expects these plans to take into account the local joint Strategic Needs Assessment. Transfers will need to be made via an agreement under section 256 of the 2006 Act. Additionally PCTs will be responsible for securing post discharge support within Acute Care settings with Hospitals responsible in 2011/12 for readmissions within 30 days of discharge.
- 3.6.5 2011/12 PCT baseline allocations now include funding for reablement services. This is in addition to the £2.368m and is intended to be invested in jointly developed plans that will need to be agreed for appropriate social care investments and agreed outcomes for this investment. This can include telecare, community directed prevention (including falls prevention) community equipment and adaptations, and crisis response services.
- 3.6.6 Local Authorities are facing a significant funding reduction which needs to be considered when considering care outside hospital. Within the 2011/12 resource allocation is an assumption that NHSH will transfer monies of circa £500k to Herefordshire Council that will support and facilitate discharges, 30 day reablement and preventative measures that will impact on health service utilisation. The Distance from target funding for NHSH is now 2.8% which is circa £7.9m a move from 3.1%.
- 3.6.7 The greatest challenge being faced by the Health and Social Care economy is the demographic impact of older people. NHSH spend circa £52m (commissioning and non NHS commissioning budgets) and Herefordshire Council spend £1.5m on services for older people. Whilst investment levels are high resources are centred around institutional based care that creates dependence on services. It is imperative that future scarce resources are used to not only support or maintain independence and are used to ensure that a greater focus is placed around prevention, personalisation and wider partnership working to support this.

3.7 Health and Well-being Boards

- 3.7.1 The creation of new Health and well being boards will legitimise the local democracy of NHS Commissioning decisions. Health and well being boards will bring together key NHS, public health and social care leaders to work in partnership.
- 3.7.2 In addition to assessing needs and developing an overarching commissioning strategy, health and well being boards will also be able to make use of the existing flexibilities between the NHS and local authorities (pooling of budgets) .These flexibilities , and the ability to invest differently at the interfaces of the NHS ,public health ,social care and children's services, will be increasingly important in meeting the challenge of delivering the best possible outcomes for our communities within a more constrained financial environment. Herefordshire Council is an early implementer and has been granted pathfinder status.

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4. Herefordshire Primary Care Trust Financial Context

4.1 Quality , Innovation, productivity and prevention (QIPP)

4.1.1 Whilst the NHS has been relatively protected from budget cuts there are a number of factors that make the financial settlement very challenging:

- Rising demand from an ageing population, from increased “lifestyle” disease and from increasing technological capability estimated at as much as 2% per annum.
- The actual cost of NHS inflation (driven by technological advance) running ahead of general inflation
- VAT and National Insurance increases
- Pay bill increase resulting from increments

4.1.2 Nationally, it has been recognised that the above combination of factors leads to a potential gap between resources required and available of between £ 15-£20 billion cumulatively by 2014/15, if the NHS does not review the way that care is delivered and provided.

4.1.3 Currently NHSH’s share of the QIPP agenda is circa £73m. Improving quality can reduce costs. A greater focus on prevention rather than responding to ill health is more cost effective and results in greater quality of life and less interventional procedures in later life. Maximising the use of technology can support care at home or in the community and avoid unnecessary admissions to hospital or residential care. There are opportunities for maximising productivity and examples include duplication of treatments, processes and follow up outpatient appointments. Clearly ensuring that opportunities for the maximisation of opportunities for health and social care to work together to streamline care is a strength of the deep partnership between NHSH and Herefordshire Council.

4.1.4 Management costs reductions of £1.2m in 2011/12 will be released to support frontline services. Additionally procedures that deliver low levels of clinical benefit will continue to be reviewed to ensure that these resources can support procedures that offer greater clinical benefits.

4.1.5 NHSH is required to set aside 2% of its allocation £5.6m to reinforce financial control in 2011/12. The 2% will be top sliced and held by SHAs. PCTs will be required to submit business cases to access funding that will demonstrate the non recurrent nature of the expenditure proposed.

4.1.6 All business cases will need to be supported by the SHA Directors of Finance Group. Restructuring costs are likely to be approved. The £5.6m was set aside recurrently from the 2009/10 allocation and does not therefore appear in the Sources and Applications table overleaf.

4.1.7 The NHH QIPP challenge is £11m for 2011/12. This consists of the following:

Source	Amount £m
3.1% uplift	8.6
Application	
NHS Contracts (reflecting 10/11 outturn and demand)	-9.1
Health and Social care	-2.3
Investment re continuing care, special placements , free nursing care	-4.8
Reablement Funding	-0.5
Inflation uplift (Non NHS/prescribing budgets)	-1.3
GP Consortia Development Funding	-0.5
Other (e.g. PBC savings liability)	-1.1
Total Application	-19.6
COST PRESSURE	-11.0

4.1.8 The QIPP initiatives to cover the cost pressure currently identified are:

QIPP Initiatives	Amount £m
NHS activity	
Care pathway redesign	2.6
Data Quality	0.5
Low priority Treatment	0.1
Demand Management	1.0
Outpatient –new/follow up ratio	0.9
Non NHS activity	
Continuing care	1.5
Special placements	0.5
Free Nursing care	0.5
Mental Health Repatriation	0.5
Other	
Medicines Management/Management Cost savings/Shared services	2.9
Total QIPP savings initiatives	11.0

4.1.8 As part of the initial plans for 2011/12 to 14/15 NHS has identified the following main initiatives that will need to be delivered for QIPP savings:

	<i>£m</i>
Care Pathways	15
Review emergency admissions	2
Continuing Health care	4

4.2 Health and Social Care Pathway redesign

4.2.1 The essential characteristics of our future care delivery system are based upon:

- Integrated Health and social care model based on a reablement focus through personalisation agenda
- Commissioning by care pathways
- Move away from a bed based model of care provision
- Using tools to support effective, efficient commissioning processes E.g. prioritisation and impact assessment tools.
- Ensuring cost effectiveness and clinical effectiveness
- Move to a more prevention focused agenda
- Increased patient choice of provider
- Increased use of assistive technology

4.2.2 In 2009/10 work undertaken by KPMG confirmed that the existing provider landscape within Herefordshire was not financially sustainable and therefore clinically led reviews of five initial pathways was undertaken. The KPMG report concluded that the delivery of new models of care at existing levels of demand provided an opportunity for significant cost savings. The largest savings are assumed as being for frail older people. As can be seen from the QIPP initiative table above the commissioning assumption for 2011/12 care pathways is £2.6m.

4.3 Changes to the National PBR Tariff 2011/12

4.3.1 The design and structure of the national tariff for 2011/12 signals the start of a series of changes to be made over the coming years, and has been informed by a number of key priorities:-

- Quality and outcomes
- Efficiency and value for money
- Integration and patient responsiveness
- Expanding the scope of the tariff

4.3.2 The coverage of best practice tariffs, first introduced in 2010/11, will be expanded to cover a number of new service areas, and it is anticipated that this expansion will accelerate in 2012/13 and beyond. Best practice tariffs are designed not only to promote better patient outcomes and experience, but also to deliver gains in productivity and efficiency. To drive further tariff efficiency a change is being introduced re the funding of long stays in hospital by a five day trim point floor. This will mean that relatively short stays in hospital do not attract a long stay payment.

4.3.3 In addition all tariffs have been set at 1% below the average as an initial step in pricing policy to set all tariffs below the national average level. The change to the calculation of trim

points, setting tariffs below the average, and the expansion of best practice tariffs, mean that a 2 per cent efficiency requirement has been "embedded" into the tariff.

- 4.3.4 The national efficiency requirement in 2011/12 is 4% and the uplift for pay and price inflation is assessed at 2.5%. Consequently, the prices for services outside the scope of the national tariffs should reflect a reduction of 1.5% compared with those of 2010/11 before negotiated and agreed developments. Tariff prices for 2011/12 also reflect the 4% efficiency requirement: 2% is embedded in tariff design with the remaining 2% offsetting the pay and prices uplift resulting in a final tariff adjustment of 0.5%. Taking both the 2% efficiency requirement embedded in the tariff design and the 2% general efficiency deflator, offsetting pay and prices uplifts, results in an overall reduction between 2010/11 and 2011/12 of 1.5%. This 1.5% reduction will also apply to non tariff services and is consistent with the current NHS Operating Framework statement that over the next three years tariff adjustments will not be better than 0%.
- 4.3.5 In 2011/12 hospitals will not be reimbursed for emergency readmissions within 30 days of discharge following an elective admission, and all other readmissions within 30 days of discharge will be subject to locally agreed thresholds, set to deliver a 25% reduction where possible.
- 4.3.6 NHSH will be working with HHT, GP's and Herefordshire Council to manage the savings arising from non- payment of emergency readmissions to fund both reablement and post discharge support.
- 4.3.7 Opportunities exist to develop local currencies and tariffs (subject to SHA approval). These local currencies and tariffs flexibilities can support changes in service provision and integration of services .Work is underway to develop local tariffs re the stroke and older peoples care pathway.
- 4.3.8 A new flexibility to be introduced in 2011/12 is the opportunity for providers to offer services to commissioners at less than the published mandatory tariff where both providers and commissioners agree. Any such agreement will need to demonstrate that there will be no detrimental impact on quality, choice or competition.

4.4 Risks

- 4.4.1 Whilst there is a 2% top slice held by the SHA which will be subject to business cases. It is important to note that NHSH commences 2011/12 with no risk reserve and with a level of risk of circa £5m.
- 4.4.2 This risk is explained below:

Detail of risk	Amount £m
Non delivery of care pathways	1.6
System failure to manage demand	1.0
Continuing Healthcare risk	1.0
Other pressures	1.4
Total Risk	5.0

4.5 Capital

- 4.5.1 In 2011/12 there will be no automatic capital allocation for PCTs, with necessary capital funding for PCTs being granted on a case by case basis. This represents a fundamental change in funding which previously consisted of both a block capital allocation and a bidding process. This also reduces some in year revenue flexibilities due to asset classification.

4.6 NHSH Next steps

4.6.1 Currently NHSH is undertaking the 2011/12 system planning and agreement of contract process in accordance with the system planning timetable outlined by the Department of Health/SHA. From an NHSH perspective this is an initial iteration of the JMTFS re NHSH which will constantly be refreshed over the next two months in line with the planning timetable outlined below:

Month	Week Commencing	Requirements	Operating Framework new requirements
January	3 rd Jan	Author plan workshop	
	10 th Jan	Cluster CEO and SHA report	
	17 th Jan	LTSM resubmission and cluster system plan resubmission	Review Finance strategy with Clusters FIMS and Performance measures
	24 th Jan		First weekly call to discuss contract issues
February	31 st Jan		Second weekly call to discuss contract issues
	7 th Feb		Third weekly call to discuss contract issues
	14 th Feb	18 th FEB cluster system plan resubmission	Fourth weekly call to discuss contract issues
	21 st Feb		Fifth weekly call Contract agreement
	28 th Feb		Conciliation/arbitration
March	7 th March		Conciliation/arbitration
	14 th March	18 th Final System plan Contract agreement	Conciliation/Arbitration (16 th) FIMS and Performance measures (18 th) Final signed contract(18 th)
	21 st March		25 th March Final Regional System plan to Department Of Health

4.6.2 Each cluster is required to resubmit updated system plans (including LTSMs by the close of play on 21st January 2011, 18th February 2011 and 18th March 2011.

5. Herefordshire Council's Financial Context

5.1 Introduction

- 5.1.1 This section of the JMTFS 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.
- 5.1.2 The overall reduction to council funding is £11m from formula grant changes with further cuts to Children's grant of £2.5m.
- 5.1.3 Additional funding of £4.3m is being made available for Social Care.

5.2 Formula Grant

- 5.2.1 The council received £57.583m in 2010/11, but specific grants and funding streams within Area Based Grant (ABG) have transferred into formula grant for 2011/12 giving a starting point of £71.13m.
- 5.2.2 The government calculates an adjusted figure for 2010/11 to enable a like-for-like comparison with 2011/12 which has been calculated as £69.349m. It is estimated that this calculation has cost the council £1.8m due to the way that schools budgets have been transferred to academies and concessionary travel, specific grant and transport grants have been transferred into formula grant.
- 5.2.3 Herefordshire Council's allocation of formula grant is £60.125m for 2011/12 and £54.404m for 2012/13.
- 5.2.4 Herefordshire's reduction against the adjusted 2010/11 Formula Grant is £9.244m or 13.3%, which is the 'floor' for the damping group the council is allocated to, (this is in addition to the £1.8m mentioned above). Within the overall reduction, the following can be identified specifically;
- £3.1m reduction to the formula that distributes Concessionary Fares
 - Approximately £2.7m reduction in the grants rolled into formula grant, including supporting people and transport.
 - £650k has been taken out for academy transfers
- 5.2.5 Additional funding is provided for in the settlement:
- £2.0m social care funding within formula grant
 - £2.1m council tax grant
 - £2.3m NHS funding to support social care, money which is held by PCT's, but will be distributed on submission of robust business cases

5.3 Specific Grants

5.3.1 The number of specific grants has reduced dramatically, with only the following allocated for 2011/12 and 2012/13 (excluding DSG and council tax grant);

List of Specific Grants	2011-12	2012-13
	£000	£000
Early Intervention Grant	6,473	6,873
HCTB Admin	1,228	0
Lead Local Flood Authorities	130	200
Learning Disability	3,647	3,733
Preventing Homelessness	225	225

4.3.2 £13.5m of specific grant and ABG have been moved into formula grant, but reduced to an estimated £10.8m, leaving a funding shortfall of £2.7m.

4.3.3 £16.3m of former Standards Funds grants have been transferred into Dedicated Schools Grant on a per pupil basis.

4.3.4 The Early Intervention Grant replaces non-ring-fenced funding from the Department for Education. Grants totalling £7.07m have been transferred into the Early Invention Grant and reduced to £6.47m in 2011-12, leaving a funding shortfall of £0.6m.

4.3.5 A number of education grants have not been mentioned and we assume at this stage that they will no longer be received, the major areas are, ABG £1.1m and Standards Fund £0.8m.

5.4 Dedicated Schools Grant

5.4.1 The Dedicated Schools Grant (DSG) is paid as a ring-fenced specific grant and used in support of the Schools Budget. It is the main source of income for Schools. DSG is based upon a per pupil formula using the actual pupil numbers from the January school Census data each year. Government sets a fixed amount per pupil for Herefordshire which is multiplied by the total pupil numbers to determine the final grant. There is specific grant certification and audit requirements to ensure appropriate use of the grant and any under or overspends must be carried forward to the next financial year. Funding is delegated to schools through a funding formula that is agreed with Schools Forum.

5.4.2 National funding reflects factors such as deprivation, sparsity and area cost adjustments which affect urban and rural areas in different ways. The current grant methodology ("Spend Plus") underlying the allocation of DSG to individual authorities is determined by central government. A national review of the distribution formula for DSG is about to commence.

5.4.3 For 2011/12 the expected fall in pupil numbers and increased spend on out of county suggests a DSG shortfall of £1m, equating to £40 per pupil. A pupil premium of £430 per free school meals pupil will be new money distributed to schools.

5.4.4 DfE informed us that DSG funding will be at £4,723.65 per pupil. The planning total is based on 22,293 pupils (as at Sept 10) plus an extra 174 pupils for the increase in private nursery hours to 15 per week (from 12.5 hrs per week), giving a DSG planning total of £106.126m.

- 5.4.5 Academies are publicly funded independent local schools that provide a first class free education. Academies are independent of the Council and responsible directly to government and are funded directly by government. They are freed from national restrictions such as the teachers pay and conditions documents, the national curriculum and Ofsted inspection requirements.
- 5.4.6 Academies provide a teaching and learning environment that is in line with the best in the maintained sector and offer a broad and balanced curriculum to pupils of all abilities, focusing especially on one or more subject areas (specialisms). As well as providing the best opportunities for the most able pupils and those needing additional support, academies have a key part to play in the regeneration of disadvantaged communities.
- 5.4.7 Academies receive additional top-up funding to reflect their extra responsibilities which are no longer provided by the local authority.
- 5.4.8 In May 2010 the Secretary of State for Education, Michael Gove, announced legislation which allows the Secretary of State to approve schools to become academies through a simplified streamlined process.
- 5.4.9 Reduction for schools moving to academy status from formula grant is £650k in 2011/12, this is irrespective of the number of academies commencing. Services will need to consider charging to mitigate this reduction, for example within school improvement, strategic management and property.

5.5 Revenue Spending Power

The Revenue Spending Power amounts for Herefordshire are set out below;

	2010-11	2011-12
	£m	£m
Council tax requirement (including parishes)	87.749	87.749
Formula grant (adjusted base)	69.349	60.125
Learning disability grant	3.574	3.647
Early interventions grant	7.070	6.473
Cohesion	0.057	
HB admin subsidy	1.324	1.228
Preventing Homelessness	0.191	0.225
Council tax freeze		2.152
NHS funding to support social care		2.368
REVENUE SPENDING POWER	169.314	163.967
Change - £000		-5.347
Change - %		-3.16

5.6 Council Tax

- 5.6.1 Authorities, which choose to freeze Council Tax in 2011/12, will 'have the resultant loss to their tax base funded at a rate of 2.5%, equating to £2.1m in 2011/12, in each year of the Spending Review period'.

5.6.2 The scheme will be voluntary; and will apply separately to each billing and major precepting authority in England (including police and fire and rescue authorities) rather than to each council tax bill issued. Local precepting authorities, such as town and parish councils, will not be included in the scheme.

5.6.3 The Spending Review has concluded that funding can only be provided to support a council tax freeze for 2011/12. However, the Government intends to provide supplementary funding to local authorities in subsequent years of the Spending Review via specific section 31 grants to compensate them for the council tax income foregone during the period of the freeze.

5.7 Reserves

5.7.1 Revenue Reserves

5.7.2 Herefordshire has two main sources of reserve funding to support the 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.

5.7.3 The following table shows the year end balance on the General Fund and the level of Specific Reserves for the last three financial years.

Balance as at:	General Fund £000	Specific Reserves		Total £000
		Schools	Other	
31 st March 2008	6,728	5,657	10,915	23,300
31 st March 2009	6,390	5,476	10,588	22,454
31 st March 2010	5,390	5,497	8,739	19,626

5.7.4 A significant proportion of the Specific Reserves belong to schools and cannot be used to help pay for non-schools services.

5.7.5 The Council's policy is to maintain the General Reserve at a minimum of £4.5m (approximately 3% of the net revenue budget). This level of General Reserve balance is in line with recommended best practice and is consistent with the approach other similar authorities take. Although the Director of Resources is content to make his statutory declaration that this level of General Reserves is prudent, there is an increased level of risk attached to this volatile financial climate, and use of these reserves are not advisable without a clear strategy for payback in a short time frame.

5.8 Capital Reserves

5.8.1 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. The following table shows the level of usable capital receipts for the last 4 financial years and an estimate for 2010-11;

Balance as at:	£000
31st March 2008	17,945
31st March 2009	17,558
31st March 2010	13,296
31st March 2011	6,337

5.8.2 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 and not 'owned' or earmarked for directorates unless allocated for a specific purpose.

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6. Herefordshire's Policy Context

6.1 Introduction

6.1.1 This section of the JMTFS describes the local policy context for Herefordshire.

6.2 Herefordshire Sustainable Community Strategy

6.2.1 *The Herefordshire Sustainable Community Strategy 2006 to 2020* sets out what the Council and its partners aim to achieve to make the county an even better place to live and work. The strategy is being reviewed for 2013 to focus even more on the people and places of Herefordshire.

6.3 Corporate Plan

6.3.1 The Council, working with NHS, have a joint corporate plan that sets out the vision for Herefordshire Public Services 2011-14 including how the aims and objectives of the *Herefordshire Sustainable Community Strategy (HSCS)* will be realised. The vision is 'Working together to deliver excellent services and improve outcomes for the people of Herefordshire'.

6.3.2 The Joint Corporate Plan contains the current overall targets, milestones and actions, together with the current budgets and other resources to achieve them, over the coming years.

6.3.3 The shared values expressed in the Joint Corporate Plan themes are:

- People – treating people fairly, with compassion, respect and dignity,
- Excellence – striving for excellence and the highest quality of service, care and life in Herefordshire,
- Openness – being open, transparent and accountable for the decisions we make,
- Partnership – working together in partnership and with all our diverse communities,
- Listening – actively listening to, understanding and taking into account people's views and needs,
- Environment – protecting and promoting our outstanding natural environment and heritage for the benefit of all.

6.3.4 The priorities of the joint Corporate Plan are:

- The creation of a strong economy
- The improvement of Health Care & Social Care
- Raising standards for Children and Young people
- The promotion of self reliant local communities
- A resilient Herefordshire
- Commissioning the right services

7. Financial Management Strategy

7.1 Introduction

7.1.2 This section of the JMTFS describes Herefordshire's corporate financial objectives given the national and local context. It also covers Herefordshire's financial management proposals to achieve these objectives. This section also describes the financial approach for:

- Revenue spending.
- Capital investment.
- Treasury management.

7.1.3 Active risk management is a key component of the Council's corporate governance arrangements. This section of the JMTFS 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 financial management objectives are to:

- a) Ensure budget service plans are realistic, with balanced budgets and support corporate priorities.
- b) Manage spending within budgets; Directorates have a 'non-negotiable' pact to manage outturn expenditure for each financial year within budget.
- c) Ensure sustainable balances, reserves and provisions, within a reasonable limit, consistent with the corporate financial risks and without tying up public resources unnecessarily.
- d) Create the financial capacity for strategic priorities for service improvement.
- e) Support a minimum level of capital investment to meet the Council's strategic requirements.
- f) Maintain a strong balance sheet position.
- g) Deliver and capture year on year efficiency and Value for Money improvements.
- h) Ensure an integrated approach to corporate, service and financial planning in full consultation with key stakeholders.
- i) Ensure a whole-life costing approach is taken to both revenue and capital spending decisions.

7.3 Managing Partnership Resources

7.3.1 Herefordshire welcomes the opportunity to work with strategic partners to improve outcomes. However, 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) Clarity of respective responsibilities and liabilities.
- c) Accounting arrangements are established in advance of operation.
- d) Implications of terms and conditions on any associated funding are considered in advance of operation

7.3.2 From April 2011 an Integrated Care Organisation (ICO) for Herefordshire will be established, comprising the provider arm of the council and NHS, alongside Hereford Hospital Trust. The aim of the ICO is delivering health and social care which is focused on providing care as close as possible to people's homes, rather than in an institutional setting; a model which is also aimed at identifying our most vulnerable citizens and shifting the emphasis from diagnosis and treatment to prediction and prevention.

7.3.3 The creation of the ICO will deliver financial savings across the health sector which will contribute towards financial viability. A proposal to change Care Pathways, shifting care from a bed to community base with pilot areas for frail elderly, stroke, COPD and diabetes are progressing. It is likely spend will increase within Social Care, but will be funded partly by health savings.

7.4 Managing External Funding

7.4.1 Grants - provides another opportunity to increase financial capacity. The JMTFS will be to pursue such opportunities, providing that:

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

7.4.2 Managing Developer Contributions - This is another source of external funding that can be secured through the planning system. It may be possible to secure funding to support 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). HPS aims to maximise the potential for increasing financial capacity and managing growth in volumes through s106 agreements, where possible.

7.4.3 Managing Fees and Charges - The Council is currently developing a charging protocol with the aim of implementing a corporate charging policy. The policy will recognise the potential for discretionary charges to fund services and ensure full cost recovery where feasible and minimise the subsidy from Council budgets.

7.5 Managing the General Fund Balance and Specific Reserves

7.5.1 Herefordshire's General Fund opening balance for 2010-11 was £5.39m, with an additional contribution of £1m allocated on 1st April. This is in excess of the current policy in place to maintain a minimum balance of £4.5m (3%).

7.5.2 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 ensures there is complete transparency about what is resourced, for corporate financial risks that, if realised, would affect the Council's financial standing. It represents an 'open-book' approach to accounting.

7.5.3 There is an increased level of risk attached to this volatile financial climate, and the use of these reserves is not advisable without a clear strategy for payback in a short timeframe.

7.5.4 All Directorates are expected to manage budget pressures within the overall requirement to deliver an outturn at or below budget. Any in-year budget pressures must be managed by use of a recovery plan, which is approved at Joint Management Team.

7.5.5 The need for the range and level of specific reserves and the policy for minimum General Fund balances is continually reviewed as part of the financial planning, monitoring and outturn processes.

7.5.6 It is proposed that a specific financial reserve is established following a review of current specific reserves. The reserve will need to be £1m and any future use repaid as part of the budget process. In order to incentivise sound financial management the first call on "repayment" should be the directorate that has overspent in the previous year.

7.6 Governance

7.6.1 Maintaining strong financial control is a prerequisite to achieving the Council's corporate priorities and the integrity of the MTFs. Good systems and procedures are in place for regularly reporting on financial performance to Cabinet, Overview & Scrutiny Committee and Scrutiny Committees as part of the integrated performance framework.

7.6.2 NHS and Herefordshire Council currently operate two separate continuing care panels and assessment processes which do not facilitate the joint commissioning of care packages, best use of resources nor ensures the best outcomes for Herefordshire citizens. Additionally, the use of personal health or social care budgets is not maximised. It is proposed that a section 75 agreement be developed in 2011/12 that will support a single assessment process, single panel and a joint commissioning approach via a pooled budget approach.

7.7 Efficiency Review

7.7.1 Herefordshire's strategy for securing efficiency gains is to seek continual improvement in the productivity of all our resources, including people, land, property, ICT and cash.

7.7.2 Herefordshire has had a good track record delivering to the government's efficiency targets. For 2010/11 this rises to 4%. £6.7m.

7.8 Value for Money (VfM)

7.8.1 In October 2010 Herefordshire Council and PCT agreed a joint Value For Money Strategy. This has built upon the development of the routine use of 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 Performance Improvement Cycle.

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

- 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.
- Support from the Procurement through efficient tender and other procurement processes that ensure robust quality and price.
- Integrating corporate, service and financial planning processes.
- Planning over the medium-term as well as the short-term.

- Developing our routine financial performance monitoring reports for Cabinet to include VFM data over the coming year.
- Benchmarking our costs and activities, year on year and with other authorities.
- Through internal and external audit reviews.
- Through scrutiny reviews.

7.9 Financial Strategy for Capital Investment

7.9.1 The coalition government will no longer support borrowing costs. There future capital funding is by way of grant:

Local Transport Plan

- This is now funded by an un-ring-fenced capital grant of £10.3m. 2010-11 funding allocation was initially £13.0m reduced to £12.5m so this represents a further £2.3m (17%) cut.
- Other funding pots have been announced, available through a bidding process, the main one being the Local Sustainable Transport Fund (for sustainable transport initiatives) which is available for both capital and revenue need. The first bidding round closes in April 2011.

Schools Capital

- There has been a major shift in allocation of funding from devolving funding to schools to allocating to the local authority.
- The total allocation has reduced by 1%. The main reduction is in relation to devolved funds decreasing from funding in 2010-11 initially of £2.9m - reduced by a £1.4m advance into 2009-10 - to £0.7m in 2011-12.
- The maintenance allocation for Hereford has therefore increased from funding in 2010-11 of initially £1.9m - reduced by a £1.3m (advance into 2009/10) - to £2.7m in 2011/12.

Disabled Facilities Grant

- It is likely the Disabled Facilities Grant allocation will be circa £0.6m.

Adult Social Care

- A grant allocation of £0.4m has been published.

7.9.2 The FRM reflects the borrowing requirement implied by the Treasury Management Strategy to support the capital programme currently in place.

7.9.3 The Council can fund additional borrowing to the extent it considers it is affordable and prudent to do so (prudential borrowing) but are unlikely to fund any scheme unless a spend to save/mitigation assessment demonstrates a clear benefit. One surprising aspect of the Spending Review is that Public Work Loan Board rates (the rates at which local authorities can borrow) will be 1% above the gilt rate (compared to the 0.13% previously). This makes PB more expensive, and this is likely to reduce the amount of schemes that are given the go ahead, both locally and nationally

7.9.4 The coalition government has recently announced new borrowing powers aimed at encouraging local investment and economic growth. Tax Incremental Financing (TIF) Tax works on the basis that when a development or public project is carried out, there is often an increase in the value of surrounding land and property, and perhaps new investment.

Local Authorities will be able to borrow against predicted growth in their locally raised business rates. They can use borrowing to fund key infrastructure and other capital projects, which will support locally driven economic development and growth.

7.9.5 The capital receipts reserve totalled £13.296m as at 1st April, 2010, this is likely to fall to just over £6m by the end of the financial year. Capital receipts reserve funding has been committed to fund the capital programme in coming years.

7.9.6 The financial management strategy for increasing capital investment capacity centres on:

- Maximising developers' contributions.
- Effective project management of capital schemes to ensure they stay within budget.
- Implementing the property review arrangements set out in the Asset Management Plan to rationalisation of property assets to release resources (capital and revenue).
- Maintaining our successful track record for innovative capital investment schemes.
- Attracting external funding

7.9.7 The challenges given to retaining assets will be based on value for money and delivery of HPS's strategic priorities and key service delivery. Surplus properties will either be recycled or disposed of and proceeds will be reinvested. The disposal of land will be allowed after consideration of sacrificing a capital receipt for transfer of the land for use as social housing.

7.9.8 Over the longer term authorities are expected to generate income from selling surplus assets and reduce the costs of running their property portfolios by providing efficiencies including reducing carbon emissions from their capital stock. At the same time there is increasing pressure to provide cross-cutting co-located services to provide a one-stop service provision to the public which is steering authorities to share buildings, pool resources and jointly plan strategic capital programmes with local agencies, private companies, voluntary sector and community organisations. For local authorities to deliver their priorities within the financial constraints officers must demonstrate creativity using greater innovation and ideas, to deliver services differently.

7.9.7 The localities agenda is steering authorities to share buildings, pool resources and jointly plan strategic capital programmes with local agencies, private companies, and voluntary sector and community organisations. This new concept of meaningful engagement at a very local level, critically challenges the historical basis for resource allocation and the effectiveness of services to deliver on local need and is designed to provide a more creative use of the current asset base and support improvements to community based planning and service. This is designed to produce more efficient local spending by pooling budgets and ending duplication.

Other Capital Grants

7.9.10 Herefordshire has been selected as one of four pilot schemes to deliver superfast broadband to rural areas and this is expected to receive grant funding of £6m over the next two financial years. An unringfenced allocation of disabled facilities grant is expected but this hasn't been confirmed to date. The department of health has announced funding of £452k towards personalisation, reform and efficiency in adult social care.

7.10 Capital Programme 2011-12

7.10.1 The 2011-12 capital programme represents funding indications received to date from grants and the existing schemes that commenced in prior years.

7.10.2 The following table summarises the existing capital investment programme updated for slippage.

	2011-12	2012-13	2013-14
	£'000	£'000	£'000
Directorate			
Children's Services	23,402	4,849	4,849
Resources	6,229	7,028	
Deputy Chief Executive	482	208	-
Adult Social Care	1,123		
Sustainable Communities	23,413	15,336	9,792
Public Health	289		
<i>Contingency (1%)</i>	<i>539</i>	<i>224</i>	<i>147</i>
TOTAL	55,477	27,645	14,788
Funded by			
Prudential Borrowing	10,920	7,811	147
Capital receipts reserve	4,260	-	-
Grants and contributions	40,297	19,834	14,641
TOTAL	55,477	27,645	14,788

7.11 Treasury Management Strategy

7.11.1 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 2011/12, is provided at Appendix A and complies with the detailed regulations that have to be followed.

7.11.2 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.

7.11.3 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. The strategy also included the Minimum Revenue Provision (MRP) policy.

7.11.4 Since the 'credit crunch' a more cautious approach to investment has been implemented, these options deliver lower interest rates, but within a low risk environment. This has resulted in reduced interest on investments used to support Council budgets.

7.11.5 The Council's treasury adviser assists the Council in formulating views on interest rates. They are predicting that the bank rate will remain at 0.50% until autumn 2011 when it will gradually rise to reach 2.50% by the end of 2012.

7.11.6 The Treasury Management Strategy also sets the Prudential Code limits for the year and beyond. 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.

7.11.7 The Treasury Management Strategy assumes that, as far as possible, external borrowing for the capital programme will be delayed and will be funded by borrowing from internal reserves until the economic situation improves. In the current climate long term borrowing would be at considerably higher rates than investment income can generate and the number of counter parties has reduced due to poor credit ratings.

7.12 Key Corporate & Financial Risks

7.12.1 HPS sees risk management as an essential element of the corporate governance framework. All formal reports include a risk management assessment. The Cabinet receives regular updates on the corporate risk register as part of our Performance Reporting arrangements.

7.12.2 Service Plans for each directorate provide a section on both short and long term risk, assessing the feasibility of delivering their objectives against barriers for delivery.

7.12.3 An extract from the Corporate Risk Register is shown at Appendix B where these items could have a significant financial impact.

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8. Medium-Term Financial Resource Model (FRM)

8.1 Background

8.1.1 The FRM shown in Appendix C takes into account the corporate financial objectives and MTFS approach set out in this document. The FRM is designed to provide an assessment of the overall resource availability for the revenue account over the medium-term. It sets the financial context for corporate and service planning so that the two planning processes are fully integrated. It covers the period from 2011 to 2014.

8.2 Assumptions

8.2.1 The FRM includes the following assumptions;

- a) **Council Tax** - a nil increase for 2011-12 and 2.5% there after
- b) **Formula Grant** – the FRM reflects the two year settlement, including the grants transferred in
- c) **New Homes Bonus** – using the 2010-11 tax base compared to the 2009-10 demonstrates additional home growth of 468 which provides £660k. A similar level of growth has been anticipated for future years.
- d) **Inflation** -The current FRM includes 2% inflationary uplift on non pay expenditure and income
- e) **Pay** – assume zero pay awards for 2011 and 2012
- f) **Employers' superannuation costs** – the FRM includes increases in employers' contributions rates of 0.7% in line with latest valuation which concluded in November.
- g) **National Taxation** – the FRM assumes there will be an increase in national insurance contributions in 2011/12 in line with the pre-budget report.
- h) **Interest Rates** – the FRM reflects interest rate assumptions for investment income and new borrowing costs in line with the Treasury Management Strategy 2011-12.

8.3.1 Budget Process

8.3.1 The FRM includes key growth items and budget pressures identified as corporate priorities, alongside service and initiatives council wide to deliver savings.

8.3.2 Given the provisional settlement only covers two years Joint Management Team conducted more detailed financial planning for the two year period based on the Joint Corporate Plan. As the settlement was worse in terms of total reduction and phasing a further phase that saw Directors work to a further set of principles to help refine the budget proposals took place. These principles are as follows:

- Directors to assume that grant reductions and grants that have ceased will not be funded.
- The outcome of the Star Chamber process saw a level of budget growth request that cannot be funded within existing budgets directorates must fund these requirements.

- The additional sums provided for Adult Social Care as part of the settlement and also via Health will be added to the overall control total for Adult Services. No further funding will be provided and service redesign will need to deliver a balanced position.
- There will not be any additional capital borrowing in 2011 apart from agreed prior year decisions that still have a sound business case or where borrowing commitments cover projects already being delivered. Spend to save funding will be made available where a sound business case demonstrates a positive revenue contribution.
- Inflation will be applied to budgets. There is also an assumption that fees and charges will be raised by inflation and that any subsidy of services through under recovery of fees will end. An increase by the level of inflation will be built into budgets. A review of fees as part of the emerging income policy will need to be undertaken and future level of fees and charges will be adjusted to ensure we eliminate any subsidies.

8.3.3 A star chamber process has been used to identify and challenge savings proposals and service pressures, with four key aims:

- To sign off savings brought forward previously as part of the 2009/10 budget setting as well as those from the current challenge and review cycle 2010/11
- To identify further cross cutting savings from the “Rising to the Challenge” transformation programme and to challenge those savings identified to date from lead Directors and work stream leads – these are primarily;
 - Streamlining the Business (Shared Services, Organisational Redesign, Office accommodation and Commercial strategy)
 - People and Performance (Reducing the pay-bill, agency spend)
 - Communities first (property review)
 - Customer Focus (replacement CRM)
 - Better Services
- To challenge and review all submitted service pressures
- To review proposals from each Directorate for further savings and service change based on the application of the Core Principles and Priorities shown below:

Core principles for the future... the financial challenges ahead require us to set out clearly what the Council stands for, what residents can expect of us and what we expect of them		
PRINCIPLE	IMPACT	EXAMPLES
Valued Services	• Focusing on what matters to people, core business, stopping things we don't need to do	• Reducing leisure funding • More outsourcing
Cutting Red Tape	• Less regulation and bureaucracy, smaller local government	• Cutting back enforcement • Abolishing old by-laws
Supporting the Vulnerable	• Targeting more resources on individuals, families, communities at risk or disadvantaged; early intervention/prevention	• 10 family intervention projects by 2014 • Reviewing eligibility criteria
Cutting Costs	• Reducing the pay bill; third party spend savings; smarter delivery	• 20% less managers by 2012 • £4M less supplier spend by 2015

Local Delivery	• Devolution, role of parishes and the VCS; working through the nine localities	• 25 local schemes parishes by 2014
Personal Responsibility	• Self reliance, people and communities helping themselves, behavioral change	• Parish warden schemes • Reduction in A&E visits

Our Priorities... Alongside our principles, we need to state the “must do’s” – the priorities to be delivered in the next 2/3 years	
PRIORITY	IMPACT
A resilient Herefordshire	<ul style="list-style-type: none"> • Preserving our environment and access to the countryside • Promoting access to services in rural areas • Strong voice in the region
Creating a strong economy	<ul style="list-style-type: none"> • Regeneration of Hereford; delivery of Hereford Futures • Delivery of key infrastructure for growth • Small business growth: jobs and wages; broadband
Raising Standards for Children & Young people	<ul style="list-style-type: none"> • An affordable education system • Meeting safeguarding standards • Increasing primary school and pupil performance
Improving Health Care and Social Care	<ul style="list-style-type: none"> • Reforming care for Older People • Creation of the ICO: April 2011 • Planning for GP Consortium and Health Promotion changes
Promoting self reliant local communities	<ul style="list-style-type: none"> • A balanced housing market • Reducing fear of crime • Encourage community and parish planning
Commissioning the right services	<ul style="list-style-type: none"> • Streamlining working practices • High levels of customers and citizen satisfaction • A High quality workforce

Directorate Budgets

- 8.3.4 Explaining the settlement and financial consequences for Herefordshire have taken place with town councils, business ratepayers and the public via presentations at Infoshops.
- 8.3.5 The Rising to the Challenge initiative is the HPS transformation programme. Its purpose is to drive service improvement and deliver cost reduction proposals. The FRM highlights the savings being proposed by the main initiatives are:
- Shared Services £2.5m - £1.8m of this target relates to the delivery of procurement efficiencies, with other savings expected to arise from staff reductions.
 - Organisational Design £3.1m - this will be delivered by a reduction in staff management, and wider departmental restructures.

8.3.6 A breakdown of the directorate pressures in the FRM are shown below;

£'000	2011-12	2012-13
CYPD	309	186
Adults	576	1430
Sustainable Communities	960	640
Resources	4	(20)
Deputy Chief Executive	(40)	
Total	1,809	2,236

8.3.7 These pressures relate to growth in demographics activity alongside specific contract inflation obligations.

8.3.8 As has been explained earlier, 2011/12 presents Directorates with a series of financial challenges and a requirement that they support the Council to deliver a balanced budget.

Savings

8.3.9 The savings by directorate are split over the following initiatives.

£'000	Other Savings	Rising to the Challenge	Total
Resources	0	544	544
Sustainable Communities	831	1,369	2,200
Deputy Chief Executive	282	751	1,033
Adult Social Care	2,451	198	2,649
CYPD	877	870	1,747
Public Health	153	144	297
Procurement and Central		1,832	1,832
Total	4,594	5,708	10,302

9. Statutory Statement by the Council's Chief Finance Officer

- 9.1 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 Director of Resources must report on the:
- a) Robustness of the estimates made for the purposes of the budget calculations.
 - b) Adequacy of the proposed financial reserves.
- 9.2 Section 25 of the Local Government Act 2003 requires the Director of Resources to report to the Council when it is setting the budget and precept (Council tax). The Council is required to take this report into account when making its budget and precept decision. The Director of Resources' report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.
- 9.3 The Director of Resources states that to the best of his knowledge and belief these budget calculations are robust and have full regard to:
- The Council's corporate plans and strategies;
 - The Council's budget strategy;
 - The need to protect the Council's financial standing and manage corporate financial risks;
 - This year's financial performance;
 - The Government's financial policies;
 - The Council's medium-term financial planning framework;
 - Capital programme obligations;
 - Treasury Management best practice;
 - The strengths of the Council's financial control procedures;
 - The extent of the Council's balances and reserves; and
 - Prevailing economic climate and future prospects.

David Powell
Director of Resources

Herefordshire Council
Treasury Management Strategy 2011/12

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Background

The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in the Public Services (the "CIPFA TM Code") and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also incorporates the Investment Strategy as required under Investment Guidance provided by Communities and Local Government (CLG).

1.2 CIPFA has defined Treasury Management as:

"the management of the organisation's investments and 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."

1.3 The council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are integral elements to treasury management activities and include credit and counterparty risk, liquidity risk, market or interest rate risk, refinancing risk and legal and regulatory risk.

1.4 The strategy takes into account the impact of the council's revenue budget and capital programme on the Balance Sheet position, the current and projected treasury position (Appendix 1), the Prudential Indicators and the outlook for interest rates (Appendix 2).

1.5 The purpose of this TMSS is to approve:

- Treasury Management Strategy for 2011-12 (Borrowing and Debt Rescheduling - Section 3 and Investments - Section 4)
- Prudential Indicators (NB: the Authorised Limit is a statutory limit)
- MRP Statement – Section 7
- Use of Specified and Non-Specified Investments – Appendices 3 & 4

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- 1.6 The council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 4 March 2011. The council has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.¹
- 1.7 All treasury activity will comply with relevant statutes, guidance and accounting standards.

Balance Sheet and Treasury Position

The underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR)², together with Balances and Reserves, are the core drivers of Treasury Management Activity. The estimates, based on the current Revenue Budget and Capital Programmes, are:

	31/03/2011 Estimate £'000	31/03/2012 Estimate £'000	31/03/2013 Estimate £'000	31/03/2014 Estimate £'000
Total CFR	209,407	209,550	206,602	196,275
Less:				
Existing Profile of Borrowing	135,102	129,766	126,932	124,085
Other Long Term Liabilities	28,888	27,982	27,018	25,952
Cumulative Maximum External Borrowing Requirement	45,417	51,802	52,652	46,238
Balances & Reserves	26,114	20,854	19,984	18,626
Cumulative Net Borrowing Requirement	19,303	30,948	32,668	27,612

The council's level of physical debt and investments is linked to these components of the Balance Sheet. The current portfolio position is set out at Appendix 1. Market conditions, interest rate expectations and credit risk considerations will influence the council's strategy in determining the borrowing and investment activity against the underlying Balance Sheet position. The council will ensure that net physical external borrowing³ (i.e. net of investments) will not exceed the CFR other than for short term cash flow requirements.

Estimates of Capital Expenditure:

It is a requirement of the Prudential Code to ensure that capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

Capital Expenditure	2010/11 Approved £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Total	77,904	74,656	55,477	27,645	14,788

¹ This Prudential Indicator demonstrates the Council has adopted the principles of best practice in terms of Treasury Management

² The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes.

³ This is a key indicator of prudence and should not exceed the Capital Financing Requirement. As the CFR represents the level of borrowing for capital purposes, and revenue expenditure cannot be financed from borrowing, net physical external borrowing. Should not exceed the CFR other than for short term cash flow requirements.

Capital expenditure is expected to be financed as follows ⁴:

Capital Financing	2010/11 Approved £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Capital receipts	5,820	9,120	4,260	0	0
Government Grants	40,255	39,605	40,297	19,834	14,641
Revenue contributions	0	208	0	0	0
Total Financing	46,075	48,933	44,557	19,834	14,641
Supported borrowing	13,229	13,230	0	0	0
Unsupported borrowing	18,600	12,493	10,920	7,811	147
Total Funding	31,829	25,723	10,920	7,811	147
Total Financing and Funding	77,904	74,656	55,477	27,645	14,788

Notes:

- The unsupported or prudential borrowing is to support ongoing capital schemes that were approved in prior years. No new prudential schemes are included in the above figures.
- As part of the Spending Review, the government made the decision not to make any new supported borrowing allocations as part of the Formula Grant. Although the level of existing supported borrowing will continue to be financed through Formula Grant, for 2011/12 onwards support for new capital expenditure will be provided in the form of a capital grant.

Affordability of Capital Investment Decisions:

As an indicator of affordability, one of the Prudential indicators looks at the impact of capital investment decisions on council tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme. However, whilst there has been slippage of the existing approved capital programme, no new funding has been proposed.

The ratio of financing costs to the council's net revenue stream⁵ is another indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2010/11 Approved £m	2010/11 Revised £m	2011/12 Estimate £m	2012/13 Estimate £m	2013/14 Estimate £m
Net Revenue Stream	142,844	146,130	152,761	152,460	154,751
Financing Costs	14,147	15,890	17,520	17,375	16,735
Percentage	9.90%	11.12%	11.47%	11.40%	10.81%

The above percentages have increased from last years Strategy Statement due to new accounting arrangements for PFI schemes. The above figures now include interest payable on finance leases.

⁴ The element to be financed from borrowing impacts on the movement in the Capital Financing Requirement. An increase in the CFR in turn produces an increased requirement to charge MRP in the Revenue Account.

⁵ The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes.

Borrowing and Rescheduling Strategy

The council's forecast of actual gross borrowing plus other long-term liabilities is shown in Appendix 1.

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	2010/11 Approved £million	2010/11 Revised £million	2011/12 Estimate £million	2012/13 Estimate £million	2013/14 Estimate £million
Borrowing	200	200	190	190	180
Other Long-term liabilities	30	30	40	40	40
Total	230	230	230	230	220

The Operational Boundary links directly to the council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary for External Debt	2010/11 Approved £million	2010/11 Revised £million	2011/12 Estimate £million	2012/13 Estimate £million	2013/14 Estimate £million
Borrowing	190	180	175	175	165
Other Long-term Liabilities	30	30	35	35	35
Total	220	210	210	210	200

The Director of Resources has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations.

In conjunction with advice from its treasury advisor, Arlingclose Ltd, the council will keep under review the following borrowing options⁶:

- PWLB loans
- Borrowing from other local authorities
- Borrowing from institutions such as the European Investment Bank and directly from Commercial Banks
- Borrowing from the Money Markets
- Local authority stock issues
- Local authority bills
- Structured finance (such as leasing etc)

3.6 From 20th October 2010, as part of the government's Comprehensive Spending Review, the margin that the council has to pay on new fixed rate loans from the PWLB, compared to the government's own cost of borrowing, was increased from 0.25% to 1.00%. Despite this increase to the cost of PWLB borrowing, the PWLB remains an attractive source of

⁶ These sources of borrowing should also then be included in the Treasury Management Practices.

borrowing given the transparency and control that its facilities continue to provide. The types of PWLB borrowing that are considered appropriate for a low interest rate environment are:

- Variable rate borrowing
- Medium-term Equal Instalments of Principal (EIP) or Annuity Loans
- Long-term Maturity loans, where affordable

Capital expenditure levels, market conditions and interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer term and maintain stability. The differential between debt costs and investment earnings, despite long term borrowing rates being at low levels, remains acute and this is expected to remain a feature during 2011/12. The “cost of carry” associated with medium- and long-term borrowing compared to temporary investment returns means that new fixed rate borrowing could entail additional short-term costs. Where affordable, the use of internal resources in lieu of borrowing may again, in 2011/12, be the most cost effective means of financing capital expenditure.

- 3.7 PWLB variable rates are expected to remain low as the Bank Rate is maintained at historically low levels for an extended period. Whilst variable rate loans may be an attractive option in 2011/12, exposure to variable interest rates will be kept under regular review. In a climate of increasing medium to long-term rates, short-term savings from variable rate loans need to be weighed up against additional costs in the future from not fixing borrowing rates sooner rather than later.
- 3.8 As an alternative to PWLB variable borrowing, the council may consider using a succession of short-term market loans arranged through the brokers. However, whilst this is a cheaper source of finance it may only postpone PWLB borrowing if funds became difficult to obtain.
- 3.9 The council has two bank loans of £6 million each which are LOBO loans (Lender’s Option Borrower’s Option). Each year, on the anniversary of taking out the loan, the lender may exercise their option to change the rate or terms of the loan. If this happens the council will consider the terms being offered and also repayment of the loan without penalty. The council may utilise cash resources for repayment or may consider replacing the loan.
- 3.10 Following the increase in PWLB rates, the interest rates payable on existing loans now appear more attractive compared to the equivalent rates under the new regime. Therefore opportunities for debt rescheduling are now more limited.
- 3.11 The rationale for debt rescheduling continues to be one or more of the following:
- Savings in interest costs with minimal risk
 - Balancing the volatility profile (i.e. the ratio of fixed to variable rate debt) of the debt portfolio
 - Amending the profile of maturing debt to reduce any inherent refinancing risks.
- As opportunities arise, they will be identified by Arlingclose and discussed with the council’s officers.
- 3.12 Borrowing and rescheduling activity will be reported to both Cabinet and the Overview and Scrutiny Committee in bi-monthly reports.
- 3.13 The following Prudential Indicators allow the council to manage the extent to which it is exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

Borrowing Limits	2010/11 Approved %	2010/11 Revised %	2011/12 Estimate %	2012/13 Estimate %	2013/14 Estimate %
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	25%	25%	25%	25%	25%

The council's borrowing relates wholly to fixed interest rate loans. However, it is recognised that it may be desirable to have a variable element in the loans portfolio over the longer term (particularly when interest rates are high or falling) and so the council continues to monitor rates and will take out variable borrowing when it is considered advantageous to do so.

- 3.14 The council will also limit and monitor large concentrations of fixed rate debt needing to be replaced.⁷ Limits in the following table are intended to control excessive exposures to volatility in interest rates when refinancing maturing debt.

Maturity structure of fixed rate borrowing	Existing levels %	Lower Limit for 2011/12 %	Upper Limit for 2011/12 %
under 12 months	12.83	0.00	25.00
12 months and within 24 months	2.10	0.00	20.00
24 months and within 5 years	9.47	0.00	30.00
5 years and within 10 years	12.81	0.00	40.00
10 years and within 20 years	19.86	0.00	40.00
20 years and within 30 years	14.80	25.00	100.00
30 years and within 40 years	9.62		
40 years and within 50 years	18.51		

- 3.15 In the maturity profile above the council's two LOBO loans (referred to in section 3.9) are included as being repayable within 12 months as this is the earliest time when the loans could be repaid. However, if the lenders do not increase the interest rate being charged these loans could remain outstanding until 2054.

4. Investment Policy and Strategy

- 4.1. Guidance from CLG on Local Government Investments in England requires that an Annual Investment Strategy (AIS) be set.
- 4.2. The council's investment priorities are:

⁷ This Prudential Indicator is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. The TM Code of Practice (Guidance Notes page 12) recommends that the Maturity Structure of fixed rate borrowing is to be broken down into several ranges if significant debt is held in periods in excess of 10 years

⁸The TM Code Guidance Notes encourage authorities to define their benchmark interest rate exposure and maturity profile position and then set limits to logically relate to that benchmark.

- security of the invested capital;
 - liquidity of the invested capital;
 - an optimum yield which is commensurate with security and liquidity.
- 4.3. Investments are categorised as ‘Specified’ or ‘Non Specified’ investments based on the criteria in the CLG Guidance. A specified investment:
- Is sterling denominated
 - Has a maximum maturity of 1 year
 - Meets the “high” credit criteria as determined by the council or is made with the UK government or is made with a local authority in England, Wales and Scotland.
 - Is not defined as capital expenditure under section 25(1) (d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).
- 4.4. Potential instruments for the council’s use within its investment strategy are contained in Appendices 3 and 4. The Director of Resources, under delegated powers, will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators.
- 4.4 Changes to investment strategy for 2011/12 include:
- AAA-rate Variable Net Asset Value (VNAV) Money Market Funds
 - Treasury Bills
 - Term deposits in Sweden
 - Maximum duration for new deposits of 2 years
- 4.5 The council’s current and projected level of investments is shown at Appendix 1.
- 4.5. The council’s in-house investments are made with reference to the outlook for the UK Bank Rate and money market rates.
- 4.6. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office or UK Treasury Bills. (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the council’s capital is secure.)
- 4.7. The council and its treasury advisors, Arlingclose, selects countries and the institutions within them for the counterparty list after analysis and careful monitoring of:
- Credit Ratings (minimum long-term A+ for counterparties; AA+ for countries)
 - Credit Default Swaps (where quoted)
 - GDP; Net Debt as a Percentage of GDP
 - Sovereign Support Mechanisms/potential support from a well-resourced parent institution
 - Share Prices
 - Macro-economic indicators
 - Corporate developments, news and articles, market sentiment.
- 4.8. The council and its Treasury Advisors, Arlingclose, will continue to analyse and monitor these indicators and credit developments on a regular basis and respond as necessary to ensure security of the capital sums invested.
- 4.9. The UK Bank Rate has been maintained at 0.5% since March 2009, and is anticipated to remain at low levels throughout 2011/12. Short-term money market rates are likely to

remain at very low levels for an extended period which will have a significant impact on investment income.

- 4.10. To avoid a cost of carry when comparing the rate earned on investments to the cost of borrowing, the council may consider running its investments down and keeping its balances relatively liquid.
- 4.11. Alternatively faced with increasing borrowing rates the council may take out fixed rate loans and reduce the cost of carry by making longer-term investments. Two-year deposits and longer-term secure investments will be considered within the limits the council has set for Non-Specified Investments (see Appendix 4). The longer-term investments may include:
- Term Deposits with counterparties rated at least A+ (or equivalent)
 - Supranational Bonds (bonds issued by multilateral development banks): Even at the lower yields likely to be in force, the return on these bonds will provide certainty of income against an outlook of low official interest rates.
- 4.12. The Prudential Code requires the setting of an upper limit for principal sums invested for over 364 days. This limit is to contain exposure to the possibility of loss that may arise as a result of the council having to seek early repayment of the sums invested.

	2010/11 Approved £'000	2010/11 Revised £'000	2011/12 Estimate £'000	2012/13 Estimate £'000	2013/14 Estimate £'000
Upper Limit for total principal sums invested over 364 days⁸	10,000	10,000	10,000	10,000	10,000

- 4.13. Collective Investment Schemes (Pooled Funds)
The council may evaluate the use of Pooled Funds (which are similar in nature to unit trusts) to determine the appropriateness of their use within the investment portfolio. Pooled funds may enable the council to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns.
- 4.14. Investments in pooled funds will only be undertaken with advice from Arlingclose and their performance and continued suitability in meeting the council's investment objectives would be regularly monitored.

5. Outlook for Interest Rates

- 5.1 The economic interest rate outlook provided by the council's treasury advisor, Arlingclose Ltd, is attached at Appendix 2. The treasury management strategy will be kept under regular review and, if needs be, will be realigned with evolving market conditions and expectations for future interest rates.

6. Balanced Budget Requirement

⁸ Please make allowance within this Indicator for amounts invested for 1 year, i.e. 365/366 days.

- 6.1. The council complies with the provisions of S32 of the Local Government Finance Act 1992 to set a balanced budget.

7. 2011/12 MRP Statement⁹

Background:

- 7.1 For many years local authorities were required by Statute and associated Statutory Instruments to charge to the Revenue Account an annual provision for the repayment of debt associated with expenditure incurred on capital assets. This charge to the Revenue Account was referred to as the Minimum Revenue Provision (MRP). In practice MRP represents the financing of capital expenditure from the revenue account that was initially funded by borrowing.
- 7.2 In February 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 [Statutory Instrument 2008/414] were approved by Parliament and became effective on 31 March 2008. These regulations replaced the formula based method for calculating MRP which existed under previous regulations under the Local Government Act 2003. The new regulations require a local authority to determine each financial year an amount of MRP which it considers to be prudent. Linked to this new regulation, CLG produced Statutory Guidance which local authorities are required to follow, setting out what constitutes a prudent provision.
- 7.3 The CLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by the Full council.
- 7.4 The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure (which gave rise to the debt) provides benefits. In the case of borrowing supported by Revenue Support Grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant.
- 7.5 The move to International Financial Reporting Standards (IFRS) means that Private Finance Initiative (PFI) schemes and operating leases may be brought on Balance Sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. CLG has therefore proposed amending the Capital Finance Regulations to ensure that the impact on the revenue account is neutral, with MRP for these items matching the principal repayment embedded within the PFI or lease agreement.

Options for making 'Prudent Provision'

- 7.6 There are four options for Prudent Provision set out in the guidance:

Option 1 - Regulatory

For debt which is supported by the Government through Revenue Support Grant (RSG), authorities may continue to use the formulae under the 2003 Regulations, as RSG debt support is calculated in that way. This includes applying an adjustment (the Item A adjustment), which reduces the charge back to the former credit ceiling accounting methodology.

Option 2 - CFR method

This is similar to option 1, but just uses the CFR and doesn't apply the full formula, including the Item A adjustment. Under this option the annual repayment would be higher.

⁹ The Annual MRP Statement is subject to Council approval and may therefore be reported separately to Council instead of being incorporated into the TMSS.

Option 3 - Asset Life Method

For new borrowing under the prudential system there are 2 options in the guidance. The first is to make provision over the estimated life of the asset for which the borrowing is undertaken. This can either be on an equal instalment method or an annuity basis.

Option 4 - Depreciation method

An alternative to Option 3 is to make provision in line with depreciation accounting. Although this would follow standard rules for depreciation accounting there would have to be some exceptions, for example, that MRP would continue until the provision is equal to the original debt and then cease.

MRP Policy 2010-11

7.7 In line with the guidance produced by the Secretary of State, the proposed policy for the 2010-11 calculation of MRP is as follows:

- Borrowing supported through the RSG grant system will be repaid in accordance with the 2003 Regulations.
- Prudential borrowing will be repaid over the life of the asset on an equal instalment basis commencing in the year following the year in which the asset first becomes operational.
- For expenditure under Regulation 25(1) (b), loans and grants towards capital expenditure by third parties, prudential borrowing will be repaid over the life of the asset in relation to which the third party expenditure is incurred.
- MRP in respect of PFI and leases brought on Balance Sheet, under the Code of Practice on Local Authority Accounting in the United Kingdom 2009 and IFRS, will match the annual principal repayment for the associated deferred liability.

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EXISTING PORTFOLIO PROJECTED FORWARD

	Current Portfolio at 31.12.10 £m	%	31 Mar 11 Estimate £m	31 Mar 12 Estimate £m	31 Mar 13 Estimate £m	31 Mar 14 Estimate £m
DEBT:						
Total External Borrowing	135		145	147	146	143
Other long-term liabilities	29		29	28	27	26
Total Gross External Debt	164		174	175	173	169
INVESTMENTS:						
Fixed rate deposits for 364 days	5		9	12	12	12
Other shorter-term fixed rate deposits	9		0	0	0	0
Variable rate instant access and notice accounts	27		16	11	11	11
Total Investments	41		25	23	23	23
NET BORROWING POSITION	123		149	152	150	146

ARLINCLOSE'S ECONOMIC AND INTEREST RATE FORECAST

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
Bank rate (%)	0.50	0.50	0.50	0.75	1.00	1.25	1.50	2.00	2.50	2.75	2.75
PWLB rates (%):											
5 years	3.00	3.25	3.75	4.25	4.50	4.75	5.00	5.00	5.00	5.00	5.00
10 years	4.50	4.75	4.75	5.00	5.25	5.50	5.75	5.75	5.75	5.75	5.75
20 years	5.25	5.50	5.75	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
50 years	5.25	5.25	5.50	5.75	5.75	5.75	5.75	5.50	5.50	5.50	5.50

- The recovery in economic growth is likely to be slow and uneven.
- The initial market reaction to the government's Comprehensive Spending Review (CSR) is positive, but implementation risks remain.
- The path of base rates reflects the fragility of the recovery and the significantly greater fiscal tightening of the emergency budget. With growth and underlying inflation likely to remain subdued, the Bank will stick to its lower for longer stance on policy rates.
- Uncertainty surrounding Eurozone sovereign debt and the risk of contagion remains a cause for concern in the global credit market.

Underlying assumptions:

- The framework and targets announced in the CSR to reduce the budget deficit and government debt are as announced in June and focuses on how the cuts are to be distributed. The next fiscal milestone will be the Office Of Budget Responsibility's assessment of the CSR's implications for growth, employment and inflation.
- The minutes of the Monetary Policy Committee's December meeting suggested a movement away from further Quantitative Easing. Despite Money Supply being weak and growth prospects remaining subdued, the MPC have gravitated towards increasing rates in the New Year as global inflation continues to rise along with household inflation.
- Consumer Price Inflation remains above 3% and is likely to spike above 4% in January as VAT, utilities and rail fares increase.

- Unemployment remains near a 16 year high, at just over 2.5 million, and is set to increase as the Public Sector shrinks. Meanwhile employment is growing but this is mainly due to part time work, leaving many with reduced income.
- Recently announced Basel III capital/liquidity rules and extended timescales are positive for banks. Restructuring of UK banks' balance sheets is ongoing and expected to take a long time to complete. This will be a pre-condition for normalisation of credit conditions and bank lending.
- Mortgage repayment, a reduction in net consumer credit and weak consumer confidence are consistent with lower consumption and therefore may limit future trend rates of growth, despite Q3's fairly strong performance.
- The US Federal Reserve downgraded its outlook for US growth; the Fed is concerned enough to signal further QE through asset purchases. Industrial production and growth in the Chinese economy are showing signs of slowing. Both have implications for the global economy.

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Specified and Non Specified Investments

Specified Investments identified for use by the council

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the “high credit quality” as determined by the council or is made with the UK government or is made with a local authority in England, Wales, Scotland or Northern Ireland or a parish or community council.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts: (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- Treasury Bills
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV)
- AAA-rated Money Market Funds with a Variable Net Asset Value (VNAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

** Investments in these instruments will be on advice from the council’s treasury advisor.*

For credit rated counterparties, the minimum criteria will be the lowest equivalent short-term and long-term ratings assigned by Fitch, Moody’s and Standard & Poor’s (where assigned).

*Long-term minimum: A+ (Fitch); A1 (Moody’s); A+ (S&P)
Short-term minimum: F1 (Fitch); P-1 (Moody’s); A-1 (S&P)*

The council will also take into account information on corporate developments and market sentiment towards investment counterparties.

New specified investments will be made within the following limits:

Instrument	Country/ Domicile	Counterparty	Maximum Counter-party Limits £m
Term Deposits	UK	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent)	£5 million
Term Deposits/Call Accounts	Non-UK*	Counterparties rated at least A+ Long Term and F1 Short Term (or equivalent) in select countries with a Sovereign Rating of at least AA+	£5 million
Gilts	UK	DMO	No limit
Treasury Bills	UK	DMO	No limit
Local Authority Bills	UK	Other UK local authorities	No limit
Bonds issued by multilateral development banks		(For example, European Investment Bank/council of Europe, Inter American Development Bank)	£5 million
AAA-rated Money Market Funds	UK/Ireland/ Luxembourg domiciled	CNAV MMFs VNAV MMFs (where there is greater than 12 month history of a consistent £1 Net Asset Value)	£5 million per Fund
Other MMFs and CIS	UK/Ireland/ Luxembourg domiciled	Pooled funds which meet the definition of a Collective Investment Scheme per SI 2004 No 534 and subsequent amendments (For example, Payden & Rygel, Investec Short Bond Fund)	£5 million per Fund

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

NB

Non-UK Banks - These will be restricted to a maximum exposure of 25-30% per country to limit the risk of over-exposure to any one country.

MMFs – Arlingclose emphasise diversification for all investments including MMFs and so the council will spread their investments in Money Market Funds between two or more Funds.

Group Limits - For institutions within a banking group, a limit of 1.5 times the individual limit of a single bank within that group is used. For example, a single bank may have a limit of £5 million but if it is part of a group an overall group limit of £7.5 million would be applied.

Non-Specified Investments determined for use by the council

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the council's use:

	In-house use	Maximum maturity	Max % of portfolio	Capital expenditure?
<ul style="list-style-type: none"> ▪ Deposits with banks and building societies over 1 year ▪ CDs with banks and building societies 	<p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>	5 years	25% in aggregate	No
<ul style="list-style-type: none"> ▪ Gilts ▪ Bonds issued by multilateral development banks ▪ Bonds issued by financial institutions guaranteed by the UK government ▪ Sterling denominated bonds by non-UK sovereign governments 	✓ (on advice from treasury advisor)	10 years	20% in aggregate	No
Money Market Funds and Collective Investment Schemes, which are not credit rated	✓ (on advice from treasury advisor)	These funds do not have a defined maturity date	20%	No
Government guaranteed bonds and debt instruments issued by corporate bodies	✓	10 years	20%	Yes
Collective Investment Schemes (Pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573	✓ (on advice from treasury advisor)	N/a – No defined maturity date	£2million	Yes

In determining the period to maturity of an investment, the investment should be regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.

Treasury Management Policy Statement

1. Statement of Purpose

- 1.1 Herefordshire council adopts the recommendations made in CIPFA's *Treasury Management in the Public Services: Code of Practice*, which was revised in 2009. In particular, the council adopts the following key principles and clauses.

2. Key Principles

- 2.1 Herefordshire council adopts the following three key principles (identified in Section 4 of the Code):
- The council 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.
 - The council will ensure that its policies and practices make clear that the effective management and control of risk are prime objectives of its treasury management activities and that responsibility for these lies clearly with the council. In addition, the council's appetite for risk will form part of its annual strategy and will ensure that priority is given to security and liquidity when investing funds.
 - The council acknowledges that the pursuits of best value in treasury management, and the use of suitable performance measures, are valid and important tools to employ in support of business and service objectives, whilst recognising that in balancing risk against return, the council is more concerned to avoid risks than to maximise returns.

3. Adopted Clauses

- 3.1 Herefordshire council adopts the following clauses (identified in Section 5 of the code):
- The council will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
 - Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- The responsibility for the implementation and regular monitoring of treasury management policies and practices is delegated to Cabinet and for the execution and administration of treasury management decisions to the Director of Resources, who will act in accordance with the organisation's policy statement and TMPs and, if he or she is a CIPFA member, CIPFA's *Standard of Professional Practice on Treasury Management*.
- Overview and Scrutiny Committee to be responsible for ensuring effective scrutiny of

the treasury management strategy and policies.

4. Definition of Treasury Management

4.1 Herefordshire council defines its treasury management activities as: -

'The management of the organisation's investments and 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.'

5. Policy Objectives

5.1 Herefordshire council regards the successful identification, monitoring and control of risk to be 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.

5.2 Herefordshire council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

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Medium Term Financial Strategy 2010-13

MTFRM	2011/2012 Budget £'000	2012/2013 Budget £'000	2013/2014 Budget £'000
Base Budget	142,844	146,130	142,539
Inflation - Pensions & NI	730	281	861
Inflation - Other costs	2,632	2,678	2,441
Inflation - Income	(400)	(408)	(416)
Total Inflation	2,962	2,551	2,886
	145,806	148,681	145,425
Transfers to/from RSG			
- Grants Rolled into Formula Grant (reduced figure)	10,832	(932)	(187)
- Personal Social Services	1,961	1,480	259
MTFMS Changes			
- Waste management - PFI Contract	0	500	500
- Whitecross PFI requirement	0	0	250
- Local Development Framework	(275)	0	0
Shared Services			
- Revenue Costs	(204)	56	
- Capital Financing	292	8	0
- Core team costs (rev)	9	(479)	
- Core team costs (capital financing)	(6)	(6)	42
- Shared Services	250	0	0
Capital Financing Costs			
- Cost of borrowing	570	739	696
- Cashflow management	0	500	500
- Investment Income	0	(210)	(240)
Emerging Pressures			
- Student Finance	(70)	(15)	0
- Income shortfall	0	(300)	0
- Management change reserve	500	0	(500)
- Spend to save reserve	0	0	(150)
- Winter maintenance	(500)	0	0
- Social care	0	0	0
- Contingency	0	0	0
- Statutory changes creating pressures	1,029	544	
- Base budget funding issues	130	907	
- Other service pressures	650	785	
- Academy schools	(300)	(150)	(100)
- West Midlands Councils	209	(209)	0
- Retail Quarter Timescales	230	0	0
Efficiencies & Savings			

- Directorate reductions	(4,594)	(6,121)	0
Rising to the Challenge			
- Delaying Savings	(3,148)	0	0
- Reducing the Pay Bill	0	0	0
- Shared Services	(2,560)	(638)	(626)
New Homes Bonus			
	(660)	(660)	(660)
Council Tax Freeze Grant	(2,150)	0	0
General reserves	(1,000)	0	0
Movement from Reserves	(1,000)	500	0
Capacity to achieve desired Tax increase	129	(2,441)	(1,496)
TOTAL BUDGET	146,130	142,539	143,713

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MEETING:	CABINET
DATE:	20 JANUARY 2011
TITLE OF REPORT:	JOINT CORPORATE PLAN 2011-2014
PORTFOLIO AREA:	CORPORATE & CUSTOMER SERVICES AND HUMAN RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To invite Cabinet to commend for Council's approval the Council and NHS Herefordshire Joint Corporate Plan vision, priorities and long-term outcomes attached at appendix 1.

Key Decision

This is not a Key Decision.

Recommendation

THAT Cabinet recommends to Council the approval of the Joint Corporate Plan vision, priorities and long-term outcomes as set out at Appendix 1.

Key Points Summary

- The current Joint Corporate Plan (JCP) is out of date and a new one is required for 2011-2014
- The JCP between the Council and NHS Herefordshire (NHSH) has been thoroughly reviewed in line with the timescales of the agreed planning cycle. It will specify what Herefordshire Public Services intends to achieve over the next period.
- The plan has been prepared to be affordable within the medium term financial strategies of the two organisations

Alternative Options

- 1 There are no Alternative Options. The Council's constitution requires there to be an up-to-date Corporate Plan and the joint plan with NHSH meets this need. The revised JCP will provide a sound basis for the performance management of the joint

Further information on the subject of this report is available from
Tony Geeson Head of Policy & Performance on (01432) 261855

vision, priorities and long term outcomes and forms part of the Council's Budget and Policy Framework.

Reasons for Recommendations

- 2 As for Alternative Options. The constitution requires that the corporate plan is approved by full Council.

Introduction and Background

- 3 The Herefordshire Public Services planning cycle envisages a review of the JCP each autumn with Council approval in February.
- 4 The current plan – *Appendix 2* - was probably the first joint corporate plan in the country but there have been fundamental changes, locally and nationally, in the last 12 months which the plan does not reflect.
- 5 The intention was to produce a more focussed plan that only contained key activities and which reflected the reduced resources available in the period ahead. It needed to make sense as a political & managerial framework, as the basis for demonstrating performance and for public reporting.
- 6 The clear strategic framework of the JCP is the basis for robust operational plans for teams, services and directorates and ultimately the personal objectives for individuals. Like the JCP, this wider planning process is already being streamlined in accordance with the commitment in *Rising to the Challenge* transformation programme to reduce bureaucracy and critically examine all processes for added value

Key Considerations

- 7 The JCP across HPS is now one year old and due for routine review. However, there has been a substantial amount of change in the past 12 months to the extent that the plan requires a more fundamental revision than usual if it is to continue as the prime measure of HPS performance.
- 8 There has never been a more important time for a strategic plan which shows precisely what HPS aims to achieve in the years ahead. Major organisational changes have now been captured in the *Rising to the Challenge* and the NHS & Social Care commissioning programmes. The external influences on Herefordshire are becoming clearer with the announcements of the NHS operating framework and the local government financial settlement. The Localisation and the Police Reform & Social Responsibility bills have been published along with White Papers on the importance of teaching, healthier lives & healthier people (public health) and the vision for social care.
- 9 The revised plan is based on six priorities which Cabinet members and Non Executive Directors of the NHS Board have discussed during the current budget making round. The initial long term outcomes also come from these discussions to which have been added the challenges JMT identified during the 'star chamber' process. JMT has considered the plan on three occasions and individual directorate management teams have also contributed to its evolution. During this time Directors have consulted with appropriate Cabinet members and, where appropriate, relevant partnerships. The framework, at *Appendix 1*, is shorter than the current JCP but,

more importantly, is fundamentally different. The draft now focuses on Herefordshire issues rather than the national performance framework and should only contain key activities. Given this clarity the new plan will provide the strategic direction and prioritisation required for the future in a clearer way.

- 10 The draft framework for the JCP which the Council and the Board of NHSH will be asked to approve is attached at *Appendix 1*. All the key issues the public of Herefordshire regard as important, drawn from various consultations, are capable of being covered in the plan; either by the framework directly or within the supporting projects or detailed measures.
- 11 The JCP's broad intention is to show how the whole system of public services in Herefordshire is being transformed and, in particular, how HPS is contributing. *Appendix 1* also includes the HPS vision and the shared values adopted for Council and NHSH employees. The priorities and outcomes are intended to be strategic and long term. Although there are clear connections between many of those listed in *Appendix 1*, they are not repeated for reasons of presentation and clarity. As previously mentioned, the outcomes will be supported by a range of individual projects and detailed measures so that progress can be demonstrated and achievement made clear. These more detailed measures and projects will be agreed through JMT.
- 12 The draft JCP will be discussed by the Herefordshire Partnership Management Group shortly and their comments will be reported at the meeting.
- 13 Following Cabinet's decision the timetable is:
 - NHS Herefordshire Board approves the JCP – January 26
 - Council approves the JCP – February 4

Given the elections in May 2011 and the recently published NHS outcomes framework, it is likely that a JCP "refresh" will be necessary in the early summer to reflect any changes to priorities that may be required. This would also be an appropriate point to consider any changes indicated by the Sustainable Community Strategy. This is currently being reviewed by the Herefordshire Partnership but will be finalised in the spring.

Community Impact

- 14 The proposed JCP framework will demonstrate the priorities for delivery across HPS and their relevance to the communities of Herefordshire even more clearly than in the past.

Financial Implications

- 15 There are no direct financial implications arising from this report. The work programmes designed to deliver the priorities in the plan are all within the available resources

Legal Implications

- 16 There are no legal implications arising directly from this report

Risk Management

- 17 There are risks in producing any strategic plan at a time of such great change. However without clear intentions to guide activity there is a danger of duplication and wasted effort on lower priority tasks. The potential for further changes has been mitigated to some extent since much of the likely content has already received separate Cabinet or Board endorsement

Consultees

- 18 The Joint Management Team, Cabinet Members and Non Executive Directors of NHS have all considered earlier drafts of the plan during the current budget making process. All Directorates have considered and commented on earlier drafts of the document

Appendices

- 19 Appendix 1 Joint Corporate Plan Framework 2011 - 2014. (proposed)
Appendix 2 Joint Corporate Plan Framework 2010 – 2013 (current and being replaced)

Background Papers

None identified

THE HEREFORDSHIRE PUBLIC SERVICES VISION					
<p>Working together to deliver efficient, excellent services and improve outcomes for the people of Herefordshire We aim to put PEOPLE at the heart of everything we do. Our shared values are People – treating people fairly, with compassion, respect and dignity, Excellence – striving for excellence and the highest quality of service, care and life in Herefordshire, Openness – being open, transparent and accountable for the decisions we make, Partnership – working together in partnership and with all our diverse communities, Listening – actively listening to, understanding and taking into account people’s views and needs, Environment – protecting and promoting our outstanding natural environment and heritage for the benefit of all.</p>					

OUR PRIORITIES ARE TO					
1. Creating a thriving economy (People & Place combined)	2. Improving Health Care & Social Care (People focus)	3. Raising standards for Children and Young people (People focus).	4. Promoting self reliant local communities (Locality focus)	5. Creating a resilient Herefordshire (County focus)	6. Commission the right services (Public service focus)
LONG TERM OUTCOMES					
1.1 The regeneration of Herefordshire	2.1 Improving intervention & support for older people and keeping them safe	3.1 Sustainable educational provision throughout Herefordshire	4.1 Vibrant cultural opportunities	5.1 Preserving and enhancing our environment.	6.1 High quality assessments of need
1.2 Delivering & maintaining key infrastructure including actions to reduce congestion.	2.2 A robust & healthy provider market	3.2 Improving intervention and support for children & young people and keeping them safe	4.2 Safe places where people feel secure	5.2 Accessible services and countryside	6.2. Streamlined, working practices
1.3 Growing businesses, jobs & wage levels.	2.3 Financial balance across Herefordshire’s health & social care economy	3.3 Improving performance by early years and primary school pupils including vulnerable groups relative to their peers	4.3 Enhancing local democracy and community engagement.	5.3 A strong regional and national reputation	6.3. High levels of customer and citizen satisfaction
1.4 Developing employment skills, including access to Higher Education	2.4 Developing of a new local commissioning infrastructure	3.4 Reducing child poverty	4.4 Ways of working that reflect the needs and priorities of people & place	5.4 Protecting people’s health & wellbeing.	6.4. A high quality workforce
1.5 Reducing health inequalities for the working population	2.5 Good quality corporate and clinical governance standards are embedded in all services provided	3.5 Families & communities are able to support all children & young people effectively	4.5 A balanced housing market to meet residents needs	5.5 Increasing equality of opportunity	
	2.6 Reducing health inequalities for frail, elderly people	3.6 Reducing health inequalities for children & young people			
	2.7 More people retaining their independence through greater choice and control				

JOINT CORPORATE PLAN 2010-13 FOR HEREFORDSHIRE COUNCIL AND NHS HEREFORDSHIRE

OUR 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

The Council and NHS Herefordshire, working together to deliver efficient, excellent services and improved outcomes for the people of Herefordshire, will take action to tackle the following major challenges for the county:

- **Low pay, low skills and the need for better infrastructure**
- **Avoidable ill-health and accidents**
- **Safeguarding vulnerable children and adults, including the increasing number of people aged over 85**
- **Improving access to affordable housing and key services, especially for those living in rural areas**
- **Doing all we can to combat climate change locally and deal with its impact**
- **Reducing inequalities by improving people's life-chances**
- **At a time of severe constraints on public spending and people's incomes, and growing demand for public services, ensuring excellence and value for money**

OUR PRIORITY THEMES

Economic development and enterprise	Healthier communities and older people	Children and young people	Safer communities	Stronger communities	The environment	Organisational improvement and greater efficiency
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OUR STRATEGIC OBJECTIVES

1. Improve infrastructure and learning and employment opportunities, enabling business growth and sustainable prosperity for all	2. Improve people's health and well-being, and reduce inequalities between different groups and localities	3. Maximise the health, safety, education, economic well-being, achievements and contribution of every child.	4. Make Herefordshire an even safer place to live, work and visit	5. Stronger, vibrant, more inclusive communities in which people enjoy a good quality of life and feel they have influence over their lives and decisions that affect them	6. The protection and enhancement of Herefordshire's distinctive environment, and tackling climate change	7. Being recognised as top-performing organisations that deliver value for money and ensure excellent services
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LONG TERM OUTCOMES

1.1. Higher quality, better paid jobs and reduced unemployment	2.1. People have longer, healthier lives, with reduced inequalities between different groups and localities	3.1. Children and young people are healthy and have healthy life-styles, with less obesity and substance mis-use, and better dental and sexual health	4.1. Reduced levels of crime	5.1. Cohesive communities in which people feel accepted, confident and empowered, regardless of race, disability, gender, sexual orientation, age, religion or belief	6.1. Reduced waste and increased recycling	7.1. The highest standards of leadership, governance and integrity
1.2. Increased participation in learning and higher levels of skills and achievement	2.2. Older people living fulfilled lives as active members of their communities	3.2. Children and young people are safe, secure and have stability	4.2. Reduced levels of anti-social behaviour	5.2. Communities and individuals participating in local decisions and influencing them	6.2. Reduced CO ² emissions and successful adaptation to unavoidable impacts of climate change	7.2. Demonstrable value for money
1.3. More and higher-spending visitors to the county	2.3. Vulnerable people able to live safely and independently in their own homes	3.3. Children and young people are enabled to develop personally, socially and emotionally, and to achieve high standards of educational attainment	4.3. Reduced harm from drugs and alcohol	5.3. Affordable housing appropriate to people's needs and less homelessness, with support for vulnerable people to live independently	6.3. Increased biodiversity	7.3. Streamlined, efficient operations, including the integrated delivery of services across the boundaries of different organisations
1.4. Improved quality & availability of business accommodation and employment land	2.4. Enhanced emotional well-being, with fewer suicides	3.4. Children and young people engage in further education, employment or training on leaving school	4.4. Communities to have enhanced resilience and recovery from emergencies through effective partnership planning and co-ordination	5.4. Fair access to the services residents need, including high quality sporting, cultural and recreational facilities and activities	6.4. Natural resources are conserved and landscape character maintained, with sustainable land management	7.4. High levels of customer and citizen satisfaction
1.5. Better roads, reduced traffic congestion, with more people walking, cycling or using public transport	2.5. Personalised health and social care services, which offer people much greater choice and influence over their care	3.5. Children and young people engage in positive behaviour inside and out of school	4.5. Fewer accidents and injuries	5.5. People are able to participate in, the life of their communities	6.5. Investment in high quality streets, public spaces and the built environment	7.5. A highly skilled, highly motivated workforce that works in effective partnership with other organisations
	2.6. Improved dental health	3.6. Improved access to good quality care and other services for children, young people and their families through the work of Herefordshire's Children's Trust	4.6. People feel as safe as they would like to be			7.6. Highly rated under Comprehensive Area Assessment and World Class Commissioning, and recognised as exemplars regionally and nationally

MEETING:	CABINET
DATE:	20 JANUARY 2011
TITLE OF REPORT:	EXECUTIVE RESPONSE TO THE SCRUTINY REVIEW OF HOME CARE IN HEREFORDSHIRE
PORTFOLIO AREA:	ADULT SOCIAL CARE, HEALTH & WELLBEING

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To respond to the review of home care.

Key Decision

This is not a Key Decision.

Recommendation

That the response be agreed.

Introduction and Background

- 1 At the meeting of the Adult Social Care and Strategic Housing Scrutiny Committee on 24 September 2010 the Committee agreed the findings and recommendations to the Executive arising from the review of home care services (Appendix A).
- 2 In developing its response the Executive has taken into consideration the emerging national vision for Adult Social Care.

Key Considerations

- 3 The Government's plans for Adult Social Care were published on 17th November: 'A Vision for Adult Social Care: Capable Communities and Active Citizen's'. The vision sets the context for the future development of social care services. It is the first step which will be followed by the Law Commission's work on reforming the legal framework next spring and the Commission on Funding of Care and Support next summer culminating in a White Paper on Care and Support at the end of 2011. This will set out plans to establish a modern and financially sustainable framework for care and support, and the requirements for new legislation. It is intended that this will culminate in the publication of the Social Care Reform Bill in the spring of 2012.

Further information on the subject of this report is available from
Jana Burton: Acting Director of Adult Social Care on (01432) 344344 ext 3877

- 4 The Government has identified three values that underpin the vision: Freedom, Fairness and Responsibility. The values signal a major policy shift from state to people and communities, so that services can be purchased from different providers and that there is clarity about how we pay for social care. This envisages a shift away from provision by the state to include greater support from local schemes and networks of support.
- 5 Frontline workers and carers will be given the freedom and responsibility to do this. There will also be clear expectations for councils to redesign service to realise greater gains in productivity.
- 6 The vision for social care and its values have been built around seven principles all beginning with the letter p: prevention, personalisation, partnership, protection, productivity, plurality and people. Most of these are familiar concepts which have had currency since the last White Paper: 'Our Health, Our Care, Our Say'. Two however, need to be understood as they are not immediately obvious. 'Plurality' is described as matching the variety of peoples' needs with diverse service provision. 'People' includes the whole workforce providing care from professionals to carers and people who use services.
- 7 The current financial climate and national policy proposals signal the need for a transformation in approach. Given what we already know about funding for local authorities over the next four years, it is important that preparation for this happens now so that the authority has anticipated, and is working towards, changes in a planned and measured way. The focus will be on prevention, early intervention and reablement, moving from the old-style service entitlements to creating and embedding a system on needs and outcomes. The significant increase in the take-up of Personal Budgets will inform the future shape of the market as many people may use their personal health and social care budgets to employ personal assistants; reablement should result in a decrease in numbers of people requiring traditional long term home care, day care and meals on wheels. We will define and describe what good care looks like, understand the outcomes it delivers and the associated cost-benefits, working closely with providers over the coming year to change and diversify. The partnership between health and social care will be further developed to ensure a single, streamlined, more efficient approach to service delivery across Herefordshire.
- 8 The proposed response to the 15 recommendations of the Scrutiny review takes account of the changing agenda. Some of the recommendations will only remain valid whilst the transition to new forms of care and support are being developed. It is anticipated that by September 2011 work will have been completed to produce clear and cost effective and sustainable proposal for care and support.

Financial Implications

- 9 All actions proposed will be met from within existing agreed budgets.

Legal Implications

- 10 There are no legal implications

Risk Management

- 11 The proposed actions must be considered alongside progress within other relevant service areas to ensure a strategic and co-hesive approach to future market development.

Consultees

12 None identified

Appendices

(A) Report: Scrutiny Review of Home Care in Herefordshire

(B) Executive response and action plan

Background Papers

- None identified.

Scrutiny Review of Home Care in Herefordshire

**Report by the Home Care Review
Group – 24 September 2010**

**Agreed by the Adult Social Care and
Strategic Housing Scrutiny
Committee on 24 September 2010**

**People
Excellence
Openness
Partnership
Listening
Environment**

At the meeting on 24 September the Committee approved the Scrutiny Review of Home Care in Herefordshire and that it be forwarded to the Leader and the Cabinet Member (Adult Social Care, Health and Wellbeing) for consideration.

Scrutiny Review of Home Care in Herefordshire

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1. Introduction

- 1.1 Members of the Adult Social Care and Strategic Housing Scrutiny Committee agreed to conduct a Review of Home Care in Herefordshire on 14th December 2009.
- 1.2 A scoping statement for the Scrutiny Review (Appendix 1), including the Terms of Reference were approved at the meeting on the 14th December 2009. The projected growth in the percentage of older people living in Herefordshire means that the County would be supporting a larger number of frail older and vulnerable people to live in their own homes with home care services. The quality and capacity of the home care market is therefore of key importance.
- 1.3 It was agreed that the review Group would comprise Councillors PA Andrews, AE Gray and KS Guthrie, and would be chaired by Councillor AE Gray.
- 1.4 The Review took place between 9 February and 15 July 2010. This report summaries its findings concluding with its recommendations to the Adult Social Care and Strategic Housing Scrutiny Committee.
- 1.5 The Review Group would like to express its thanks to all internal and external officers and organisations who were interviewed at part of this review.

1.6 Next Steps

- 1.7 The Review Group anticipate that, when approved by the Adult Social Care and Strategic Housing Scrutiny Committee, this report will be presented to Cabinet for consideration.
- 1.8 The Adult Social Care and Strategic Housing Scrutiny Committee would then expect Cabinet within two months of receipt of the report to consider the report and recommendations and respond to the Committee indicating what action the Cabinet propose to take together with an action plan.

2 Method of Gathering Information

- 2.1 The main work of the sub-group was to conduct interviews, complemented by some desk research.
- 2.2 The list of interviewees is contained in Appendix 2 and the Review Group would like to convey it's thanks to those who gave up their time to help with the work of the Group.

3. Background

- 3.1 For the purpose of this Review, Home Care services includes domiciliary care provided by registered providers and also other help and support delivered at home and intended to enable individuals to maintain their independence and well-being at home rather than being admitted to hospital or long-term care.
- 3.2 Home care offers support such as shopping, help with personal care, meal preparation, medication checks, repositioning and other services. In order to receive a home care service funded by Herefordshire Council, an individual must meet the FACS (Fair Access to Care Services) criteria of 'Substantial' or 'Critical'. Individuals should be supported and assisted wherever possible to improve their confidence and skills in order to enable them to regain independence and become less dependent on home care services. Home care can also be offered to support carers in their caring role – to offer a break or respite.

- 3.3 Individuals need to be supported in order to recognise and manage risks in their own homes and to have an inclusive role within their local community. Assistive technology (telecare), which ranges from a variety of systems such as pull cords, epilepsy sensors, Just Checking systems to Safe Walking GIS is a cost effective means of providing this support with the minimum of intrusion.
- 3.4 The definition of personal care has changed and now includes “prompting” to carry out personal care. The significance of this is that previously this was carried out by agencies and staff not regulated by the Care Quality Commission (CQC). The impact will be further demand on an already stretched market of registered service providers.

4 Service Demands

- 4.1 The estimate of the resident population of the County as of 2008 is 179,300 people, of whom 37,800 (21%) are aged 65+. This is a higher proportion than the 16% in England & Wales. Older people account for the large majority of home care service users and hours of care delivered.
- 4.2 As at the 31st March 2009, 3,345 people aged 65+ were helped to live at home with support and services provided by adult social care. This compares with a comparator authority average of 3,715 and an all England average 3,330. Of the 3,345 older people receiving services in Herefordshire, 685 were receiving 11,494 hours of home care in an average week.
- 4.3 The County’s dispersed population presents particular challenges for effective and efficient service delivery. No other English county-level authority has a greater proportion of residents living in ‘very sparse’ area than Herefordshire does - 25% of the population. A total of 54% of the county’s residents live in areas defined as rural.
- 4.4 Herefordshire has a relatively elderly population, and the proportion of older residents is expected to increase as follows:

2010 = 37,800 (21% of total population)
 2014 = 46,300 (25% of total population)
 2026 = 61,000 (32% of total population)

The demand for home care services in the future is therefore also certain to increase. Even under the optimistic forecasts of improved population health¹ from the national Wanless Review², the anticipated demographic changes in Herefordshire would result in an increase of more than 55% in the number of older people with a *substantial need* for social care to help with at least one of the core activities of daily living (washing; dressing; eating; getting in & out of bed/chair; going to the toilet) between 2004 and 2020 – a total of 6,500 people with this level of need (Table 1 below). This is a faster rate of growth than the national average.

Table 1: Expected numbers of older people with a social care dependency

Herefordshire	2004	2011	% change 2004-11	2020	% change 2004-20
Number of older people with a HIGH demand for social care	4,200	5,100	21%	6,500	55%
Number of older people with SOME dependency	10,500	12,800	22%	16,200	54%

Data source: Council corporate Policy and Research Team

¹ I.e. individuals ‘take their health seriously and there is a decline in risk factors, particularly obesity and smoking’. The health service is responsive with effective disease prevention and treatments.
² *Securing Good Care for Older People – Taking a Long-Term View* (2006). Wanless Social Care Review King’s Fund Report.

4.5 There is also expected to be a disproportionate increase in the numbers of older people with dementia: of some 69% between 2004 and 2010 (over 700 more people) in those needing continuous support, rising to 97% by 2015 (over 1,000 more people) and likely to carry on rising substantially to 2020.

5 Current Home Care Provider Market

5.1 Current capacity continually struggles to meet demand and time taken to travel between visits in rural areas is a major issue. There are certain to be on-going issues in the future in view of the increasing older population and the national and local priority to keep people independent and supported at home rather than placing them in long-term care. Any improvements planned or implemented must therefore endeavour to sustain and grow the independent provider market, especially in rural locations, and increase overall service capacity and provision. With no increase in funding and the need to make efficiency savings but still ensure a high quality service, this will be a challenge.

6 Supporting the growth in the numbers of people who could need help

Care Agencies

6.1 There are currently 36 independent home care provider agencies of varying size. Four internal teams provide a reablement-type service. The responsibility for quality monitoring and contract management sits within the contracting team in Integrated Commissioning. Information about each agency, the geographical area covered and the type and quality of service offered is co-ordinated by the internal Home Care Brokerage Team.

6.2 This team is also responsible for the allocation of care packages on the basis of quality of care following agreement at the Adult Social Care Panel. The Brokerage system will award packages by reference to quality, where more than one provider is able to provide the service it will always be awarded to the provider with the highest quality rating.

The Brokerage team is currently carrying a vacant post and is therefore under-resourced. As a result, the ability to keep information up-to-date and ensure that those needing care are matched to the most appropriate care agency is adversely affected.

6.3 The quality of service varies across the service providers and the Group considered that care should only be commissioned from Two and Three Star providers. Although this may at times jeopardise the ability to provide a service, this is not a major issue. Herefordshire currently has five One Star services providing 9% of the overall hours of care (table 2). Monitoring and contract management will focus on these One Star services in order to secure necessary improvements.

Table 2: Home Care Provider Agencies - Percentage of care provided by CQC Star Ratings

CQC Quality Rating	Number of Agencies	Total hours of care currently provided	Percentage of total hours of care provided
1 Star - Adequate	5	921	9%
2 Star - Good	16	6174	60%
3 Star - Excellent	12	3127	30%
Welsh Providers	3	105	1%

- 6.5 It should also be noted that CQC will not re-inspect One Star rated services if there is no particular ongoing concern about quality. As a result, these Star ratings could be misleading where providers have implemented necessary improvements but do not have the opportunity for their Star rating to be reviewed by CQC. Likewise Two and Three Star services will only be monitored every three years unless there are particular concerns. Therefore the CQC rating may not provide an up-to-date reflection of quality.
- 6.6 Currently there are block contract agreements with four care agencies. Under the terms of these agreements a number of adult social care staff were seconded when internal home care services were externalised. These contracts are fully utilised wherever possible before care is spot purchased from other agencies. The plan is to end block contracts on 30th October 2010.

The intention in the future is to spot purchase all care. This in line with the personalisation agenda and the requirement to offer individuals greater choice and control over who delivers their care. The availability and use of of personal budgets will result in greater capacity in the market and encourage continual quality improvement.

Workforce

- 6.7 The average age of care workers appears to be 30-40. Recruitment and retention appears to be a problem, especially for the smaller agencies. Standards of staff management, benefits and training vary across the agencies.
- 6.8 There are concerns that younger people are not entering into the caring profession. With the expected increase in demand for this type of service, every effort must be made to encourage younger people to consider this as a career. The public image of this profession needs to improve and a career pathway developed.
- 6.9 There is huge potential to encourage informal and family carers who are looking to get back into the workforce to utilise their skills to provide both qualified and unqualified care.
- 6.10 The Authority's Workforce Development team are keen to develop a partnership approach to workforce planning and have facilitated a number of events throughout 2010 to encourage full ownership and engagement from all stakeholders including service providers. Future planned events aim to further develop this partnership approach to ensure a market place and workforce fit for the future changing demands.

Recommendation 1: The Group recommends that the Care Brokerage Team is fully resourced as a matter of urgency.

Recommendation 2: The issue regarding the seconded staff should be addressed as a matter of urgency in order to reach a satisfactory outcome for the staff involved.

Recommendation 3: The Group recommends that the Authority's Workforce Development and Training Teams should work in close partnership with service providers to plan and develop career pathways and progression for carers. Caring should be seen as a 'valued' career and one that will be in increasing demand in the future. Every effort should be made to ensure that school leavers are fully informed and encouraged to take work placements in the caring profession.

Recommendation 4: The Workforce Development Team should assist with and/or co-ordinate group training to allow service providers to share the cost of training sessions and to ensure consistent standards and quality.

7 Demonstrate value for money in procured Services?

Monitoring Service Delivery

- 7.1 Current systems and processes do not provide accurate breakdown of visits and hours of care actually delivered therefore unit cost information is unreliable. The hours of care and costs are submitted on provider agency invoices, there is no way of ensuring that this care has actually been provided.
- 7.2 The introduction locally, of an Electronic Monitoring System (EMS) for home care services will address a number of issues. The main benefit to the council will be to provide much improved and more accurate information in relation to home care provision. Other local authorities have reported savings of 5% - 8% on expenditure, enabled by implementing policy to only pay for care actually delivered. In addition EMS data if properly analysed can be used to shape and improve future service provision. A more efficient brokerage function results in increased capacity to effectively implement quality improvement systems. A minimum standard in terms of ways of working will apply to all service providers.

Within Adult social Care Exchequer Services an automated interface between EMS and the finance systems will replace all of the current administration required to process paper invoices and deal with disputes. It is likely that EMS monitoring and validation will sit within the Home Care Brokerage Team which will need to be fully resourced in order to ensure a well-co-ordinated and effective monitoring, validation and reporting process. There may be an opportunity to move resources from Exchequer services into the Brokerage team.

Benefits for provider agencies include the introduction of electronic processing which will mean savings in terms of time taken to process and submit paper invoices. Payments to providers for commissioned services will also be quicker once new procedures are established. EMS also provides evidence of staff reliability and real time verification of 'critical' visits.

- 7.3 The main issues highlighted at the Carers Forum which the Group attended were in relation to the reliability and consistency of care workers, this can be closely monitored using EMS and should therefore improve. EMS confirms the time care workers spend in the home through a phone in/out connection. Care workers record their arrival and departure time at service users home using a free-phone telephone number and service users' telephone. The free phone number ensures that there is no cost to the service user. Other options are available if telephone can't be used e.g. digital code boxes, mobile telephones, remote logging from office / home. The hours of care delivered are electronically matched to those commissioned.

Recommendation 5: The Group recommends that once EMS is fully implemented that the Council should only pay for hours of care actually delivered according to the banding rates agreed with the providers. Clear policy, procedure and guidelines should be produced for internal staff as well as service providers.

8 Unit costs

- 8.1 The gross budget for 2010 is £5,833,387
- 8.2 The following information has been provided by the Council's Finance section and is based on the draft 2008-09 PSSEX1 (Personal Social Services Expenditure) data.
- 8.3 The average home care costs in Herefordshire are higher than those of comparator authorities and All England (see Table 3, Appendix2). This is mainly due to the high cost

of the internal provision; however this refers to reablement services which are more expensive. It is not clear whether reablement services are included by other Local Authorities in their calculations. The social care Short Term Assessment, Reablement and Review Service (STARRS) is now part of an integrated health team developed in order to achieve efficiencies, improved capacity and easier access to care.

- 8.4 Previously there has been no standard pricing framework for home care across the council, PCT and independent providers or across the various client groups (mental health, older people, physical disability, and learning disability). This results in complicated and inefficient administration and does not demonstrate value for money i.e. better quality of service does not necessarily equate to higher costs.
- 8.5 Following intensive negotiations with the provider market a new home care pricing framework has been agreed which is fair and transparent and less complicated and confusing. This will lead to improved efficiency and will also enable all client groups and funding streams to be dealt with consistently. Regular Home Care Provider Forums facilitated by Adult Social Care allowed external service providers as well as internal staff to be fully involved in all proposals and discussions. This process has resulted in a strong and trusting partnership which will benefit future developments. The new framework, to be implemented in 2010 introduces an inclusive hourly rate of £14.90p per hour (pro rata) regardless of day of week or time of day that service is provided. The standard rate will be enhanced to £17.13p per hour (pro rata) for service provided within specific geographic areas identified as particularly rural.
- 8.6 The banding has still to be agreed, but it is likely to be based on 15 minute blocks, with a seven minute threshold e.g 22 minutes of care delivered would be paid for 15 minutes, 23 minutes delivered would be paid half an hour. The seven minute threshold is aimed at negating arguments over time taken to access the property / settle client etc.
- 8.7 Reported times and invoices can be examined by the minute, identifying any care workers or agencies who constantly and consistently use this threshold to their advantage.
- 8.8 There is no intention to offer any further enhancements at this time, however, the framework will allow premiums to be awarded for recognised high standards of quality if deemed appropriate in the future in order to encourage further improvement to services.
- 8.9 Regular and robust contract monitoring is essential to ensure that agreed standards are being achieved and result in high quality and value for money services for both the service users and the Council.

Recommendation 6: Any further premiums should only be awarded to drive up the standard and quality of home care services for highly specialised needs.

Recommendation 7: The new standard price for home care services must be applied to the proposed Rapid Response Emergency Care – there should be no supplement for emergency care (although End of life Care may be more expensive if specialist care is required).

9 Maximising Independence through Home Care Services

Telecare / Telehealth / Aids and Adaptation Services

- 3.4.1 To ensure this rapidly, developing technology is fully utilised and embedded in care pathways plans are currently underway to re-brand this service locally under the name of Tele-health Care. Individuals will be empowered to manage their health in the way that they choose with the help of the technology available.

Providing simple aids and adaptations to people's homes in a timely fashion can improve their safety, help maximise their independence and delay or prevent the need for more intensive care and/or admission to long-term care homes.

- 3.4.2 Ensuring that this type of preventative support is considered as a first option within the assessment process across health and social care will ensure that people receive support at the earliest opportunity to prevent the need for higher dependency, ongoing and long-term services. This work will involve considerable staff training as well as changes to work-flow processes.

Recommendation 8: it is recommended that telecare and other aids and adaptations are easily accessible and readily available to the user at the earliest opportunity in order to maximise independence and prevent further decline and the need for more intensive support. The Audit Commission report that spending between £2000 and £20,000 in one-off adaptations to an older person's home can have a payback period of between three months and three years if it enables a person to remain in their own home³.

Recommendation 9: The Group recommends that the current small packages of care are reviewed to see whether or not other support can be offered as an alternative to a visit e.g. telecare / equipment service. New packages of care should follow a process of considering these alternatives as a first option (in line with the proposal for an Instant Care Service).

10 Instant Care

- 10.1 The Review Group considered the proposed Generic Rapid Response Service Specification. This service includes an Instant Care service to provide rapidly responsive short term packages of care (up to 72 hours) for patients in their own homes, preventing unnecessary A&E attendance or admission to hospital and delayed hospital discharge.
- 10.2 The model includes 24 hour, seven day telephone access to Instant and Urgent Care Service(s). Assistive technology (Telecare) and other equipment will be considered initially before accessing qualified or unqualified staff.
- 10.3 Anecdotally, a few people have expressed concerns that elderly and frail people may sometimes be discharged home from Herefordshire Hospital Trust without the appropriate support package to ensure their safety. It is accepted that hospital discharge needs to be part of a seamless pathway of care for individuals and that clinical, nursing and social care staff need to be working together to make sure this happens.
- 10.4 In the context of the Delayed Discharges Act which gives power to the health authority to financially penalise social services, there is inevitably some tension around which authority pays and which benefits from the same activities. An improved partnership approach would see benefits for both organisations.
- 10.5 Whilst the Review Group agrees with the principle of the Instant Care service there are a number of concerns over the practicalities.
- Instant Care is intended to be funded by GPs or the Integrated Care Organisation. There is no available funding for this service from the Adult Social Care Budget

³ Under Pressure – Tackling the financial challenge for councils of an ageing population. Audit Commission Local Government Report, February 2010.

which is extremely overstretched with a projected overspend of £3.75m by March 2011.

- The Review Group would expect a clear commitment from the PCT to ensure that savings made in acute care are invested in community care services to support the increased demand.
- Where will the emergency cover come from? Capacity for Home Care services is already limited with an ever increasing demand.
- Social Care legislation will prevent social care staff from providing the first 72 hours of care without a full community care assessment being carried out.
- There will be further increase in the demand for high quality reablement services.
- Hospital discharge must be carefully managed to ensure people are appropriately safeguarded.
- How will the 3 hour target assessment times be achieved?

Recommendation 10: The Group recommends that a clear overall strategy to support the move from hospital based services to community based care be implemented. This should include a robust framework explaining how funding will be allocated across the services and how necessary changes to current staffing levels across the organisations will be managed.

Reablement Service

- 10.6 Home care reablement services provide personal care; help with activities of daily living and other practical skills for a time-limited period, in such a way as to enable users to develop both the confidence and practical skills to carry out these activities themselves.
- 10.7 Care should be arranged on the basis of a holistic assessment, in which the individual's wishes and those of their carers are fully considered. An initial period of care (up to six weeks) is provided free of charge to the service user/patient.
- 10.8 All individual care plans for people receiving intermediate care should include a review at regular intervals within the initial six weeks or less. If their care needs to last longer, reviews should take place at regular intervals, such as every two weeks to ensure that appropriate levels of care are delivered and that services are being used appropriately and efficiently.
- 10.9 As the number of older people in Herefordshire increases, so will the need for effective reablement services. Currently reablement services are provided by four internal teams, none is commissioned externally, however there is interest amongst independent providers to develop in this area.
- 10.10 The reduction of Residential and Nursing placements, the proposed Instant Care service and the intention to keep people independent at home for as long as possible will result in an increasing demand for high quality and effective reablement services including appropriately trained staff, in particular, therapists.
- 10.11 CSED Best Practice guidance indicates that 50% of those receiving reablement can return to full independence; however this is based on reablement being provided without application of the FACS eligibility. For FACS eligible service users, an 8% return to full independence is more usual. Therefore, whilst reablement does result in a positive outcome the government's suggestion that almost every service user can benefit from reablement may be unrealistic.
- 10.12 As part of the overall strategy to improve Intermediate Care and ensure a service that is responsive, flexible and accessible to the people of Herefordshire, reablement services funded by the council are undergoing a re-structure. The aim is to provide a 24 hour,

seven days a week, patient led service that enables people to regain and retain the skills needed to live as independently as possible. The proposed new model will consist of a centralised assessment/reablement team as well as three operational teams strategically located across the county to ensure fast service delivery. The Roving Nights service will continue to carry out their present role.

Recommendation 11: The need for long-term packages of care should be reduced by providing a mixed economy of providers and effective reablement services.

Personalisation

- 10.13 Individuals should increasingly be encouraged and supported to commission their own services in line with the personalisation agenda. This should help develop a more competitive market with individuals having the opportunity to choose from a wide variety of services and providers which will meet their individual needs. There should be more flexibility around how and where care is delivered.
- 10.14 More services will be purchased via Individual Budgets with a target of 31% of users by March 2011. This increase in take-up of personal budgets is expected to drive a big increase in the demand for directly employed Personal Assistants (PAs). Improvement and Efficiency West Midlands (IEWM) is co-ordinating a regional project aimed at increasing the capacity and quality of PAs in the West Midlands so that there are enough people, with the right skills, to meet this demand. Herefordshire is involved in this project and should ensure that all staff and providers are kept informed and up-to-date with this and other developments to ensure that the market develops accordingly. Existing care workers could potentially become personal assistants and be employed directly by the service user, rather than through an agency. This could result in reduced staffing levels within provider agencies. Market stability will need to be carefully monitored and managed. With the variety of choices likely in the future there may well be a call-off from the current major contracts.
- 10.15 The public also need to be fully aware of developments and opportunities in relation to personalisation and individual budgets and every effort must be taken to ensure that individuals choosing an Individual Budget are fully aware of how to protect themselves from all forms of abuse.

Recommendation 12: Appropriate checks must be in place in order to ensure that anyone choosing an Individual Budget is fully informed, advised and understands how to protect themselves from all forms of abuse, and that funds are spent in a manner appropriate to the needs of the individual.

Safeguarding

- 10.16 The Adult Safeguarding training strategy is crucial to ensuring the workforce development challenges are tackled in a systematic way, ensuring all staff in contact with vulnerable adults have a clear understanding of their responsibility to safeguard them effectively. There may be issues that are particular to those individuals choosing an Individual Budget and these must be recognised and highlighted.
- 10.17 A comprehensive training programme will be in place throughout 2010/11. Partnership competencies have been agreed and a training audit process will be ongoing to ensure training resources are targeted as effectively as possible.
- 10.18 The group felt that in order to protect vulnerable people, anyone providing care should feel able to raise concerns without fear of reprisal. Whistle Blowers should feel supported and be encouraged to voice their worries. Concerns and complaints should be dealt with in the appropriate way with clear policies and clear lines of communication.

Recommendation 13: Regular contract monitoring and review should be undertaken in order to ensure that high standards are being achieved and that both staff and service users are being treated according to the appropriate regulations.

Recommendation 14: The Council should continue to co-ordinate and/or provide safeguarding training across all sectors and organisations as well as monitor attendance and compliance.

Supported Living

- 10.19 Extra Care housing schemes provide an alternative to traditional home care.
- 10.20 Based on service user feedback from The Rose Gardens scheme in Herefordshire, the group felt that these schemes are a very good way of maximising independence in a safe environment. However, extra care housing set up on a principle of mixed need communities are often reluctant to take tenants who can be demanding of staff and other tenants so this option may not always be fair and equitable for all.
- 10.21 The Group expressed concerned that the Woodside Flats at Ross-on-Wye which were intended to be used for re-habilitation and emergency care were still empty. The Shaw contract is currently undergoing a corporate review.

Recommendation 15: That the number of supported housing schemes for older people should be increased. Interested service providers and developers should be encouraged to work in collaboration and partnership.

Recommendation 16: That the Council should ensure that there is a continuing focus on joint strategies which cross all directorates and organisations including Housing, Social Care, Regeneration and Health in order to plan, commission and provide for the increasing ageing population in Herefordshire.

Free Home Care – April 2011

- 10.22 The Personal Care at home (PCaH) Bill included the offer of personal care at home free to anyone who meets the Fair Access to Care (FACS) eligibility level of Critical AFTER a period of up to six weeks reablement service. The Bill was enacted on 8 April 2010.
- 10.23 This Bill amends the Community Care (Delayed Discharges) Act 2003 which restricts the power to provide free personal care for a maximum of six weeks and proposes instead, free personal care for those who are eligible. It is this elder proportion of the population that is likely to make up the majority of the demand for free personal care. Further updates and decisions are awaited.

11. Recommendations

- 11.1 The following recommendations are made against a background of uncertainty and rapid change both nationally and locally. Recent changes to government and the introduction of the White Paper, Equity and Excellence create some uncertainty over future structures and commissioning responsibility. Internal reorganisations and restructures, including the Shared Services initiative will need to be considered when agreeing actions and responsibility.

The Review Group recommends that:

- 1 the Care Brokerage Team is fully resourced as a matter of urgency,**
- 2 the issue regarding the seconded staff should be addressed as a matter of urgency in order to reach a satisfactory outcome for the staff involved.**
- 3 the Authority's Workforce Development and Training Teams should work in close partnership with service providers to develop career pathways and**

progression for carers. Caring should be seen as a 'valued' career and one that will be in increasing demand in the future. Every effort should be made to ensure that school leavers are fully informed and encouraged to take work placements in the caring profession.

- 4 the Workforce Development Team should assist with and/or co-ordinate group training to allow service providers to share the cost of training sessions and to ensure consistent standards and quality.
- 5 once an Electronic Monitoring System (EMS) is fully implemented that the Council should only pay for hours of care actually delivered according to the banding rates agreed with the providers. Clear policy, procedure and guidelines should be produced for internal staff as well as service providers.
- 6 any further premiums should only be awarded to drive up the standard and quality of home care services for highly specialised needs.
- 7 the new standard price for home care services must be applied to the proposed Rapid Response Emergency Care – there should be no supplement for emergency care (although End of life Care may be more expensive if specialist care is required).
- 8 telecare and other aids and adaptations are easily accessible and readily available to the user at the earliest opportunity in order to maximise independence and prevent further decline and the need for more intensive support. The Audit Commission report that spending between £2000 and £20k in one-off adaptations to an older person's home can have a payback period of between three months and three years if it enables a person to remain in their own home⁴.
- 9 the current small packages of care are reviewed to see whether or not other support can be offered as an alternative to a visit e.g. telecare / equipment service. New packages of care should follow a process of considering these alternatives as a first option (in line with the proposal for an Instant Care Service).
- 10 a clear overall strategy to support the move from hospital based services to community based care be implemented. This should include a robust framework explaining how funding will be allocated across the services and how necessary changes to current staffing levels across the organisations will be managed.
- 11 the need for long-term packages of care should be reduced by providing a mixed economy of providers and effective reablement services.
- 12 appropriate checks must be in place in order to ensure that anyone choosing an Individual Budget is fully informed, advised and understands how to protect themselves from all forms of abuse, and that funds are spent in a manner appropriate to the needs of the individual.
- 13 regular contract monitoring and review should be undertaken in order to ensure that high standards are being achieved and that both staff and service users are being treated according to the appropriate regulations.

⁴ Under Pressure – Tackling the financial challenge for councils of an ageing population. Audit Commission Local Government Report, February 2010.

- 14 the Council should continue to co-ordinate and/or provide safeguarding training across all sectors and organisations as well as monitor attendance and compliance.**
- 15 the number of supported housing schemes for older people should be increased. Interested service providers and developers should be encouraged to work in collaboration and partnership.**
- 16 the Council should ensure that there is a continuing focus on joint strategies which cross all directorates and organisations including Housing, Social Care, Regeneration and Health in order to plan, commission and provide for the increasing ageing population in Herefordshire.**

TITLE OF REVIEW:	Review of Home Care
Committee:	Adult Social Care & Strategic Housing Scrutiny Committee

SCOPING

Reason for Enquiry
<p>The projected growth in the percentage of older people living in Herefordshire means that we will be supporting a larger number of frail older people and vulnerable people to live in their own homes with home care services.</p> <p>The quality and capacity of the home care market (the Council only delivers re-ablement home care) is therefore of key importance. A major review of contracted home care services has taken place over the last year, and the Committee may wish to review progress and 'future fit' of the proposals</p>

Links to the Community Strategy
<p>The review contributes to the following objectives contained in the Herefordshire Community Strategy, including the Council's Corporate Plan and other key plans or strategies:</p> <p>NI 136 people helped to live independently through social care</p> <p>NI 142 supporting people services (housing related support)</p> <p>NI 125 achieving independence through re-ablement and intermediate care</p>

Summary of Review and Terms of Reference
<p>Summary</p> <p>Terms of Reference</p> <ul style="list-style-type: none"> • Comparison of value for money and unit costs based on the fair pricing tool and regional comparator data • Market analysis and capacity to deliver services for a growing population of people needing care at home • Quality of services commissioned and plans to improve quality • Impact of personalisation, and how plans to commission will cope • Development of re-ablement services, and impact on the number of people supported and the increased quality of life that can be secured for them

What will NOT be included
<p>In order to make the Review manageable it is proposed that Supporting People Services which are currently undergoing a major review and restructuring, and hospital based, and residential based intermediate care are NOT considered.</p>

Potential outcomes
<ul style="list-style-type: none"> • Evaluation of the robustness of the strategy in delivering the desired outcomes for vulnerable people at best value; • Recommendations with respect to development of reablement services.

Key questions
<ul style="list-style-type: none"> • How can sufficient market capacity be secured to support the projected growth in the numbers of vulnerable people who could need support; • How do we maximise independence through home care services to ensure a wider number of people are able to receive a service; • How do we demonstrate value for money in the service that we have procured.
Cabinet Member (s)
Adult Social Care and Strategic Housing
Key Stakeholders/Consultees
<ul style="list-style-type: none"> • Carers representatives • Home care providers forum • Older people's reference group- incl Age Concern advocacy • Valuing People partnership board • SIL • Mental Health reference group
Potential Witnesses
From the consultation groups above
Research Required
Benchmark data across rural counties and West Midlands Regional project to develop reablement services
Potential Visits
Home care Telecare Reablement services
Publicity Requirements
Notification of review Publication of the Review and its recommendations Herefordshire Matters

Timetable	
<i>Activity</i>	<i>Timescale</i>
Confirm approach, programme of consultation/research/provisional witnesses/meeting dates (and proposed topic)	First meeting of the Review Group. January 2010
Collect current available data	February 2010
Collect outstanding data	February 2010
Analysis of data	March 2010
Final confirmation of interviews of witnesses	February 2010
Carry out programme of interviews	Early March 2010
Agree programme of site visits	February 2010
Undertake site visits as appropriate	February 2010
Final analysis of data and witness evidence	April 2010
Prepare options/recommendations	April 2010
Present Final report to Relevant Scrutiny Committee	April 2010
Implementation of agreed recommendations	July 2010
Members	Support Officers
Councillor AE Gray (Chairman of Review Group) Additional members of the Review Group Councillor PA Andrews Councillor KG Guthrie	Lead Support Officer Sharon Pugh, Service Redesign Officer Democratic Services Representative David Penrose, Democratic Services Officer

Scrutiny Review on Home Care in Herefordshire - Interviewees

Care Providers

Angela Gilchrist
Surecare Services
26-28 Aubrey Street
Hereford HR4 0BU

Helen Rooke
Absolute Care Services
6B High Street
Leominster
Herefordshire HR6 8LZ

Ron Turner
Managing Director
Surecare Services
26-28 Aubrey Street
Hereford HR4 0BU

Carers

Michael Ashton

Alan Russell

Sue Pope

Elaine Angel

Jeanette Ralls

Appendix 3

N.B. Draft Figures		2008/9			2008/9			2007/8				
		Herefordshire UA			Comparators Average			All England				
		Unit cost			Unit cost			Unit cost				
Client group and service		Units of indicator		All provision	Own provision	Provision by others	All provision	Own provision	Provision by others	All provision	Own provision	Provision by others
ADULTS (AGED 18-64) AND OLDER PEOPLE (AGED 65+)												
Adults and older people recv home care (sample week activity)		Per hour		£18.2	£70.0	£17.4	£15.3	£32.2	£12.9	£14.4	£22.3	£12.3
Adults and older people recv home care (actual annual activity)		Per hour		£18.2	£70.0	£17.4	£16.2	£39.2	£13.5	£15.2	£23.4	£13.0
Adults and older people receiving home care		Per person per week		£197			£159			£151		
Older people receiving home care		Per person per week		£176			£128			£135		
Adults with learning disabilities receiving home care		Per person per week		£491			£383			£352		
Adults with mental illness receiving home care		Per person per week		£317			£146			£78		
Adults with physical disabilities receiving home care		Per person per week		£183			£191			£156		

Table 3: PSS EX1 Return for 2008-9 Unit cost summary sheet

N.B. Draft Figures		2008/9													
PSS EX1 Return for 2008-9 Unit cost summary sheet		Herefordshire UA			North Somerset UA			Shropshire			East Riding of Yorkshire				
		Unit cost			Unit cost			Unit cost			Unit cost				
Client group and service		Units of indicator		All	LA	Other	All	LA	Other	All	LA	Other	All	LA	Other
ADULTS (AGED 18-64) AND OLDER PEOPLE (AGED 65+)															
Home care															
Adults & OP recv home care (sample week activity)		Per hour		£18.2	£70.0	£17.4	£19.4	£43.9	£14.9	£10.9	£21.7	£9.6	£17.2	£53.9	£13.9
Adults & OP recv home care (actual annual activity)		Per hour		£18.2	£70.0	£17.4	£18.1	£45.2	£13.7	£12.8	£54.0	£10.2
Adults & OP recv home care		PP per wk		£197			£154			£173			£157		
OP receiving home care		PP per wk		£176			£140			£165			£126		
Adults with LD receiving home care		PP per wk		£491			£340			£172			£478		
Adults with MH receiving home care		PP per wk		£317			£298			£157			£77		
Adults with PD receiving home care		PP per wk		£183			£165			£233			£155		

Draft Executive Response to Recommendations – January 2011

Recommendation No. 1	The Review Group recommends that the Care Brokerage Team within the Integrated Commissioning Directorate is fully resourced as a matter of urgency.			
Executive's Response	The Internal Care Brokerage Team's current remit is to arrange home care packages with Council contracted service providers. In light of the Government policy directive to introduce more movement towards a mixed market, the council will be working with service users and providers across all client groups in 2011 to widen and develop brokerage and the range of services they access. The Putting People First target of 100% of ASC clients to be in receipt of a Personal Budget by 2013 requires that both the support planning and brokerage function are clearly defined and developed in line with this increased take-up to ensure that adequate, appropriate support is easily accessible and available.			
Action	Owner	By when	Target/Success criteria	Progress
Work with specialists in the field to accelerate progress towards meeting the Putting People First targets.	PPF Programme Lead	31/12/10	Agreed action plan to achieve PPF milestone targets.	External agency appointed 29/12/10
Develop and define brokerage options to underpin self-directed support based on good practice models in other LAs and adapted for Herefordshire.	PPF Programme Lead	14/02/11	Support planning and brokerage roles clearly defined.	
Develop high level brokerage specification.	PPF Programme Lead	01/03/11	Clearly defined outcomes, standards and expectations in relation to brokerage role.	
Develop implementation plan for extended brokerage service.	PPF Programme Lead	01/03/11	Clearly defined actions and timescales to achieve full implementation.	

Recommendation The Review Group recommends that the Authority's Workforce Development and Training Teams should work in close

Draft Executive Response to Recommendations – January 2011

No. 2	partnership with service providers to develop career pathways and progression for paid carers. Caring should be seen as a 'valued' career and one that will be in increasing demand in the future. Every effort should be made to ensure that school leavers are fully informed and encouraged to take work placements in the caring profession			
Recommendation No. 3	The Review Group recommends that the Authority's Workforce Development Team should assist with and/or co-ordinate group training to allow service providers to share the cost of training sessions and to ensure consistent standards and quality.			
Executive's Response	In line with the Vision for Adult Social Care, the Council will play an important role, working with local employers across all sectors and organisations to commission the workforce of the future and lead local change. Encouraging co-production with all stake-holders including User and Carer led organisations will help organisations at all levels focus on personalisation and think about individual needs and design services that can meet those needs. It is accepted that peoples' perception of the caring profession needs to change but the responsibility for this does not lie solely with the Council.			
Action	Owner	By when	Target/Success criteria	Progress
To provide support to Service Providers through our 'A Fit for the Future Workforce' programme.	Workforce Development Lead	Ongoing	Two events to be delivered annually across the health and social care economy to improve workforce planning, development and engagement.	Two events delivered – July and October 2010
In line with the emerging Vision for adult social care and increase in individual and personal health budgets it is important to stimulate the market to enable local pooling of budgets and new providers of care such as social enterprise to emerge.	Maximising Independence Programme Lead	Ongoing	Work with existing and potential new providers to create new entities and forms of provision.	Event planned for February 2011. Invite tenders from Spring 2011 onwards.

Recommendation No. 4	The Review Group recommends a change in policy once an electronic monitoring system is fully implemented to only pay for hours of care actually delivered according to the banding rates agreed with the providers. Clear policy, procedure and
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Executive's Response	guidelines should be produced for internal staff as well as service providers in order to ensure value for money services. It is intended to review all current contractual policies in order to identify efficiency savings and ensure that costs are minimised and income maximised. The ability to validate invoices prior to payment together with the implementation of a more sophisticated financial system will enable more robust budgetary control. However, this approach to home care procurement does not fit well with the personalisation agenda and new vision for Adult Social Care. The new vision requires development of individuals using personal budgets to arrange their own care or to employ personal assistants, to meet individually defined outcomes. In 2011/12 EMS will need to be reviewed in the wider context of the future of care support outside hospital.			
Action	Owner	By when	Target/Success criteria	Progress
Implement AGRESSO financial system.	ICT Project Manager	Early in the new financial year	Availability of Budget Commitment reports	First month's data to be available by end of January 2011
Evaluate EMS implementation to identify overall impact.	ICT Project Manager		Projection of savings to be delivered in year for 2010/11 Payment policy agreed	
Plan and implement policy guidance.	ICT Project Manager		Robust and effective policies to follow evaluation of system going live	Guidance to be produced February 2011
Review how all care and support services are contracted in line with the new vision for Adult Social Care	Maximising Independence Lead	September 2011	New commissioning intentions and phased implementation to be agreed by September 2011 in line with role out of individual budgets	

Recommendation No. 5	The Review Group recommends that any further premiums awarded to recognise high standards of quality should only be awarded to drive up the standard and quality of home care services.
Executive's	The intention is to make every effort to drive down unit costs therefore no further premiums will be paid over and above the Home Care Scrutiny Review – Executive Response and Action Plan Final Version (SCP)

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Response	standard hourly rate for home care introduced in November 2010. Market position statements will help define a preferred model of high quality, service user outcomes and associated cost benefits. It is intended that the large number of contracted external home care provider agencies will reduce as a more diverse market is introduced.			
Action	Owner	By when	Target/Success criteria	Progress
Develop market position statements.	Maximising Independence Programme Lead	April 2011	Improved understanding of the local market	A PID has been written to deliver an enhanced solution to home care. The project team is being assembled and the initial meeting will take place in mid Jan 11.
Define a preferred model of service delivery to be shared with providers and service users.	Maximising Independence Programme Lead	Dec 2011	Consistent quality of service delivered across all providers	

Recommendation No. 6	The new standard price for home care services must be applied to the proposed Rapid Response Emergency Care – there should be no supplement for emergency care (although End of life Care may be more expensive if specialist care is required).			
Executive's Response	The Rapid Response Emergency Care system commenced operation at the end of August 2010 and continues to develop. It is intended that all contracted rates will be regularly reviewed in order to ensure that proposed contract efficiencies are achieved and that costs are fair and equitable across all service provision including personal budgets.			
Action	Owner	By when	Target/Success criteria	Progress
Continue to evaluate new service and the benefits/impact	Unplanned Care Programme Lead	On - going	Clear understanding of benefits / outcomes of the RREC service to inform future service planning	A PID has been written to deliver an enhanced solution to home care. The project team is being assembled and the initial meeting will take place in mid Jan 11.
Review home care contracts to ensure people on individual budgets can use home care agencies that the council has contracts with.	PPF Programme Lead / Contract Manager	May 2011	Consistent cost applied across all types of service provision Reduced administration	
Develop review programme for all contracted rates	Maximising Independence	April	Contracted rates and efficiencies clearly	

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across Health and Social Care	Programme Lead	2011	identified	
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Recommendation No. 7	It is recommended that telecare and other equipment is easily accessible and readily available to the user at the earliest opportunity to maximise independence and prevent further decline and the need for more intensive support.			
Recommendation No. 8	The Review Group recommends that current small packages of care are reviewed to see whether or not other support can be offered as an alternative to a visit e.g. telecare / equipment service. New packages of care should follow a process of considering these alternatives as a first option (in line with the proposal for an Instant Care Service).			
Executive's Response	Assistive technology will be considered as part of the assessment and care management process for people who meet the Council's FACS criteria of critical or substantial. In line with the strategic priorities of prevention and early intervention reflected within the Government's Vision for Adult Social Care, anyone who is not eligible for support from social care will be given advice and information on how to access assistive technology.			
Action	Owner	By when	Target/Success criteria	Progress
Develop a strategic approach to Assistive Technology including telecare and tele-healthcare	Maximising Independence Programme Lead	April 2011	Targeted and increased take-up at an early stage i.e. whilst intermediate care/reablement are taking place	Working with new ICO to develop wide access to reablement and intermediate care Jan – March 2011

Recommendation No. 9	It is recommended that a clear overall strategy to support the move from hospital based services to community based care be implemented. This should include a robust framework explaining how funding will be allocated across the services and how necessary changes to current staffing levels across the organisations will be managed.			
Executive's Response	The recommendation is accepted. Commissioners will ensure that support when required will sustain communities and help people regain and retain independence, matching the variety of people's needs with diverse service provision.			
Action	Owner	By when	Target/Success criteria	Progress
Develop Commissioning Intentions for Maximising Independence workstream that focus on reducing, diverting and managing demand	Maximising Independence Programme Lead	April 2011	Clear systems and processes to support and outcome-based framework. Clear understanding of available resources and any required shift in resources.	

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Recommendation No. 10	It is recommended that reablement services should be maximised in order to enable people to regain their independence and reduce the need for long-term packages of care.				
Executive's Response	The recommendation is accepted. Service providers will be incentivised to support well being and recovery rather than increased dependency. Access to intermediate care and reablement will be seen as a first option to support people to regain skills and confidence to maintain independence in their own homes for as long as possible with reduced reliance on ongoing support from statutory Health and Social Care Services.				
Action	Owner	By when	Target/Success criteria	Progress	
Joint Intermediate Care Team will incorporate health and social care teams and streamline operational processes and care pathways.	Interim Locality Manager	Operational	To increase reablement so that 60% of all clients coming through the service no longer require long-term support.	Joint Intermediate Care Team established	
Partnership working with Strategic Housing to promote independence and social inclusion through Supported Housing and Extracare.	Maximising Independence Programme Lead	On-going	Reduced dependency on state funded care beds.		
Commission innovative solutions for reablement and other post discharge services for the first 30 days after a patient leaves hospital.	Maximising Independence Programme Lead	On-going	Increased service user choice. Individual's independence is maximised		

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Recommendation	It is recommended that appropriate checks must be in place to ensure that anyone choosing an Individual Budget is protected from all forms of abuse, and that funds are spent in a manner appropriate to the needs of the individual.		
Executive's Response	The recommendation is accepted. The aim is to ensure a well-managed and co-ordinated approach to all aspects of personalisation including personal budgets, money management and risk management.		
Action	Owner	By when	Target/Success criteria
Develop a risk enablement panel.	Personalisation Programme Lead	April 2011	Forum for consideration of cases where potential abuse has been identified.
Financial reviews focus on outcome success and include budget management criteria	Social Care Exchequer Manager	Ongoing	Financial reviews identify any signs of inappropriate charging and use of Personal Budget
			Review process in place

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Recommendation	It is recommended that regular contract monitoring and review should be undertaken in order to ensure that high standards are being achieved and that both staff and service users are being treated according to the appropriate regulations.		
Executive's Response	The recommendation is accepted. A set of agreed service user outcomes and associated cost benefits will inform quality standards and the development of a robust monitoring system.		
Action	Owner	By when	Target/Success criteria
Develop market position statements.	Maximising Independence programme Lead	April 2011	Improved understanding of the local market
Define a model of service delivery to be shared with providers and service users.	Maximising Independence programme Lead	Dec 2011	Consistent quality of service delivered across all providers.
			Progress

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Recommendation No. 13	The Council should continue to co-ordinate and/or provide safeguarding training across all sectors and organisations as well as monitor attendance and compliance.			
Executive's Response	This recommendation is accepted. Safeguarding procedures will be further strengthened to identify, protect and respond to the safety of vulnerable people.			
Action	Owner	By when	Target/Success criteria	Progress
Training programme to deliver a wide range of training as agreed within the Training Strategy	Safeguarding Trainer/Learning, Training & Development- Skills for Work/ Skills Officer(Adult Safeguarding)	On-going	All planned training sessions delivered. Increased uptake of training Increased awareness of Single Access Point number Supported training in Further Education settings for tutors working with Vulnerable Adults	Training programme in place Progress will be monitored via Adult Safeguarding Board
Working in Partnership with HHT to include Safeguarding Adults Training in Core training sessions		Dec 2011	3 x 8 hour basic level sessions delivered to train in excess of 500 employees at all levels in the organisation	Sessions/venue and times booked Progress will be monitored via Adult Safeguarding Board
Review and evaluate training programme	Safeguarding Trainer/ Skills Officer (Adult Safeguarding)	April 2011	Further training needs identified and being met Continual improvement to training available/delivered	Training courses have been improved as a result of review and feedback
Monitor and review attendance figures	Safeguarding Trainer/ Skills for Work Admin team	April 2011	Identify regular non-attendees. Understand reasons for non-attendance and address as necessary. Improve attendance rate at all courses	Regular non-attendees in 09-10 identified and targeted for training this year

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Recommendation No. 14	The number supported housing schemes for older people should be increased. Interested service providers and developers should be encouraged to work in collaboration and partnership.			Progress
Executive's Response	Sustainable Communities and Integrated Commissioning Directorates are developing an Older People's Housing Plan. This will inform the new commissioning strategy for older people.			
Action	Owner	By when	Target/Success criteria	Progress
Commission Older Person's Housing Plan	Housing Needs & Development Manager/Supported Housing Manager	March 2011	Clear Strategic Priorities	Work commissioned and commenced

Recommendation No. 15	The Review Group recommends that there is a continuing focus on joint strategies which cross all directorates and organisations including Housing, Social Care, Regeneration and Health in order to plan, commission and provide for the increasing ageing population in Herefordshire.			Progress
Executive's Response	This recommendation is accepted. The JSNA will inform all strategies to ensure a joint and consistent approach. A priority for the Maximising Independence workstream within Integrated Commissioning is to support all independent living for older people.			
Action	Owner	By when	Target/Success criteria	Progress
Develop Integrated Commissioning Strategy	Director of Resources and Delivery	January 2010	Draft Strategy circulated and being finalised	On track
Develop Older People's Commissioning Strategy	Interim DASS/Interim Project Director	March 2011	Clear strategic priorities to be defined for 2011	In hand

MEETING:	CABINET
DATE:	20 JANUARY 2011
TITLE OF REPORT:	REVIEW OF THIRD SECTOR SUPPORT AND DEVELOPMENT SERVICES
PORTFOLIO AREA:	ECONOMIC DEVELOPMENT AND COMMUNITY SERVICES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To be advised of the outcome of a joint review of third sector support and development services; to approve the principles for future delivery and delegate authority to officers to deliver the proposal, in conjunction with relevant voluntary and community organisations.

Key Decision

This is not a Key Decision.

Recommendations

THAT :

- (a) the outcome of the review be noted;**
- (b) the principle of a single local solution to deliver support services to front line community & voluntary organisations, together with a shared services approach to back office functions, be approved; and**
- (c) authority be delegated to the Director of Resources, in consultation with the Director of Sustainable Communities, to negotiate and implement a single delivery arrangement in accordance with the agreed principle.**

Key Points Summary

- A joint review between Herefordshire Public Services (HPS) and the Third Sector has been undertaken to consider future provision of support services to front line voluntary and community organisations across Herefordshire.
- The review has examined the needs of front line organisations, and taken account of the views

Further information on the subject of this report is available from
David Powell, Director of Resources on (01432) 383518

of key stakeholders, the changing national picture and the financial constraints placed on HPS.

- A number of options for the future structure for the commissioning and delivery of support services have been developed, with a preferred option of a single local solution, with a shared services approach to back office functions, together with a balance of central and local support to front line voluntary and community organisations.

Alternative Options

- 1 The review report (Appendix 1) provides further detail of alternative delivery options, together with a rationale for opting for the single entity.

Reasons for Recommendations

- 2 HPS proposes to use the results of the Third Sector Support Services Review as a basis for future commissioning, both of services funded and those directly delivered by HPS. A decision on future delivery arrangements is needed at this point, with transitional arrangements in place by the end of September 2011, to enable continuity of service during the recommissioning.

Introduction and Background

- 3 HPS recognises that voluntary and community organisations, as part of the wider civil society, provide a vital role in supporting communities across our county. Services provided to support these organisations are crucial in ensuring that those at the front line have the skills, knowledge and resources to, in turn, support individuals and communities to make a difference, giving voice and support to a wide variety of interests and opinions as well as shaping and delivering services which reflect local needs. HPS provides a significant financial contribution to the delivery of these services, both through direct delivery as well as funding to the voluntary and community sector for delivery of such services.
- 4 A joint review by HPS and the voluntary and community sector has been undertaken to inform future commissioning by HPS to ensure a coherent and cost-effective form of delivery, in order to sustain a thriving, diverse, independent and respected voluntary and community sector in Herefordshire. Implementation of the key principles outlined in the recommendations represents a substantial change to existing practice, but will deliver comprehensive, high quality support services, which are inclusive and flexible, as well as being sustainable, eliminating duplication and providing overall value for money.

Key Considerations

- 5 There are a number of trends in policy at both and local and national level, that have influenced the need to review how best to support the community and voluntary sector in Herefordshire. Key factors include:
 - Total Place - already embraced in Herefordshire, with a move towards more locally focussed provision;
 - HPS adopting a commissioning rather than a provider focus;
 - adoption of Compact Principles;
 - significant resource pressures on local public services;
 - the 'Big Society' approach and the importance placed on solutions delivered through the Civil Society; and

- the Decentralisation and Localism Bill.
6. The review is also timely given the end of Capacity Builders funding in March 2011. This is at a time when the Government is consulting on future national support services. The “Supporting Stronger Civil Society” consultation document was issued in October 2010 and includes the rationalisation of infrastructure provision. The review process may mean that Herefordshire is well placed to access national funding to support the implementation stage.
 7. A cross-sector group (the Third Sector Support Services Review Group) was established under the chairmanship of the Council’s Director of Resources, to review support services provided to the voluntary and community sector in Herefordshire (also known as the third sector).
 8. There is a detailed definition of the support services covered by the Review in the Terms of Reference for the Review Group (Appendix 2). It is summarised here as the range of organisations which occupy the intermediary space between the State and the private sector, including voluntary and community organisations, charities, not for profit groups and social enterprises. In Herefordshire, they range from small local volunteer led community groups to large, countywide organisations.
 9. The scope of the review covered the support function within HPS, six third sector organisations currently funded by HPS to provide support services (Herefordshire Voluntary Action, Community Voluntary Action Ledbury and District, Community First, Herefordshire Council for Voluntary Youth Services, The Alliance and Age Concern Hereford and Worcester) as well as those services delivered within HPS to support the third sector. The majority of core funding to support these services is provided by HPS.
 10. The overall objective of the review was to achieve a consensus on the future provision of services, resources and delivery which would lead to:
 - Comprehensive, high quality support services that meet the identified and anticipated needs of front line third sector organisations.
 - Inclusive and flexible support services that are available, accessible and affordable to all front line third sector organisations across the county, and meet the varying support needs of different organisations.
 - Sustainable and effective delivery of support services that reflects good practice, eliminates duplication, fills gaps and provides value for money.
 11. The work of the Review Group has included
 - a survey of those third sector organisations which receive support services from either the third sector or HPS;
 - a mapping exercise of the scope of support services currently provided by the six third sector organisations and HPS;
 - the development of principal options for the future shape and resourcing of support and development services to the third sector. Grant Thornton were commissioned to do this work and their report is attached as Appendix 1.
 12. The findings of the review were shared with the Third Sector Interim Board, consisting of representatives of the Third Sector Forum in Herefordshire, and trustees of the six organisations affected. In addition, the Third Sector Interim Board commissioned an external challenge, testing the proposals with Board members and front line organisations. This approach was agreed in order to provide broader engagement in the process.

13. The Review Group reached a consensus on the general direction of travel, to respond to the future needs of front line third sector organisations, with the need to develop new delivery mechanisms and new commissioning arrangements, with a number of options under consideration.
14. The review concluded that the current approach to Third Sector Support Services lacks co-ordination. Furthermore, in some instances services are duplicated meaning value for money cannot be demonstrated and a lack of clarity exists about which organisation delivers what services. One of the agreed principles of the review was that it is a priority for HPS to deploy funding and staff resource in the most efficient way whilst providing the most effective service. A new commissioning arrangement for these services is therefore needed to ensure this priority is met, especially as the third sector will need to ensure even greater co-ordination of support to enable it to continue to meet the aspirations of the 'Big Society', within existing and future funding constraints.
15. The options outlined in the Grant Thornton Report also reference a need for shared 'back office' functions for the services which will provide greater collaboration and value for money. This is particularly relevant given the opportunity afforded by the HPS Shared Services programme. If not implemented, the danger is that of continued duplication, siloed working and under-utilised resources.
16. Analysis of the survey and mapping data conducted by Grant Thornton shaped the findings presented to the review group. The data suggested that those who use the services are broadly happy but the relevance to the wider community of front line organisations is unclear. Even so the majority of perceived needs appear to be met. However, the wider issue is whether this would remain the case in the future.
17. Grant Thornton concluded "that the level of unmet need will grow, and if it does, dissatisfaction with provision can be expected to grow with it, if the way third sector support services are provided does not change". The implication of this conclusion is there would be an impact on all organisations either receiving or delivering third sector support services. A wider impact was felt to be a limitation of the extent to which civil society organisations are able to respond to the emerging developments evident in government policy aimed at support the Big Society agenda.
20. The Review Group agreed a short list of options, as detailed in the Grant Thornton report (appendix 1). The Review Group reached a consensus on a localities focus as being the preferred direction of travel; which is consistent with likely developments in the county (and nationally). However there were some concerns about the feasibility of implementing local 'spokes' in terms of implementation complexity and potential cost.
21. Feedback from the challenge process conducted by the Interim Third Sector Board (Appendix 3) provided useful comment on the strengths and weaknesses of the options under consideration. This included the need to ensure that support services were promoted more effectively, targeted to meet the needs of a diverse sector, ensuring quality of service, as well as ensuring that expressed needs were met. Whilst face to face engagement could be important, it was felt that a local "fixed" provision was not necessarily required. There were also areas of support identified which were thought not to be currently provided. A key overall message was "Be brave – make a change for the better". There are therefore some clear recommendations for better communication and marketing of services, as well as flexibility in terms of service delivery, driven by the needs of the sector.
22. The views of the Community Services Scrutiny Committee were also sought and the following issues raised:
 - Whilst it was clear there was commitment to the process by those involved, it was important that specific skills offered by individual organisations should not be lost

- Consideration should be given to how the existing system had evolved
- If all organisations were merged, there may be a danger that volunteers would be lost

23. The Review Group met to consider these responses on 9th December. Key principles were agreed:

- one single, local solution for Herefordshire
- shared services, to deliver back office functions, to deliver efficiencies
- flexibility about delivering in localities, looking at smart technology / outreach provision
- firm up the role of the Third Sector Board, in representing and supporting the sector

It should be noted that some of the third sector organisations in the Group deliver both front line and support services and will therefore need to understand and assess the implications of the development of a single delivery mechanism for support services on the future of their organisation.

24. Whilst it is entirely appropriate for HPS to clearly set out its commissioning intentions, it is a matter for the third sector organisations, as independent bodies, to determine how they will structure themselves to deliver the commissioned service.

25. To enable negotiations to take place regarding the more detailed arrangements to deliver this change the funding and staff resource available from HPS and a commissioning plan will be agreed over the forthcoming months with the date to commence transition agreed for 1st April 2011.

26. The Third Sector organisations involved in the Review have been advised that reductions in funding will need to be implemented next year. However, to provide continuity of service delivery during the transition period, it is proposed that existing service level agreements will be extended for a further 6 month period, until 30th September 2011.

Community Impact

27. The review has been a collaborative piece of work involving the relevant third sector organisations in the entire process, as it is important that consensus is reached. The resulting decision from this review will have an indirect impact on communities as community groups benefit from the support services commissioned and delivered. It is therefore important that this service to them is of the highest quality whilst being cost-effective.

Financial Implications

28. Financial support from HPS for those organisations providing support services to the third sector will not be immune from the effects of CSR10 and the subsequent local government settlement. Whilst this is not the prime driver for the Review, the emphasis has been on effective support to front line third sector organisations, and reducing management and overhead costs at a time of budgetary constraint would be an advantage.

29. The funding envelope for Third Sector Support Organisation forms part of the overall approach to the 2011/12 budget. It has been confirmed to third sector organisations involved that overall funding will need to reduce over future years.

30. The total Third Sector Support Services spend is £1.925m of which £1.134m is funded by HPS. The HPS direct spend is £674k but this will be affected by a reduction in spend within Children and Young People as a result of the restructure of Early Years and extended services.

Legal Implications

31. At the end of the 2010/11 financial year all current contracts with third sector organisations providing support services end. There are therefore no legal implications in relation to contractual arrangements other than the need to reach a decision swiftly for clarity to be given on financial arrangements post March 2011.
32. Any transfer of directly provided service from HPS to a new arrangement will be carried out in line with existing policies.

Risk Management

33. If approval is given to the report, there is a risk that existing support to front line organisations will be compromised, whilst new structures and ways of working are set up. It is proposed that the third sector organisations affected are given a six month extension to their existing service level agreements to support service delivery during the transition period, to avoid a hiatus in support to front line organisations.
34. If agreement is not reached, HPS will not be able to secure a way of ensuring co-ordination and increased value for money in commissioning. This has been mitigated by the joint nature of the review.

Consultees

35. Consultation with key stakeholders, including commissioners, providers, and third sector front line organisations was undertaken as part of the work conducted by Grant Thornton. The HPS Research Team also supported a postal survey of third sector frontline organisations. The 320 survey responses informed the Grant Thornton report.
36. Community Services Scrutiny Committee were consulted on 6 December and their views have been taken into consideration by the Review Group and in developing the recommendations of this report.
37. All Members have had the opportunity to attend a briefing on the findings of the review.

Appendices

Appendix 1 - Review of Third Sector Support and Development Services – Grant Thornton (November 2010)

Appendix 2 - Terms of Reference of the Third Sector Support Services Review Group

Appendix 3 - Review of Third Sector Support Services – Scrutiny of Options – Interim Third Sector Strategic Board.

Background Papers

None

Review of Third Sector Support Services

Scrutiny of Options – Interim Third Sector Strategic Board (ITSSB)

Scrutiny Panel Final Report

November 29th 2010

1. Purpose of the Scrutiny

The purpose of the scrutiny was to gather evidence about the relative strengths and weaknesses of the proposed options from the perspective of voluntary and community organisations in Herefordshire (i.e. the users or potential users of support services).

A scrutiny panel of six undertook the review¹, supported by an independent consultant, Alison McLean. The role of the panel was to agree the mechanisms for gathering the evidence, consider the results and feed back to the ITSSB and, on behalf of the ITSSB, to the Third Sector Support Review Group. This report is that feedback. It provides headline messages for the Review Group. More detailed points are contained in Appendixes as appropriate.

2. Methodology

The scrutiny panel did not attempt a full consultation with the sector, nor did it seek to 'vote' on the options. Given the resources available and the timescales for the review, a 'market testing' approach was adopted. A note with more details of the methodology used for the scrutiny is attached (Appendix 1). In essence, the evidence base consisted of:

- Written evidence from the review group (including user survey, service mapping documents and Grant Thornton report).
- Views of users and potential users of support services gathered via a series of telephone interviews (18) and a focus group (7 participants).

This evidence was collated and examined against a set of five criteria agreed by the panel (Quality, Access, Equity, Scope and Value for Money). These were not the same as the criteria used by the review panel, but designed specifically to test out the perspectives of the users of the services in line with the purpose of the panel. Draft conclusions were arrived at and tested with the providers of services. Following amendments our final comments and recommendations are detailed in the rest of this report.

¹ Members of the panel are those members of the ITSSB that do not have a personal nor organisational interest in the outcome of the review –see Appendix 1

3. Strengths and Weaknesses of evidence base and review approach.

Strengths

- The return rate of the user survey provides a statistically strong evidence base.
- The user survey provides important data on patterns of current use, market penetration and satisfaction.
- The qualitative information (from stakeholders) is powerful, but tends to get lost in the analysis
- The mapping information provides a baseline of current services delivered and current and projected funding for services.
- The characteristics of high quality support services are defined.
- (Mostly) the framework for assessment of options is clear²
- Providers of services are working together to arrive at an agreed way forward for re-shaping delivery. Particular strengths are the fact that HPS resources are included in the review and trustees of local support organisations are working together to map the way forward.

Weaknesses

- The review started before CSR + other government developments (e.g. council staff co-operatives/mutuals). The external context continues to change quickly and prudence suggests a re-reference of it before any final decisions are taken, to ensure that all relevant issues to-date have been taken into account.
- The cost analysis is missing. The budget from HPS is unclear as are the costs of each option - what can we afford?
- Survey responders were self-selected (current users) and very few FLOs were consulted in the Grant Thornton stakeholder engagement. The survey cannot tell the whole story.
- There are important gaps in the evidence base and its analysis – what are the key changes needed to improve support services? Which are the priority services? Which can be cut? What can be provided from elsewhere? Will the projection for future need turn into actual demand for services?
- The leap to 'models' appears to have been taken before the necessary work on the types of services needed is complete.
- How the short list of options was arrived at is unclear - there are other options that do not appear to have been considered.
- When those with vested interests try to arrive at consensus, there may be a tendency to avoid more radical solutions.
- The Scrutiny Process itself has been working under significant constraints, particularly in terms of timescale. Grant Thornton final report was not available in time to be thoroughly considered.

² With the exception of 'strategic fit' which the Scrutiny Panel feel is rather ill-defined

3. Evidence from Scrutiny Panel 'testing' FLOs

Below are the highlights of what people told us when we asked them about the key five criteria that we used to consider the options. More detail of the responses can be found in Appendix 2 and 3)

Quality

- Clarity and visibility of support services needs to be improved—organisations do not know what is available or where to go.
- Well targeted, filtered information for a differentiated market is needed to meet the needs of a hugely diverse sector.
- Quality advice and information (professional and knowledgeable) is needed rather than trying to cover all aspects less well.
- National and regional support and private sector services should be well tied in (sign-posted). FLOs use these sources of support regularly.
- Organisations want a service that supports groups/communities to do what they want to do (driven from the front line).

Access

- Local 'fixed' provision of support services is not as important as the review papers suggest - although face to face engagement should be an option for some services.
- Exclusive dependence on electronic services (internet/email) may mean very small, community based organisations miss out.
- Good access depends on excellent and integrated info/marketing tailored to the different needs of different types of organisations.

Equity

- Equity is about communication tailored to different needs
- The world of infrastructure organisations feels remote to many organisations (e.g. a perception that many did not understand what the user survey questionnaire was about).

Scope

- Support requirements are very broad, as are types of 'users'
- Support services should include - advice, information, support (as listed in review papers). Also confirmed as important:
 - Brokering with public sector/private sector
 - Managing grant programmes
 - Brokering and networking between Third Sector Orgs
 - Providing a voice and raising the profile of the sector
 - Providing, promoting and enabling Community Development (which is a different activity to generic advice)

Value for Money

- Most would have no objection to membership fee - geared to level of income. But with clarity about what it buys.
- Many expect to pay for some services.
- There are opportunities to reduce duplication.
- FLOs can share resources and facilities (bartering/mentoring), support services could facilitate this exchange.
- The aim should be to maximise money to FLOs delivering services.

4. Scrutiny Panel key points on Options³

Option 1

This option has the potential to provide a single access point and more coherent delivery and so address issues of clarity, visibility and co-ordination of provision BUT

- The creation of a monopoly may mean that the central organisation dictates the shape of services (rather than be responsive to needs). How would it be accountable?
- The single entity could just be another layer.
- The scrutiny panel expressed concerns about the joint venture model. It is difficult to see how it will deliver support services effectively and efficiently.
- Reduction in cost and duplication is not guaranteed – it will depend on how the entity is set up.

Option 2

This option will have less transitional cost and would be easier to implement. Also commissioning services provides more flexibility to meet the changing needs of the sector BUT

- Who is going to be on commissioning board?
- How would it operate? There is an assumed cost to the independent board, it will need an officer base to support it to research sector needs, let contracts and monitor services.
- This option does not really change the current pattern of delivery (and so does not address issues of fragmentation/coherence).
- It is unclear how cost will be taken out of the provision of services (review papers suggest that this is a pre-condition).

Option 5

The positives and negatives of the 'hub' are the same as in Option one. In terms of the locality spokes, community development resources are important. Localities could be a vehicle for supporting communities to become self-supporting and this option responds to the current government's focus on local delivery BUT

³ Given the decision by the Review Group to put aside Options 3a, 3b and 4 the Scrutiny Panel confined its deliberations to Options 1, 2 and 5

- This could be an expensive option for little benefit, especially it involves accommodation and permanent staff as papers suggest.
- The evidence for what services should be included in the local spokes is not clear.⁴
- The range of support services that could be delivered in each location is limited. Would this be able to serve the diverse needs of third sector organisations? How will the right balance between what is co-ordinated at the centre and what is delivered in the spokes be judged?

6. Key Messages for the Review Group

The Scrutiny Panel would like the Review Group to consider the following key messages when taking the next steps in the Review.

Be brave - Make a change for the better.

- There is a need to make a radical change to reduce costs and increase effectiveness – the services should be seen to be different and better. Grasp this unique opportunity to make the changes needed for the longer term. Take a 'staged' approach, with a clearer vision of the outcomes sought and with timetabled steps along the way. Avoid a 'phased' approach that seeks to evolve the service, but with unclear final outcomes.
- There is a need to prioritise - it is not possible to be all things to all organisations. Be clear what is and is not going to be delivered. Focus on delivering services in response to evidenced need.
- A centralised and simplified initial access point appears to be a priority, as is much improved marketing and communications.
- Community development resources are important at a local level, but not necessarily a general, 'fixed'⁵ access point for support. Different solutions for different localities will be needed.

Be clearer what is within the range of the 'possible'

- The review appears too based on the past. The world has moved on rapidly and there is a need to look to the future. The service needs to have the capacity to continuously reinvent itself.
- Clarify the scale of budget available from HPS and HPS commissioning intentions.
- Avoid adding an additional 'layer'.
- Actively manage the transition. Avoid a hiatus in service delivery, losing the value of volunteers or of successful specialist services, in the push to re-configure delivery.

⁴ Evidence in user survey and in Scrutiny Panel discussions with FLOs

⁵ The Option suggests for example, accommodation costs. A permanent physical presence may not be the best solution.

Refine the options taking into account the following issues

- Refinements to the options could include:
 - other geographical models (sharing functions across LA boundaries)
 - a model that combines a central hub (services that need to be co-ordinated at the centre) with commissioned (specialist) services (that need to be flexible) - something between Options 1 and 2
- Governance and accountability arrangements are critical – where exactly will the leadership lie? How will those strategically responsible for shaping/commissioning services be accountable to users/potential users of services? What could/should be the role of the Third Sector Board in representing FLO interests in the commissioning process and elsewhere⁶?
- It would be useful to also consider a more integrated role for other local (funding) agencies (such as Herefordshire Community Foundation, the trusts administered by the Council and faith communities) in the new landscape.⁷

Step up communications with Front Line Organisations

- Excellent communications and marketing are critical to reaching out across the diversity of the sector and responding to the changing needs of the sector.
- Communications and feedback to FLOs on the review itself are needed - the changes that are proposed/decided upon, transition arrangements, implications for local organisations should be promptly and clearly communicated.

November 29th 2010

Members of the Scrutiny Panel

Margaret Andrews – Campaign for the Protection of Rural England

Rob Garner – Family Drug Support and Bulmer Foundation

Claire Keetch – Citizen’s Advice Bureau

Dave Marshall – Bulmer Foundation

Penny Southwood – HALO Leisure Services

Julie Wilson Thomas – HELP

Declaration of interests:

David Marshall - Independent Examiner of the Alliance's accounts

Rob Garner – Bulmer Foundation has submitted funding bid to LEADER – Community First would be delivery partner.

⁶ Assuming that the TSB becomes the acknowledged focal point for the voice of the sector in the County (not just in relation to support services, but more widely).

⁷ Herefordshire Community Foundation made a request to be more closely involved in the next stage of the review.

Herefordshire Third Sector Support Services Review Terms of Reference

Aim

To review current support services for front line third sector organisations, (FLOs) and make recommendations for future services and their resourcing for Herefordshire Public Services (HPS) to commission or provide, alongside a coherent and cost-effective form of delivery, in order to sustain a thriving, diverse, independent and respected third sector in Herefordshire.

Rationale

During 2009 three reports¹ were produced on aspects of the third sector in Herefordshire. The findings of these reports, together with the discussions on their implementation at a time of financial constraint has led to the current Review, which will examine current support services for front line third sector organisations in Herefordshire and to identify future priorities.

It is intended that the review will cover all support services provided to front line third sector organisations across the Herefordshire Partnership, although it is recognised that Herefordshire Public Services, (HPS), is a major funder of some of these services within the county.

HPS has confirmed that it will use the results of the Review as a basis for future commissioning as well as provision of these services from within its own teams. The Review will also assist third sector infrastructure organisations in their future development and structure. It is also expected to inform the support services that other members of Herefordshire Partnership commission.

Desired Outcomes

A consensus over future services, resources and delivery

- Comprehensive, high quality support services that meet the identified and anticipated needs of front line third sector organisations
- Inclusive and flexible support services that are available, accessible and affordable to all front line third sector organisations across the county, and meet the varying support needs of different organisations.
- Sustainable and effective delivery of support services that reflects good practice, eliminates duplication, fills gaps and provides value for money.

Scope

The review will cover all support services provided to FLOs by HPS and by the following six third sector organisations: Age Concern, Herefordshire and Worcestershire; The Alliance; Community First; Community and Voluntary Action,

¹ 'Review of The Herefordshire Alliance' Richard Gutch May 2009

'Review of Third Sector Engagement with the Herefordshire Partnership' Hasnah Sheriff June 2009

'Review of Herefordshire's Funding and Procurement Code' Ros Cassy May 2009

Ledbury; Herefordshire Council of Voluntary Youth Services and Herefordshire Voluntary Action.

The review will also be informed by other organisations which provide resources to support such services, including members of the Herefordshire Partnership. It is also recognised that there may be a number of other organisations, both public and third sector, including those which are primarily delivery organisations, which also deliver support services to FLOs. The review will not, however, encompass these investments or services in detail, although they could be the subject of second phase work at a later date, should that be considered desirable.

While the Review will, therefore, aim to include all organisations which provide resources for, and support services to FLOs in Herefordshire to inform a future framework for commissioning these services, it will remain tightly focussed in order to deliver the desired outcomes in a timely fashion.

The working group will compile and monitor a Risk register.

Accountability and Decision making

The Review will be conducted by a Working Group which will make recommendations. The recommendations of the Review will be subject to the approval by the relevant decision-making mechanisms of each participating organisation. This will be the Chief Executive of Herefordshire Council and Herefordshire Primary Care Trust, for HPS, and the Boards of Trustees of third sector support organisations.

Timescale

The review will be conducted to inform commissioning for the financial year 2011/12.

Operating Procedures and Administration - These are attached at Appendix B.

Review Group Membership

Core membership:

Chair - David Powell – Director of Resources – Herefordshire Council

Nina Bridges, Community Regeneration Manager – Herefordshire Council

Alex Fitzpatrick, Third Sector Liaison Officer- Herefordshire Council

Richard Betterton, Herefordshire Council for Voluntary Youth Services

Tess Brooks-Sheppard, Community Voluntary Action, Ledbury and District

Helen Horton, The Alliance

Will Lindesay, Herefordshire Voluntary Action

Richard Quallington, Community First

Philip Talbot, Age Concern Herefordshire and Worcestershire

Wendy Fabbro, Associate Director, Integrated Commissioning Directorate, HPS

Philippa Granthier, Head of Children's Trust Development, Children and Young People's Directorate, HPS

To attend as appropriate:

Richard Gabb, Assistant director, Homes and Communities, HPS

Robert Blower, Communications, HPS

Julie Gethin, Head of Partnership Support, Herefordshire Partnership

Secretariat: Carrie Wright, PA to David Powell.

A list of principal interested parties to be consulted/ included at key stages is attached at Appendix C.

Key areas of activity

1. Agree definitions and categories of support services; see Appendix A
2. Map all support services provided to FLOs, using the agreed definitions and categories.
3. Conduct a sample survey of third sector organisations which receive support services.
4. Each provider of support services to provide further details of services, including current and future costs and funding sources.
5. Each funder of support services to provide further details of funding arrangements, including current and future funding, in kind resources and priority areas for funding.
6. Identify differences, complementary services, duplication, gaps and added value.
7. Understand the priorities and drivers for those organisations that fund support services.
8. Examine examples of current good practice in effective delivery.
9. Identify opportunities and mechanisms for more effective and efficient delivery.
10. Based on the review findings, put forward recommendations on the support services required and the necessary infrastructure to deliver them, in order to inform the commissioning strategy for HPS and other Herefordshire Partnership members.

Strategic Framework

The review will take account of Total Place and the locality work being led by Geoff Hughes, (Director of Regeneration, HPS).

The key strategic documents that provide the framework for, and will inform the review, are listed in Appendix D.

Review

These Terms of Reference will be open to review at any time, but any proposed changes will require the agreement of the majority of the membership and must be clearly recorded.

Definitions and Categories

Third sector

The range of organisations which occupy the intermediary space between the State and the private sector, where private energy can be deployed for the public good. It is an umbrella term that embraces a number in common use which define parts of the sector, including voluntary and community, charity, not for profit and social enterprise, which together form the backbone of civil society.

The sector consists of a diversity of organisations which vary in size, income, activity and the way in which they are constituted. This includes community, voluntary and faith groups, registered charities, foundations and trusts, housing associations and the growing number of social enterprises and cooperatives. They range from small local volunteer led community groups to large, national organisations with turnover in excess £100m.

Third sector support and development organisations

Services provided by any organisation that plays a role in supporting, co-ordinating, representing, policymaking and/or development in relation to local voluntary and community organisations.

Third sector support and development organisations provide the infrastructure in the sector that ensures that front line third sector organisations, (FLOs), have the skills, knowledge, structures and resources to realise their full potential.

The provision of support and development services through infrastructure organisations is **second tier activity** that supports front-line delivery, supporting organisations, not individuals.

The role of third sector support and development organisations is to provide leadership for the sector and support for third sector organisations in their area, responding to needs identified and expressed by local FLOs, and also bringing to their attention new issues and policies that will have an impact on the sector, offering guidance and support in how to address them.

Support and development services are provided within the sector nationally, regionally and locally.

There are support and development organisations which offer:

- generalist support within a geographical area, such as Councils for Voluntary Service (CVS); and those which offer
- specialist sub-sectoral support to specific communities or client groups, such as Rural Community Councils (RCC) or Volunteer Bureaux (VB), or in health and social care or child care.

Such support can also come from organisations outside the third sector, such as local authorities and other public sector organisations, Business Link, funders, private sector training.

Third Sector Support and Development Services

Services designed to build the capacity and capability of individual front-line organisations and groups and of the sector as a whole, and also to release and realise their potential for contributing to the public good.

For the purpose of this Review, key services provided by third sector infrastructure organisations cover the following activities:

1. Development support:

Pro-actively identifying needs in the local community and facilitating and supporting responses to meet those needs and /or plug gaps in provision.

This includes:

- Community development, community involvement and action;
- Start-up; 'promote and float': incubating new organisations, relinquishing others that can stand alone;
- Initiation, growth and contraction of groups, projects and services.

2. Legal and technical information, advice and guidance:

Ensure that organisations are fit for purpose, legally compliant and operating to high standards, using a variety of means to promote services and encourage take-up.

- Governance: Advice on choosing the right legal form; legal status, governing documents, constitutional, and access to legal advice; Board development and support for Directors/Trustees.
- Organisational development including strategic and business planning; HR and workforce development; equalities, health and safety, safeguarding and other organisational policies and procedures.
- Financial advice, including financial management; costing and pricing; fund raising; income generation; and investment advice on alternative forms of finance, including repayable loan finance, patient capital etc. from high street and specialist lenders.
- Business support for organisations wishing to become more sustainable through trading;
- Advice and support for individual entrepreneurs; and support for public sector workers wishing to transition to social enterprise models;
- Skills for winning and delivering contracts: Designing services for the market place; contract readiness' for tendering and procurement; negotiation; project and service management; data collection; monitoring and reporting; and calculating and reporting on Social Return on Investment, (SROI);
- Marketing, communications, customer care; consultation/feedback; service user engagement.
- Performance improvement and management, including: quality assurance and standards; accreditation service and regulation – advice and/or an accreditation service; evaluation.

These services can be provided at different levels, from information giving and signposting, through support, including training, to specialist advice to organisations on a one-to-one basis, including good practice, and to national standards where they apply.

3. Practical assistance and resources:

Buildings, premises and facilities: (e.g. Community Resource Centres; Volunteer Bureaux; Community Transport, where used by organisations and groups, not individuals.)

- Premises management
- Office services, including ICT
- Grant -giving mechanism; access to funding opportunities
- Volunteering: Promotion; Brokerage service with a single point of access; accessible Volunteer Centres; employee Volunteering; developing volunteering opportunities

4. Learning and Development

Encourage and co-ordinate the take-up of training and learning opportunities across the sector

- Regular training needs analysis and identification of priorities
- A structured programme for the delivery of learning and development opportunities through a variety of media, including access to accredited training
- Encouragement of innovation and creativity
- Facilitation of support mechanisms, e.g. mentoring, (especially for lone workers), learning sets and skills sharing

5. Strengthening voice:

Provide a representative and accountable voice for third sector organisations to policy makers, service planners and funders.

- Raise the profile of the sector through promoting its capability and value;
- Provide a communications and co-ordination hub
- Channel information between national, regional and local bodies, including promoting national/regional campaigns to front-line organisations
- Encourage the voices of the sector to be heard through advocacy, liaison and representations.
- Promote networking, (including FLO forums), knowledge sharing, collaboration and partnerships internally within the sector to maximise resources
- Scrutinise and challenge policies and practices.
- Pursue Compact compliance
- Promote Gift Aid and Payroll giving
- Assist the Third Sector Strategic Board/Forum to achieve its goals

6. Strategic partnership building and brokerage:

Bringing together FLOs with external public and private sector organisations for joint/cooperative policy making, planning and service delivery.

- Provide and support formal representation

- Engage with policy makers, service planners and funders with and on behalf of FLOs
- Be the 'public face' of the third sector
- Represent the interests of the sector in partnerships and networks
- Encourage community engagement
- Manage third sector consultation networks
- Conduct consultations
- Act as a 'bridge' between FLOs and commissioners of services, facilitating working relationships and contributing to commissioning and service development for the benefit of service users.
- Facilitate participation in shaping and delivering CAA/LAA and delivery of NIs by FLOs

7. Research and Policy Development:

Collect and provide evidence on the needs, role and developments within the third sector, in order to influence policy, planning and service delivery.

- Data bank
- Disseminate information on national, regional and local policy initiatives
- Develop policy responses and proposals
- Commission research
- Produce and circulate policy papers, guidance and information

Operating Procedures and Administration

Review Group

The Review Group is a task and finish group. The Review Group will be chaired by David Powell, Director of Resources, Herefordshire Council.

The Chair is appointed for the Group, from inception to completion of the task.

Decision making

It is expected that the Group will achieve consensus through full and open discussion. Any differences of opinion potentially leading to conflict, should be resolved at an early stage, via the Chair if required.

If there are objections to decisions, these must be noted in the minutes of the meetings.

Meetings

The Group will meet at least monthly. A programme of actions will be agreed at the first meeting and reviewed at each subsequent meeting.

A schedule of meetings will be agreed at the first meeting.

If required the Chair will be able to call additional meetings.

Administration

The Secretariat for the Group will be provided by Carrie Wright, Personal Assistant to the Chair.

Agendas and papers will be circulated a week prior to the meeting. Every effort will be made to avoid tabling of papers.

Minutes will be kept to record decisions made by the Review Group.

Attendance

Review Group members unable to attend a particular meeting may arrange for a substitute from the group / organisation they represent, to attend in their place.

If a representative leaves their represented organisation or group, the organisation or group shall appoint a new representative.

Quorum

The Review Group will be quorate when five members are present including the Chair, with two representatives each from the public and third sectors required at each meeting.

Declarations of Interest

Declarations of interest should be declared and will be recorded.

Appendix C

Principal Interested Parties

HP public sector organisations: Police/Probation/Fire Service

Diocese of Hereford

Parish Councils

Chamber of Commerce

Business Link

Appendix D

Relevant Strategic Documents

The following documents will provide the framework for and inform the Review:

- Local Compact and Codes of Good Practice
- Joint Strategic Needs Analysis
- Community Strategy

- World Class Commissioning Strategy
- Children's Trust Commissioning Framework

- Director of Public Health's Report

- Review of The Herefordshire Alliance

- Review of Third Sector Engagement with Herefordshire Partnership

- Review of the Herefordshire Compact Funding and Procurement Code

Adopted 8th July 2010



Herefordshire Council
Review of Third Sector Support and Development
Services

25 November 2010
Final Draft

This report (the "Report") was prepared by Grant Thornton UK LLP at the request of Herefordshire Council and the terms for the preparation and scope of the Report were agreed with them. The Report was prepared solely for the benefit of Herefordshire Council and no responsibility or liability is accepted by Grant Thornton UK LLP towards any other person in respect of the use of the Report or reliance on information contained in the Report by any other person.

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Section 1: Executive Summary

"We recognise and value the special ability of voluntary and community organisations to mobilise and support people, particularly those who sometimes struggle to find a voice. We want to harness their power to find better solutions to our social problems. Our vision is for the sector, as a resilient and independent partner, to play an even more influential role in shaping a stronger sense of society and improving people's lives.

The sector cannot be immune from reductions in public expenditure because the scale of the challenge to reduce the national deficit is so great. The government recognises that this is a particularly challenging time for charities, social enterprises and other voluntary organisations. Badly handled public sector cuts could significantly alter the ability of the sector to nurture social capital and support some of the most vulnerable people in society just at a time when we want to build that social capital and encourage those local support networks."

- Building a Stronger Civic Society (Cabinet Office, October 2010)

Context

Context

Third sector support services provision has become an integral part of the frontline public service offer operating within Herefordshire. Shifts at the national level are reflected in the current direction of service provision. Key factors include:

- Total Place - already embraced in Herefordshire e.g. through the creation of HPS
- a shift to a commissioning rather than a provider focus and towards more locally focussed provision
- adoption of Compact Principles
- significant resources pressures on local public services

The current trends are likely to accelerate and encompass the 'Big Society' and the Government's desire to balance fiscal tightening with the protection of the front line. The agenda going forward is aimed at minimising the impact of fiscal tightening by focusing and prioritising outcomes for Herefordshire.

The Third Sector Support Services Review (TSSSR) Working Group

The TSSSR Working Group has been established to manage the review of Third Sector Support Services (TSSS) provision in Herefordshire. Its overall objective is to achieve a consensus on the future provision of services, resources and delivery, which will lead to:

- Comprehensive, high quality support services that meet the identified and anticipated needs of front line third sector organisations.
- Inclusive and flexible support services that are available, accessible and affordable to all front line third sector organisations across the county, and meet the varying support needs of different organisations.
- Sustainable and effective delivery of support services that reflects good practice, eliminates duplication, fills gaps and provides value for money.

Our Role

We have been engaged to support the TSSSR in realising its objective, by developing the principal options for the future shape and resourcing of support and development services to the third sector, for the TSSSR working group to review, to determine a consensus for implementation from April. Our scope has been provided by Herefordshire Public Services (HPS) and by the six Local Support and Development Organisations (LSDOs) commissioned by HPS to provide TSSS.

Our Approach

Our Approach

Our brief was agreed by the TSSSR Working Group, which is chaired by David Powell of Herefordshire Council, and which contains representatives from the six TSSS providers in Herefordshire.

Stakeholders were engaged throughout the review via a number of mechanisms: in-depth interviews, workshops, and teleconferences. A list of those consulted is included at Appendix 1.

We have also drawn on the mapping and needs surveys undertaken by HPS as part of a desk-top review of assorted key documents provided by stakeholders. A list of documents consulted is included at Appendix 2.

Following this analysis stage we identified and developed a set of options for future TSSS provision and an evaluation framework by which the options would be appraised. The evaluation framework and a short list of options were agreed by the TSSSR working group. Grant Thornton then evaluated these options, which informed the TSSSR working group's ranking of the options.

Structure of Our Report

Our report structure is set out on the right of this page

Executive Summary (pp 3 -8)

Analysis of Current Position (pp9-27)

Evaluation Framework/Options Development
(pp 28-41)

Options Evaluation (pp 42-49)

Conclusions (pp 50-51)

Implementation Considerations (pp 52-54)

A number of acronyms and other terms are used in the context of this review. A glossary of terms is included at Appendix 3.

Current TSSS deployment: overview

Our analysis of the current model identified:

- the current cost of TSSS provision represents about 20% of the total turnover of the Front Line Organisations (FLOs) who responded to the Needs Survey (the value of volunteer time was not included in the survey).
- the data suggests that LSDOs are generally meeting the needs of those that use them, but usage is low, and there may be unmet need as FLOs have yet to understand the relevance of the current services, or the impact of the forthcoming changes.
- the multiplication and greater specificity of provision has increased the impact of support on particular areas
- there is a mix of generalist and specialist support
- this support is provided across the LSDOs and HPS
- there is no overall co-ordination of generalist support
- this lack of co-ordination leads to duplication, poor branding and consequent lack of market penetration
- there is no co-ordination of specialist support
- possible gaps in provision, and consequent gaps in market penetration
- much of the leveraged funding is time-limited and originates from funding sources which are themselves under increasing resource constraints. It is therefore reasonable to assume that there will be reduced ability to leverage additional funds, and that existing resources will be increasingly time limited.
- the total cost of TSSS activity may therefore be reduced over time.

Stakeholder and working group consultation

The stakeholder consultation that followed this analysis, confirmed widespread agreement of the need for change, but not the form this should take, only a consensus that change should be made soon.

We developed an evaluation framework and series of options, based on this stakeholder consultation and our wider understanding of the coalition government's policy agenda. The TSSSR Working Group then reviewed, amended and agreed the options they wanted to short list for evaluation, and the evaluation framework to be applied.

Grant Thornton then evaluated these options, which informed the TSSSR Working Group's discussion of the options, and led to an agreed ranking of the options by the working group, which is set out below.

Criteria	Key evaluation questions	Option 1 Single Provider	Option 2 TSS Board	Option 3a In & out source	Option 3b In & out source (BO only)	Option 4 Hub & Spoke	Option 5 Hybrid of 1 and 4
RANKING		2	4	6	5	3	1

A summary of the ranking agreed is set out below. Further detail on the evaluation framework is included in Section 3, and on the evaluation in Section 4.

Conclusions: Overview

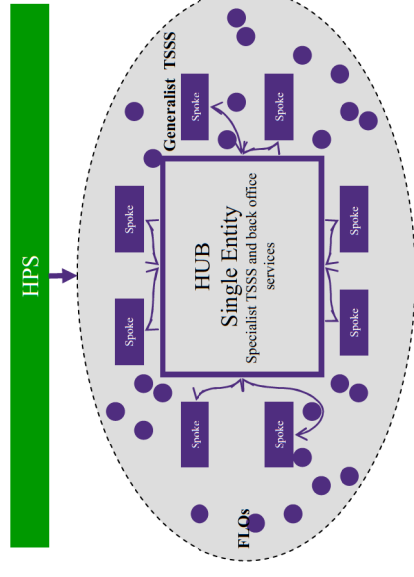
The TSSSR Working Group considered the options. Following the first review it was agreed that:

- Options 3 a and 3b should be discounted. It was recognised that these would offer some economies of scale, and so cost savings through shared services. However, it was unclear that the approach would be welcomed by all FLOs, and it was recognised that little extra value would be delivered.
 - A new option was identified, combining a single entity with some local presence (see Option 5 above). This was considered preferable to Options 1 and 4, due to combining the benefits of both.
- The Working Group tended to focus on two options (2 and 5). The Working Group did not reach a clear consensus, although it should be noted discussion did not divide on sector that lines (there was not a separate HPS and sector view).

The sense of the meeting was that **Option 5** was preferable to most, but not all members of the Working Group. It was recognised that there were significant issues to be addressed. These included the viability of the predecessor organisations (if Herefordshire TSSS provider elements are removed) and the need to structure it in a way that maximises the potential to lever funding and additional resources. There are various organisational models that may reflect different types of integration with varying degrees of impact upon exiting bodies.

Equally there was consensus on a localities focus as the preferred direction of travel, which is consistent with likely developments in the county (and nationally). However there were some concerns about the feasibility of implementing local 'spokes' in terms of implementation complexity and potential cost - these could be **progressively implemented** as the entity matures, the wider locality approach is developed and affordability confirmed.

A minority on the group tended more to **Option 2**, feeling it offered greater flexibility, and suggesting that it may be more likely to secure the commitment of some stakeholders.





Section 2: Analysis of the Current Position

FLOs in Herefordshire

	No.	%
Charity	165	54
Voluntary Organisation	111	36
Community Organisation	101	33
Co-Operative	3	1
Community business/enterprise	10	3
Social enterprise	17	6
Umbrella group/development org	4	1
Partnership organisation	6	2
User led	22	7
Membership org	47	15
Housing Association	2	1
Social/hobby group	35	11
Other	42	14
Total	306	
Not answered	15	
Total survey respondents	321	

Source: Third Sector Support Services Needs Survey (HPS, September 2010)

Note: some survey respondents indicated more than one type of category, so the total in the above table relates to the total number of respondents, and does not represent the total of different types of categories. The % column follows the same principle.

Observations:

- There were 321 respondents to the needs survey, self categorised as per the table to the left.
- There were in the region of 1,500 FLOs operating in the county in 2007*. Assuming FLO numbers have remained constant, this indicates the needs survey generated a sample size of approximately 21%.
- FLO turnover in the county was in the region of £95 million* in 2007. Extrapolating the needs survey returns, the turnover for those who replied is in the region on £11 million. This excludes the value of volunteer time.

* "Valuing the voluntary and community sector in Herefordshire and Worcestershire" (Sustain Consultancy, January 2007)

Research

To provide an evidence base for this review, two research exercises were undertaken. These were:

- a services needs survey of FLOs, conducted by HPS, to which there were 321 respondents, and
- a service mapping survey carried out by the six LSDOs and by HPS on TSSS.

The six LSDOs also provided a separate paper, setting out the results of their review of future TSSS needs.

Our terms of evidence categorises TSSS as follows:

- development support
- legal and technical
- practical assistance
- learning and development
- strengthening voice
- partnership building and brokerage and
- research and policy development

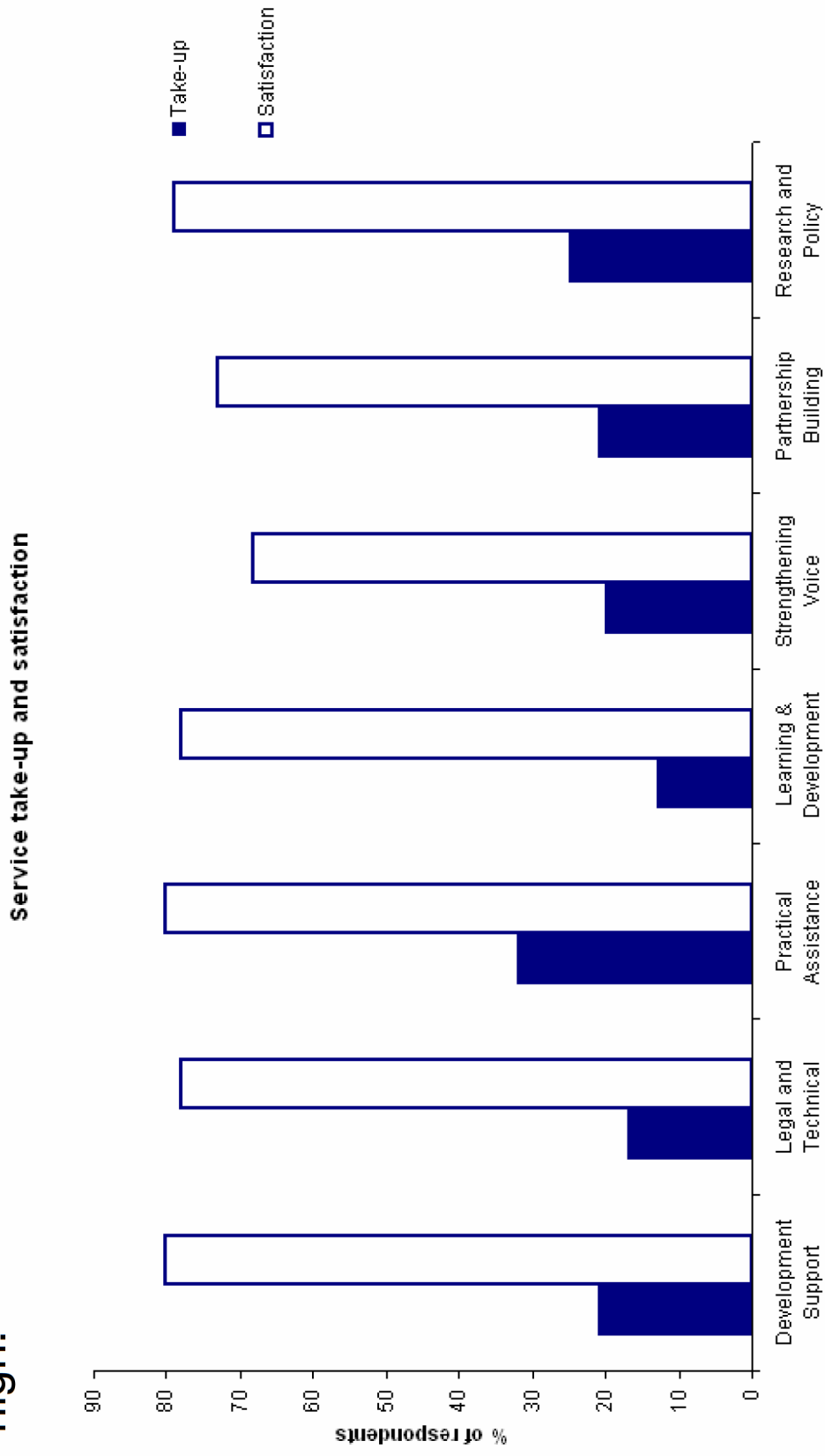
During the course of our review the TSSSR Working Group agreed to a further category: shared services (see Appendix 4).

The evidence base is needs led, and therefore looks at the demand for, and supply of, TSSS across these categories, but it should be noted that the mapping analysis did not adopt the full seven categories noted above.

The evidence necessarily also reflects the current level and deployment of TSSS provision, and therefore incorporates evidence of what is currently provided by whom, and how this is funded. The evidence base is not complete, but its scope and depth are richer than any pre-existing available baseline. It therefore provides as good a basis as is available to analyse TSSS, and reach conclusions about where they are now, and where they need to be in the future.

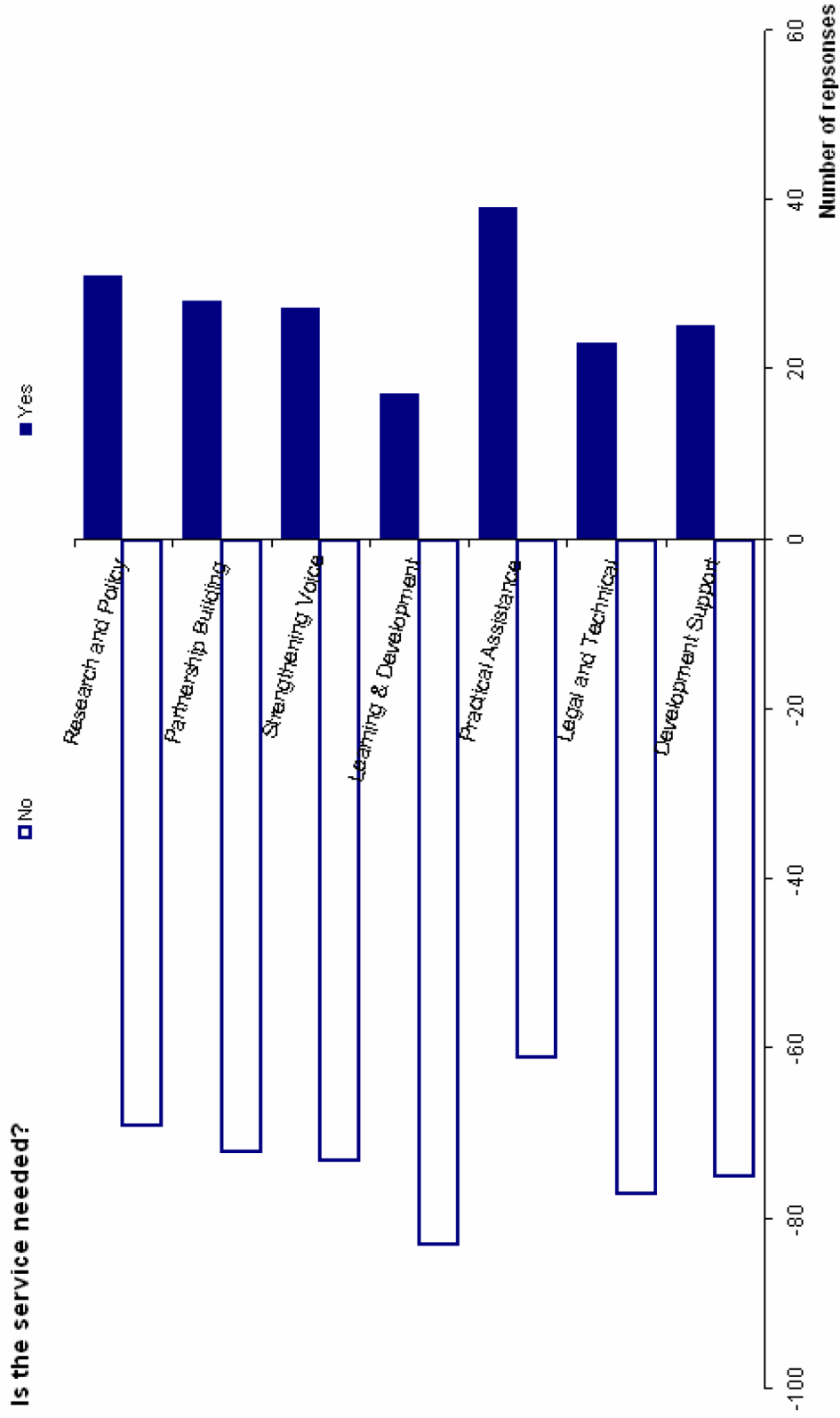
Take up of TSSS and Satisfaction Levels

The take up of services by FLOS is low, but satisfaction with them is high.



The need for services

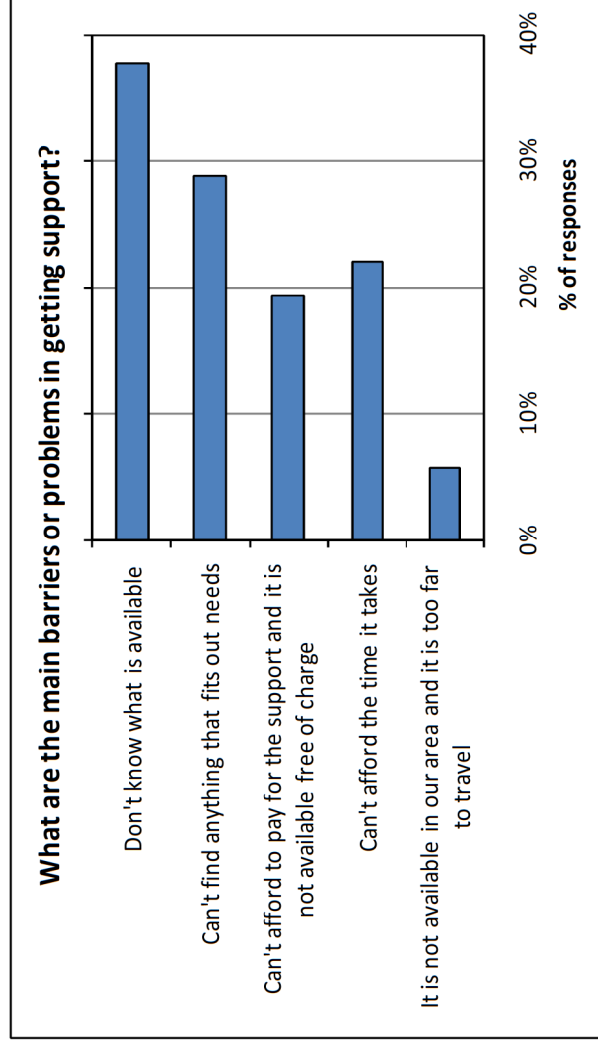
This appears largely because, at the moment, the services are not seen as being needed by FLOs.



Source: Third Sector Support Services Needs Survey (HPS, September 2010)

Barriers to demand

However, this may in part be because of lack of information, suitability, money and time, leading to demand being ineffective.

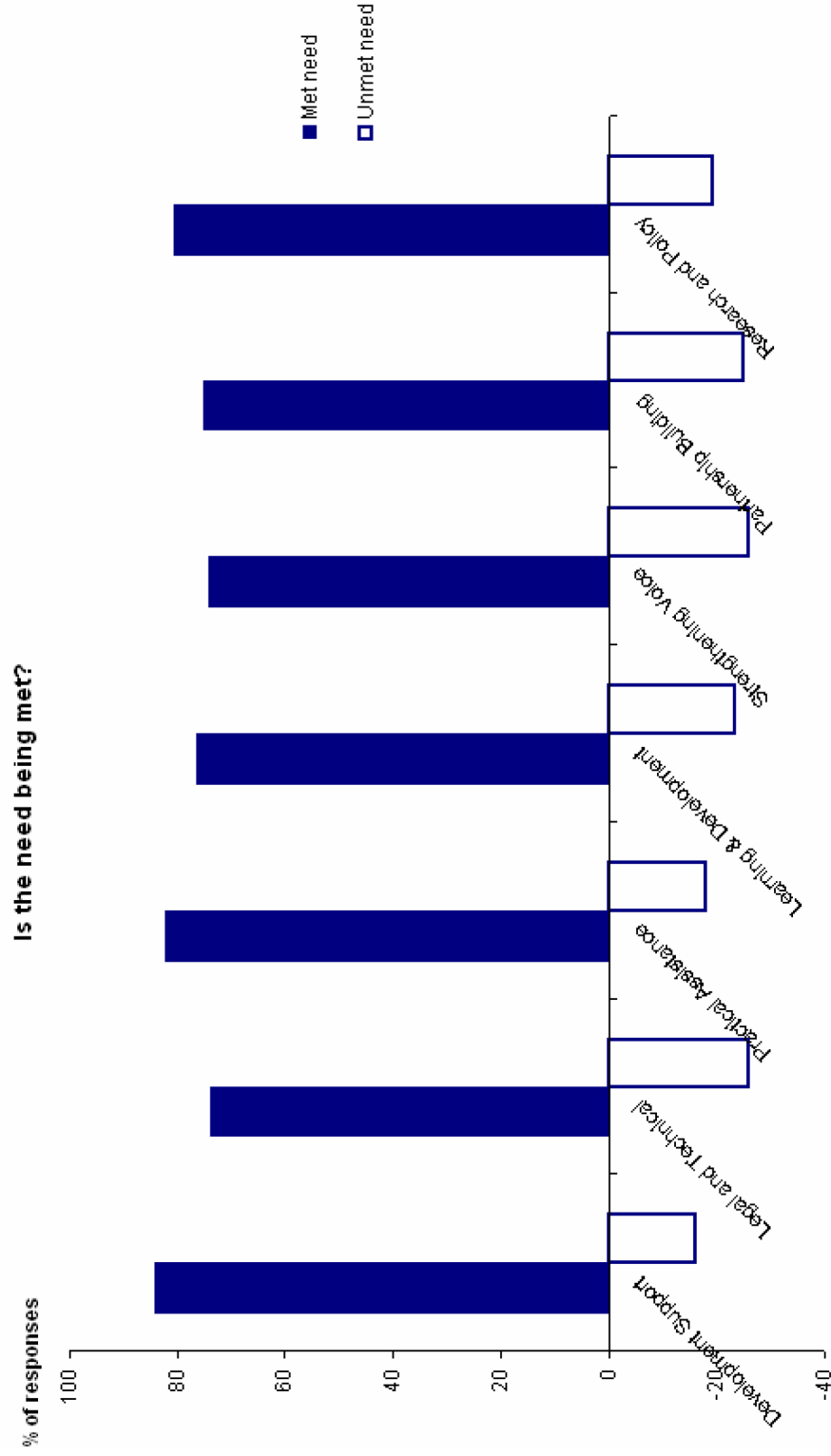


Observations:

- Communication may be improved?
- Is needs assessment effective?
- Is there full geographical coverage?

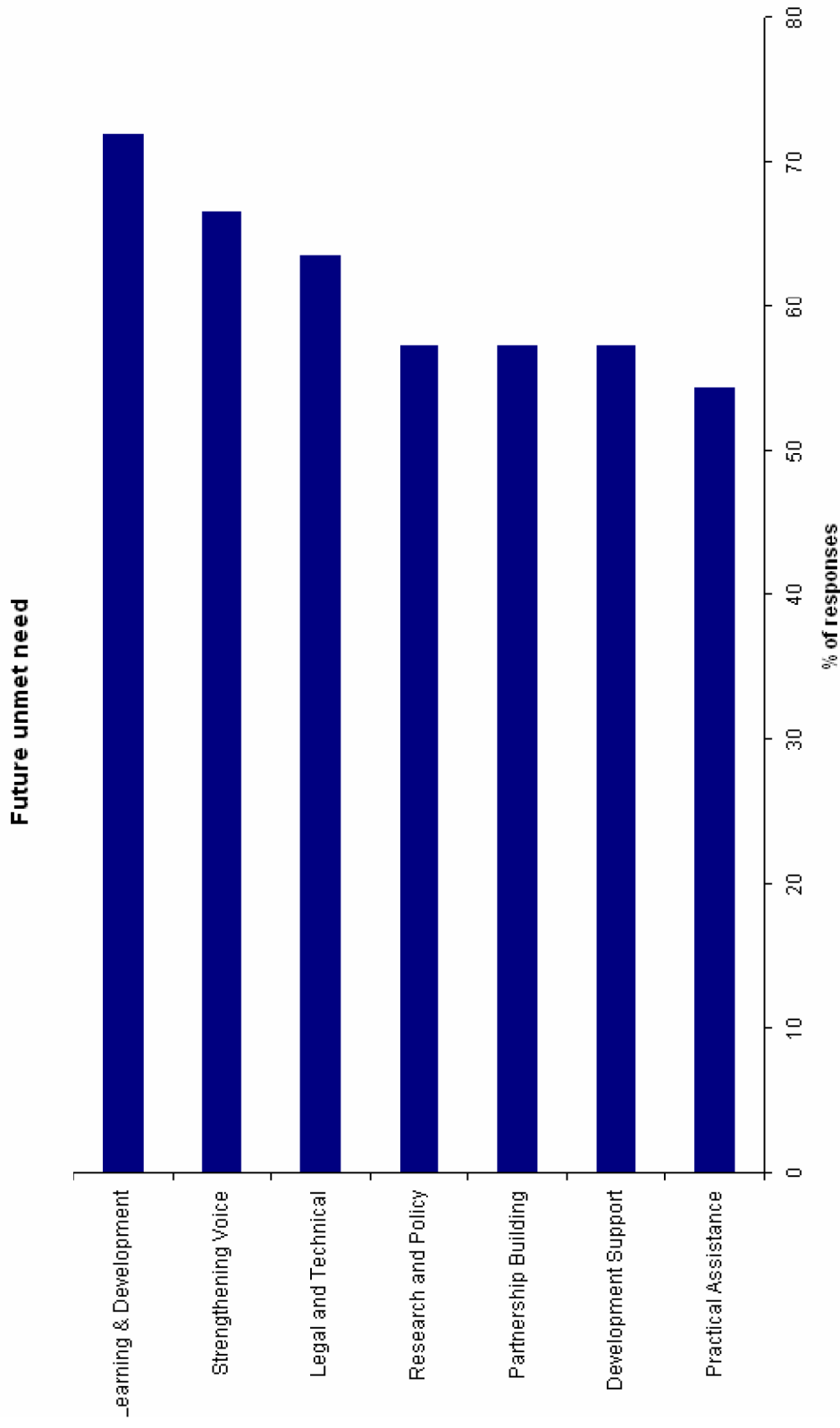
Is demand being met?

Therefore, at this level of take-up, the majority of demand is met, but the minority of unmet demand is still significant



Future unmet demand

However, this level of unmet demand is anticipated to increase in the future, and in two years time the majority of demand could be unmet, stalling the capacity of FLOs to grow.



Source: Third Sector Support Services Needs Survey (HPS, September 2010)

Future needs

The needs survey data suggests that those who use the services are broadly happy, but their relevance to the wider community of FLOs is unclear.

At the moment this is not a significant problem – the majority of perceived needs are being met – but it could be so in the future. FLOs may not have significant needs now but they expect that they will have in two years time. This indicates that the level of unmet need will grow, and if it does, dissatisfaction with provision can be expected to grow with it, if the way TSSS is provided does not change.

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This will impact on HPS, LSDOs and FLOs. More widely, it may limit the extent to which civil society organisations are able to respond to the changes in public service provision and to the Big Society agenda.

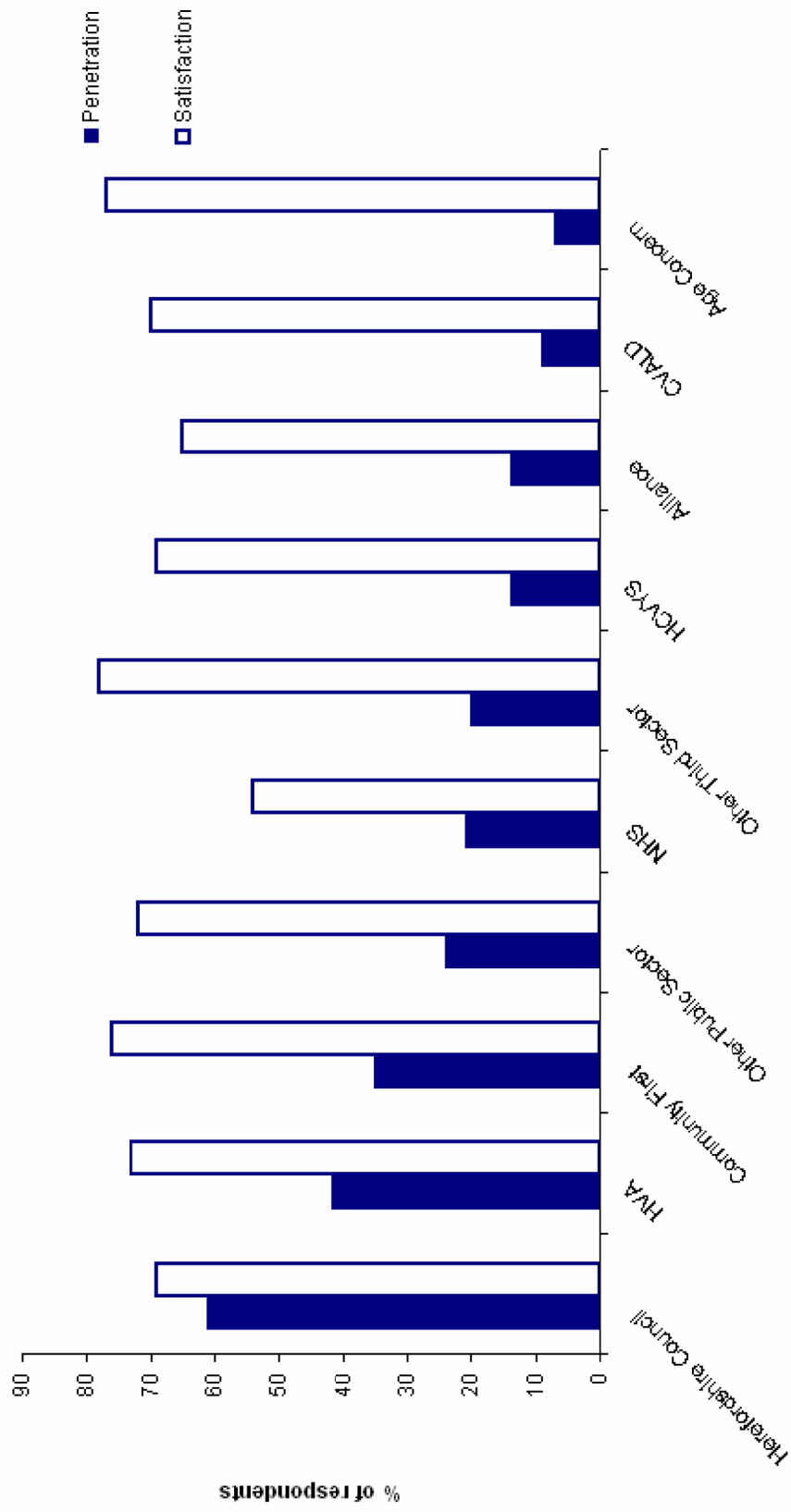
Local and national policy suggest a key role for voluntary, community and social enterprise organisations, with an increasing role in mixed economy, locally focussed provision. Public, private and third sector organisations will have to demonstrate:

- maximum efficiency by minimising overhead and back office costs,
- increasing agility in reshaping around a locality focus, and responding to a changing policy context
- better joint working through streamlining and proportionate, outcome focussed commissioning

Penetration of and satisfaction with TSSS provision

TSSS is currently deployed in ten main blocks. The contribution of each to meeting demand varies widely, based on those who replied to the survey. Satisfaction is good, but there is still significant dissatisfaction. The survey does not permit analysis in terms of relative value for money of the provision, whether to satisfied or non satisfied FLOs.

Penetration and satisfaction



Activity to meet needs

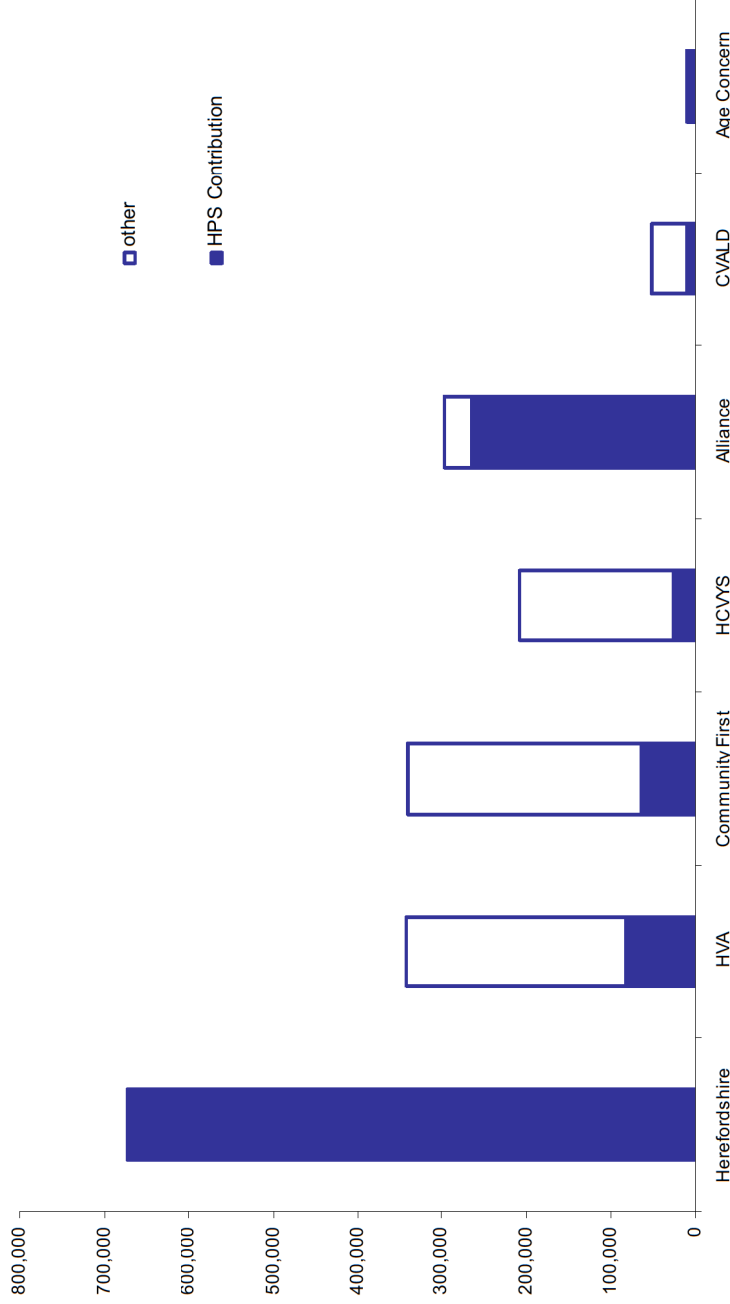
- The way in which these needs are currently met is via a broad range of activities, most of which are undertaken by providers in the scope of this review. The mapping survey identified the distribution of activities as set out below.

Activity	HPS	HVA	CF	HCVYS	The Alliance	CVALD	Age Conc.
Information and advice	Y	Y	Y	Y	Y	Y	Y
Start up / development support	Y	Y	N	Y	Y	Y	N
Strengthening voice	Y	Y	Y	Y	Y	Y	Y
Practical assistance / resources	Y	Y	Y	Y	N	Y	Y
Other	Y	Y	Y	Y	N	Y	Y

As suggested by the preceding slides, the take up of TSSS varies, but on average this take up is low, and the uptake of TSSS is between approximately 15 and 30%. While the table above shows the distribution of relevant activities, it is not clear that there is capacity or critical mass to undertake them on a larger scale.

Sources of Funding

The cost and source of funding of these activities varies widely, as does the leverage which those in scope are able to generate. However, the main provider and funder is HPS.



Notes:

- a) Total forecast TSSS income of the six LSDOs in 2010/11 is £1.251m, of which HPS funding totals £460k. HPS direct spend is £674k. HPS therefore fund approximately £1.134m of the total £1.925m TSSS spend. Note that CVALD figures require sign off.
- b) HPS directly delivered TSSS will face a reduction of £228k following the restructure of Early Years and Extended Services within CYPD
- c) We cannot identify in any detail how the funding aligns to the categories of TSSS provision identified in the needs survey.

Characteristics of current TSSS deployment

Although the way in which HPS and the LSDOs operate financially does not allow us to attribute cost to the seven main areas of TSSS activity. It does, however, allow us to determine certain characteristics of its deployment. These are that

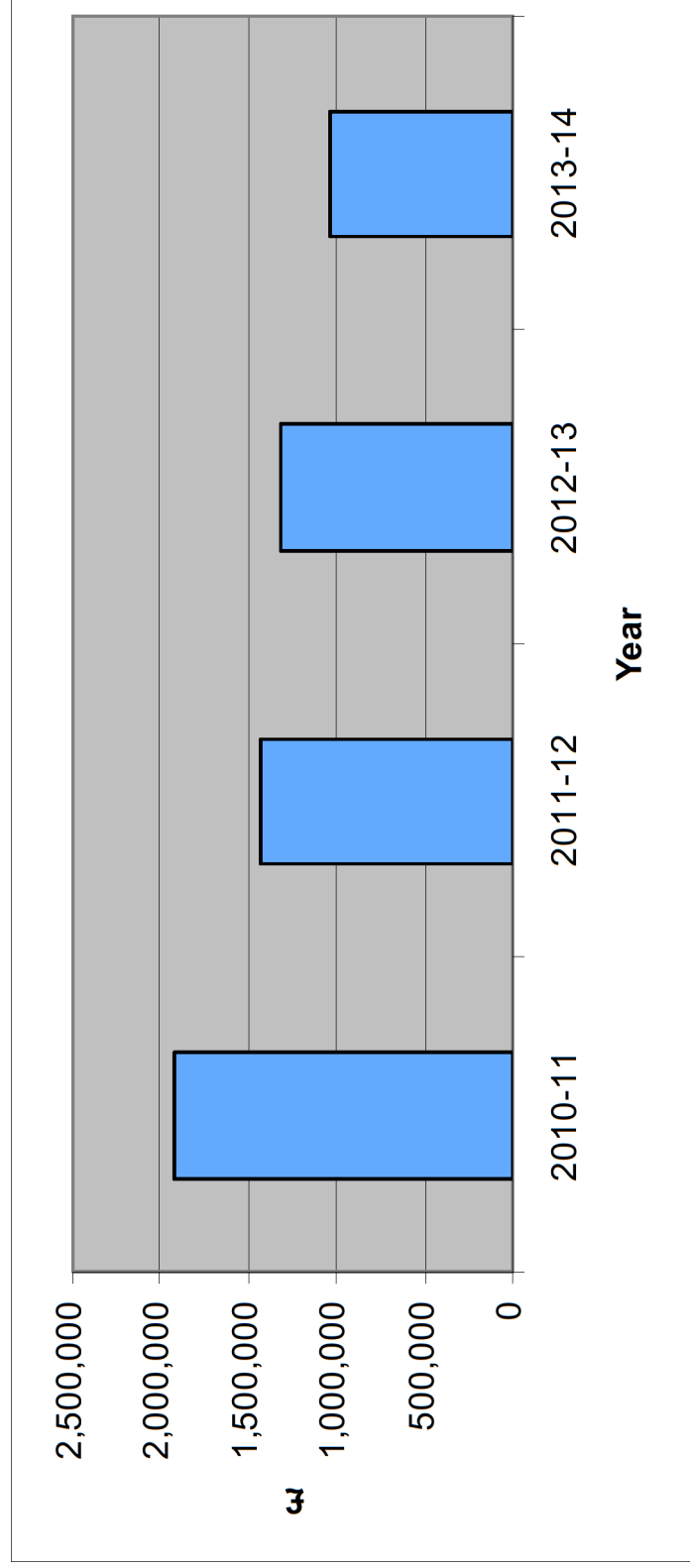
- the current cost of TSSS provision represents about 20% of the total turnover of the FLOs who responded to the Needs Survey (the value of volunteer time was not included in the survey).
- the data suggests that HPS and LSDOs are generally meeting the needs of those that use them, but usage is low, and there may be unmet need as FLOs have yet to understand the relevance of the current services, or the impact of the forthcoming changes.
- the multiplication and greater specificity of provision has increased the impact of support on particular areas
- there is a mix of generalist and specialist support
- this support is provided across the LSDOs and HPS
- there is no overall co-ordination of generalist or specialist support
- this lack of co-ordination leads to duplication, poor branding and consequent lack of market penetration
- there are possible gaps in provision, and consequent gaps in market penetration
- much of the leveraged funding is time-limited and originates from funding sources which are themselves under increasing resource constraints. It is therefore reasonable to assume that there will be reduced ability to leverage additional funds, and that existing resources will be increasingly time limited.
- the total cost of TSSS activity may therefore be reduced over time

Future funding flows

The current resourcing profile suggests that the current deployment is likely to contract sharply through to 2013/14. Whilst the level of future HPS funding has not been confirmed, it is anticipated that it will reduce by 24% by 2013-14, following the recent government Spending Review.

There is also likely to be a reduction in funding secured by LSDOs from other sources, but the levels of this funding is currently unknown.

The table below reflects all known TSSS funding for services either directly provided by HPS or those being delivered by the LSDOs.



Meeting future needs

We would conclude that TSSS may not be able to respond to future needs and its longer term sustainability is uncertain. These services may not provide the platform necessary to meet the twin challenges of the Big Society and deficit reduction.

Given increasing resource constraints, it is unlikely that increasing the level of resources to grow existing TSSS deployment to meet increasing demand will be possible. Instead the existing deployment will need to change so that:

- the strategic rationale underlying the deployment is priority-driven
- productivity of the deployment is improved
- duplication is taken out of the deployment, whilst recognising that devolution of service delivery is recognised as appropriate
- the deployment is made more market-responsive as needs change and grow
- new, lower cost models of support are able to be developed and delivered

This implies that the organisations through which TSSS is deployed will need to change. The scale of change needed is likely to be significant and therefore must soon be implemented, if future demand is to be met. At the minimum strategic level changes to the deployment should be in place for 2011/12, and the detail of their marshalling be settled for 2012/13.

Changing national picture

Capacitybuilders funding will end in March 2011 and the Coalition Government is consulting* on future national support for LIO services. Priorities set out in the document include:

- More joined up provision of online support, possibly facilitated by the Office for Civil Society
- Better local brokerage of peer to peer, pro bono and mentoring support between organisations and across sectors
- Rationalised provision of infrastructure
- Direct support to frontline organisations to support change

The document also sets out the following three components of the Big Society policy agenda:

- **Empowering communities:** local councils and neighbourhoods having more power to take decisions and shape their area.
- **Opening up public services:** government reforms will enable third sector and private sector bodies to compete to offer high quality public services.
- **Promoting social action:** encouraging and enabling volunteering and philanthropy.

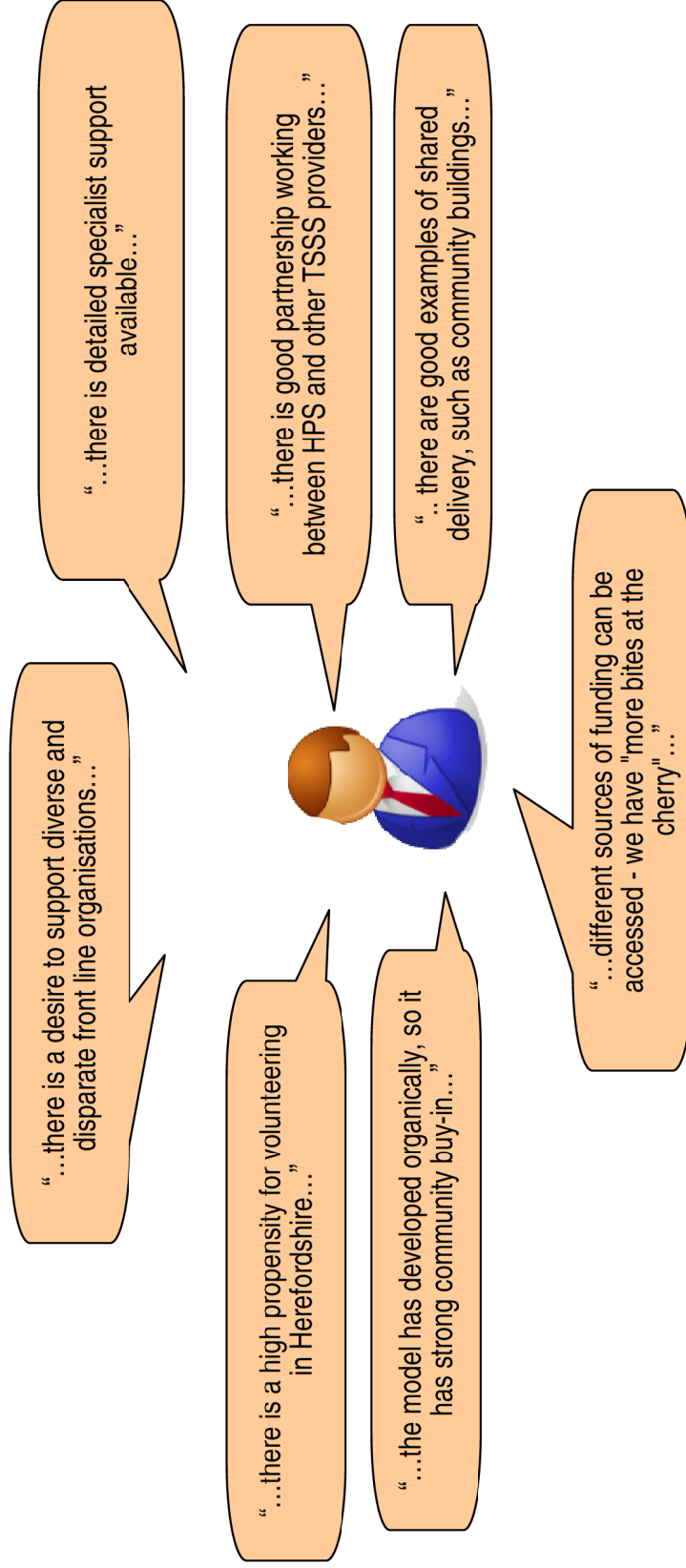
The consultation document also signals that ‘there could be time-limited consolidation grants to enable infrastructure to implement merger or substantial collaboration’...where the action is part of locally agreed plans for the reconfiguration of plans with continued local authority support or targeting improved quality of services to the frontline or to support frontline groups.

The Spending Review of 20 October confirmed £470m over the review period will be made available to support third sector capacity building, and a £100m Transition Fund will be created to support third sector organisations providing public services.

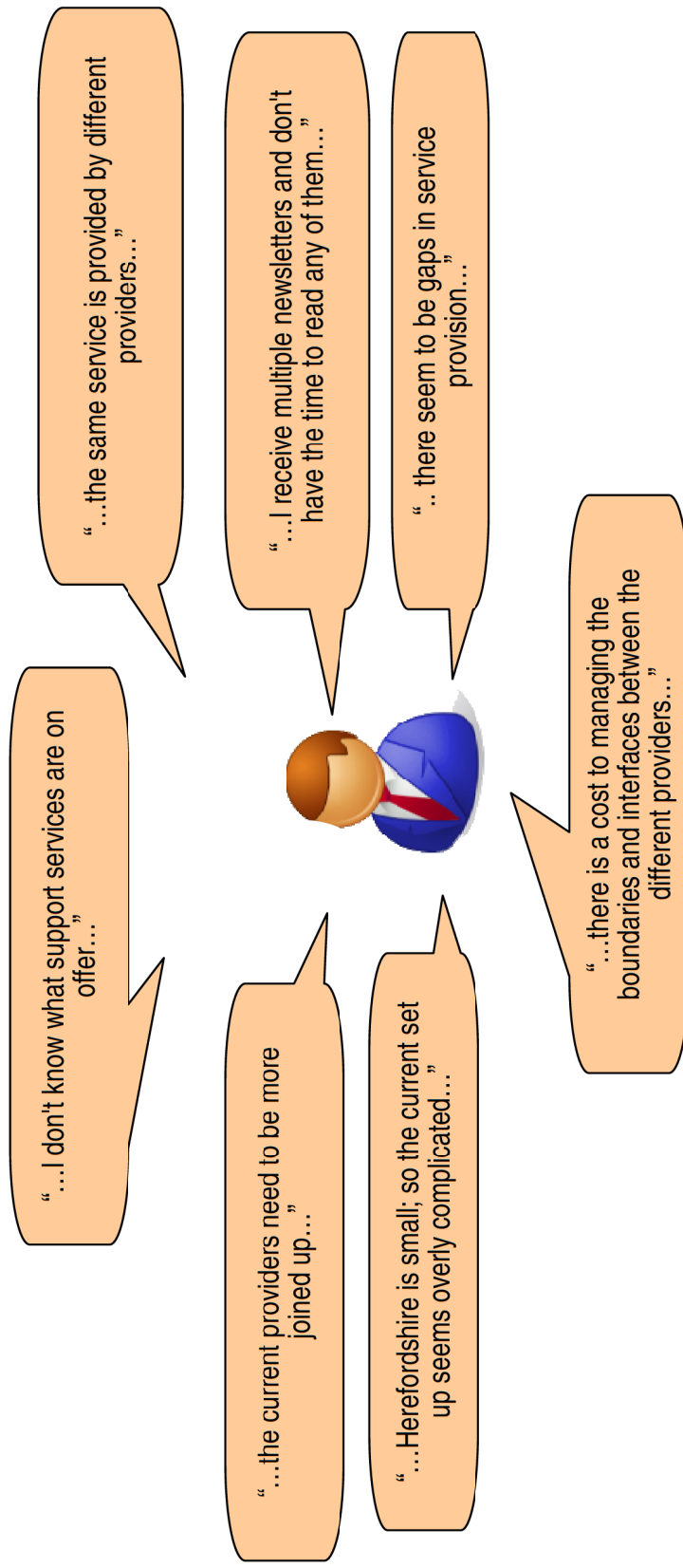
The national picture, which includes the anticipated content of the *Decentralisation and Localism Bill* to be published in late November, is in line with the terms of this review. That fit, and depending on the option decided, could unlock funding to support change involving collaboration or merger of organisations.

* "Supporting a Stronger Civil Society: An Office for Civil Society consultation on improving support for frontline civil society organisations" (Cabinet Office, October 2010) 24

The current model has its strengths...



...but some examples of why things need to change



Stakeholder consultation - key themes

This need for change has been echoed in our stakeholder consultation which found that::

- the current model can and should be improved
- there are efficiencies to be made via improved working (shared back office, accommodation, removal of duplication, etc)
- LSDOs agree there needs to be "One Sort of Something"
- the future model needs to be "rural proofed" and ensure diverse communities are supported
- FLOs find the duplication of activities and communications confusing
- a priority for FLOs is bidding for funds, often unsuccessfully. A concerted effort to reduce this burden may be preferable to finding ways to sustain it.
- the future model needs to align to the new localities principles
- priority for FLOs is sustainability / securing funding
- Herefordshire has good track record of volunteering, but there are concerns over its sustainability...and that
- this review is an opportunity, but we need to get it right.

The TSSR Working Group agreed a series of options to appraise, and agreed an evaluation framework as the basis for this appraisal. This is set out in the next section.



Section 3: The Evaluation Framework and Options Development

Introduction

The TSSSR Working Group agreed to evaluate the options for future TSSS delivery. An evaluation framework was agreed that set out:

- evaluation criteria, and
- the approach to scoring.

The Chairs and Vice Chairs of the LSDOs were consulted on this framework, and it was updated to reflect their comments.

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The TSSSR Working Group also discussed a long list of options to evaluate. The long list was developed by Grant Thornton, and a short list of options, including two new options, was agreed by the Working Group via two challenge workshops.

The agreed evaluation framework and options are set out on the following slides.

Please note that the arrows included on the structure charts for each option indicate commissioning relationships. We recognise that there are other important functions, such as a single sector voice and sector views, but these are not represented on these structures.

Evaluation Framework: Decision Criteria

Criteria	Criteria elements	Associated questions
Strategic fit	Alignment with the strategies and values of Herefordshire third sector and other community stakeholders.	Does the option meet the strategic intentions of the sector, providing a solution which is owned by all parties and appropriately reflects the independence of the bodies involved?
	Alignment with HPS delivery model	Does the option meet the priorities of HPS as a major funder and enabler of third sector support services, including localities principles?
	Considers and supports the strategic direction of public services and civil society across the county.	Does the option focus support for third sector organisations to deliver against the emerging agenda of public services and civil society, contribute to its development, and is flexible enough to meet changing priorities? *
Service quality	Meets needs and expectations of third sector organisations	Does the option manage the needs, expectations, and focus on delivering the needs of the third sector?
	Equality and diversity of the third sector in Herefordshire	Can the option support the diversity of the third sector, and provide an equitable level of service across the county?
Cost	Cost of implementation / change, and future delivery ?	What are the implied cost of changes associated with the option, and are they affordable?
		Does the option deliver better value for money and release efficiencies?
Risk	Impact on key stakeholders	Is the option credible with key stakeholders? (HPS, LSDOs, FLOs and end users)
	Feasibility	How feasible is the change, and does the capacity and capability exist to support implementation?

* This question incorporates the LSDOs added value principles (where not covered by other criteria questions) - see following slide.

LSDO Added Value Principles

Beyond the Terms of Reference for the review, the LSDOs believe strongly that 'added value' should be at the heart of a change process that seeks to put in place the optimum support services for the available resources, that are consistent with the following principles:

- Responsive, flexible and easily accessible
- Inclusive and equitable – reaching organisations according to their need and locality across the county
- Professional, knowledgeable and skilful staff, in touch with the sector
- Sustainability of services for the sector
- Innovative, pro-active and forward looking
- Specialist and generalist services for addressing sector needs
- Providing community leadership, including leaders and advocates who understand, are committed to, and can speak up for the sector

Evaluation Framework - Scoring Approach

The TSSSR Working group agreed the following approach to scoring the options, which was used by Grant Thornton to undertake the initial evaluation of the options:

- 5 = option has very high acceptability to the criteria
- 4 = high acceptability
- 3 = medium acceptability
- 2 = low acceptability
- 1 = very low acceptability

The working group felt that all evaluation criteria were of equal importance, so no weightings were applied to these scores.

Long list of options

The following list of options was considered by the TSSSR working group on 7 October 2010:

Options	High level description
0. Status quo	Continue to provide TSSS as-is, with HPS commissioning from 6 providers and providing TSSS direct.
1. Commission a single provider	Full commissioning of existing TSSSR provided directly by HPS or commissioned by HPS, from a single entity.
2. Commission multiple providers via a single TSS Board	Re-tender all TSSS contracts and stimulate competition for providing TSSS and invite new market entrants including private sector organisations to deliver TSSS. This can include local, regional and national providers.
3. In-sourced TSSS delivered by HPS	Build capacity within HPS to deliver all TSSS currently funded by HPS in-house.
4. Mixed in-sourced and outsourced TSSS provision	HPS integrate back office and generalist TSSS provision into HPS shared service centre, and commission specialist support via a range of providers.
5. Hub and spoke / Localities model	Deliver a core/generic cross sector TSSS at a county level via a single hub (merging levels of provision by current providers) with access to specialist support - providing access to the hub via small spokes based in service provision localities.
6. Dispersed localities model	Deliver the same level of provision across each of the 9 Service provision areas.
7. HPS Ceases Funding	HPS stops funding any TSSS activity.

Note: it was felt that the evidence on the current model, and the need for change, was such that it should not be evaluated. However, it was further agreed, that the Status Quo should be used as the baseline against which the short-listed options would be evaluated.

Short list of options

The TSSSR working group agreed on 7 October the following list of options to evaluate.

Options	High level description
1. Commission a single provider	Full commissioning of all TSSS activity currently provided by the existing 6 providers and HPS via a single entity (this could be, for example, via a joint venture, potentially including the merger of part or all of existing commissioned providers).
2. Commission multiple providers via a single TSS Board	Re-tender all TSSS contracts and stimulate competition for providing TSSS and invite new market entrants including private sector organisations to deliver TSSS. This can include local, regional and national providers.
3a. Mixed in-sourced and outsourced TSSS provision	HPS integrate core/generic TSS provision into HPS shared service centre (back office and front line generalist support), and commission specialists support via a range of providers.
3b. Mixed in-sourced and outsourced TSSS provision	HPS integrate core/generic TSS provision into HPS shared service centre (back office only), and commission specialists support via a range of providers.
4. Hub and spoke / Localities model	Deliver a core/generic cross sector TSSS at a County level via a single hub (merging levels of provision by current providers) with access to specialist support - providing access to the hub via small spokes based in service provision localities.

Following further review on the 21 October, the TSSSR working group agreed the further option.

5. Single provider with hub and spokes structure (New Option)	A hybrid of options 1 and 4, with a single entity with a central hub (including shared back office and potentially some specialist services) with local spokes providing other, potentially more generalist services. Balance of central and local delivery to be determined, and a phased approach possible, reflecting wider role out of localism principles and practical constraints.
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These are set out in more detail on the following slides. Further detail on the discounted options is located at Appendix 5.

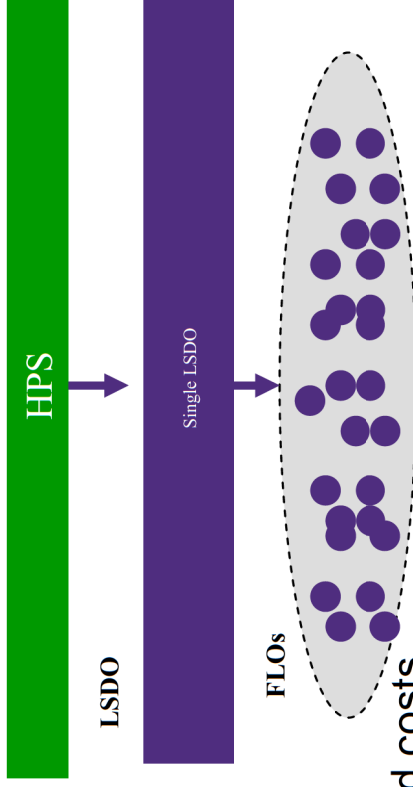
1. Commission a single provider

Overview

- All TSSS currently provided by HSP or commissioned from the 6 LSDOs is commissioned via a single, merged provider.

Function	Delivered by
Development support	Single provider
Legal & technical information, advice and guidance	Single provider
Practical assistance and resources	Single provider
Learning and development	Single provider
Strengthening voice	Single provider
Strategic partnership building and brokerage	Single provider
Research and policy development	Single provider
Shared Services	Single Provider?

Structure



Implied costs

- Merger and integration costs could be significant
- Assume lower long term running costs due to merged functions and removal of duplication

Implied benefits of option

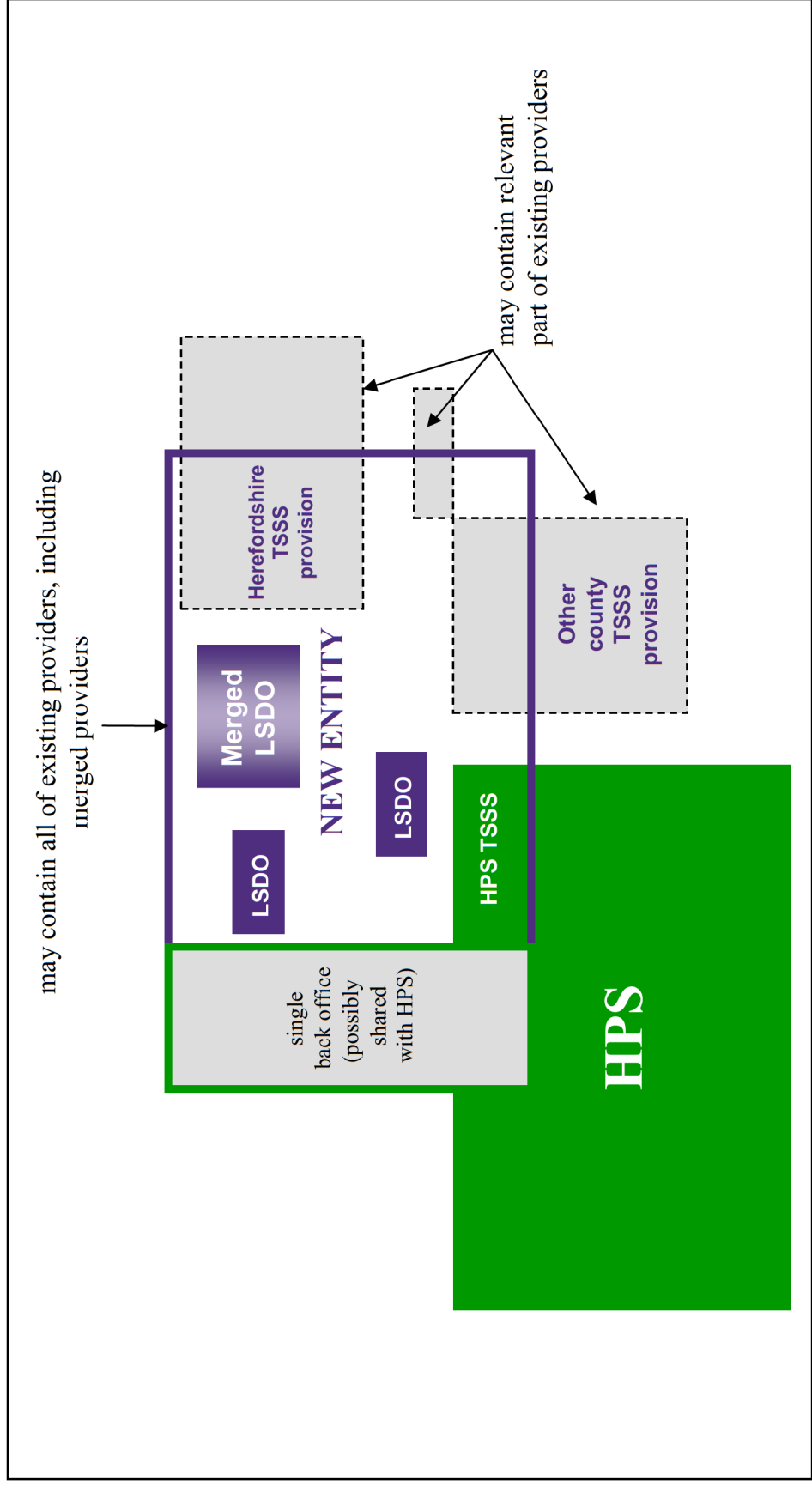
- Remove duplication of activity - efficiencies
- Enhance single voice of third sector in Herefordshire
- Single access point / one stop shop for FLOs, less confusion
- Simpler commissioning and reporting arrangements
- Easier to re-direct resources across areas / services in response to changing needs.

Implied risks

- Potential loss of key staff, knowledge and experience
- Failure to successfully merge LSDOs
- Loss of focus and specialist support services
- Unable to meet needs of diverse third sector
- Unable to provide services across county
- Single voice not representative of third sector

Option 1: Further illustration of structure

The TSSR Working Group identified that the form of the single provider / entity does not have to relate to a full merger of existing LSDOs. The form of the single provider is further illustrated below. This new entity, for example, could take the form of a Joint Venture Partnership.



2. Commission multiple providers via a single board

Overview

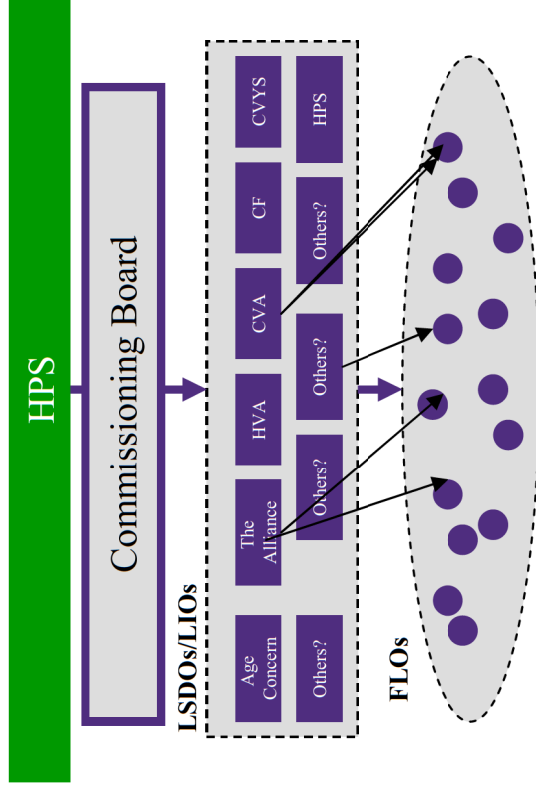
- Full strategic commissioning of existing TSSS currently provided or commissioned by HPS to a County TSSS Commissioning Board.
- Board members make operational commissioning decisions.
- Stimulate competition of market.

Function	Delivered by
Development support	Range of providers
Legal & technical information, advice and guidance	Range of providers
Practical assistance and resources	Range of providers
Learning and development	Range of providers
Strengthening voice	Range of providers
Strategic partnership building and brokerage	Range of providers
Research and policy development	Range of providers
Shared Services	Some / No providers?

Implied costs

- Limited costs of change
- Possible shunting of transaction costs to single provider
- Additional costs of setting up and running commissioning board

Structure



Implied benefits of option

- Limited disruption to current level of support services
- No gaps in provision and increased choice for FLOs / clear boundaries between providers
- Assumes strengthening HPS commissioning model and clearer focus on commissioning against HPS priorities
- Assume increased competition will improve quality of provision
- Strengthens ability to meet support requirements of FLOs

Implied risks

- Continued duplication and overlap in delivery - do not realise efficiency potential.
- Lack of appropriate commissioning skills
- Concerns over sustainability of model (funding and quality)
- HPS funding likely to be required to make savings/cuts
- Implies FLOs not able to demonstrates delivery contribution to HPS commissioning priorities will no longer get same levels of support
- Failure to create a "level playing field" for providers

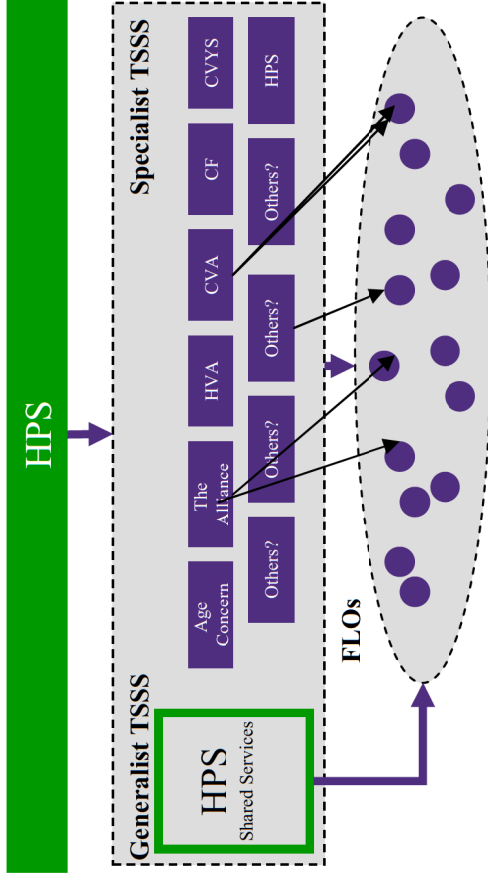
3a. Mixed in-sourced and out-sourced TSSS

Overview

- HPS provides core cross sector / generic TSSS via a single shared service centre.
- Commission specialist support via range of LSDOs
- HPS provide back office support services to FLOs and LSDOs

Function	Delivered by
Development support	Range of Providers
Legal & technical information, advice and guidance	Range of Providers
Practical assistance and resources	Range of Providers
Learning and development	Range of Providers
Strengthening voice	Range of Providers
Strategic partnership building and brokerage	Range of Providers
Research and policy development	Range of Providers
Shared Services	Single Provider

Structure



Implied costs

- Additional costs to establish shared service centre

Implied benefits of option

- Economies from shared service
- Potential shared service provision to FLOs, to support capacity across the county.
- Centre of excellence for generalist support

Implied risks

- Continued duplication in specialist services
- Initial disruption to current provision
- HPS fails to develop capacity.
- Loss of locality base for some core / generalist services.

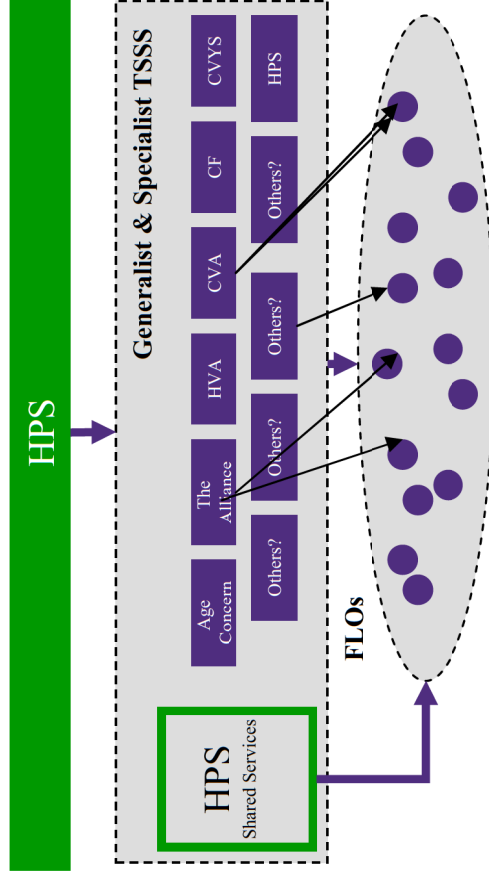
3b. Mixed in-sourced and out-sourced TSSS

Overview

- Commission specialist and generalist support via range of LSDOs
- HPS provide back office support services to FLOs and LSDOs

Function	Delivered by
Development support	Range of Providers
Legal & technical information, advice and guidance	Range of Providers
Practical assistance and resources	Range of Providers
Learning and development	Range of Providers
Strengthening voice	Range of Providers
Strategic partnership building and brokerage	Range of Providers
Research and policy development	Range of Providers
Shared Services	Single Provider

Structure



Implied costs

- Additional costs to establish shared service centre

Implied benefits of option

- Economies from shared service (but not as great as including shared generalist support)
- Potential shared service provision to FLOs, to support capacity across the county.
- Alignment to HPS direction of travel.

Implied risks

- Continued duplication in specialist services
- Initial disruption to current provision
- HPS fails to develop capacity.
- Loss of locality base for some core / generalist services.

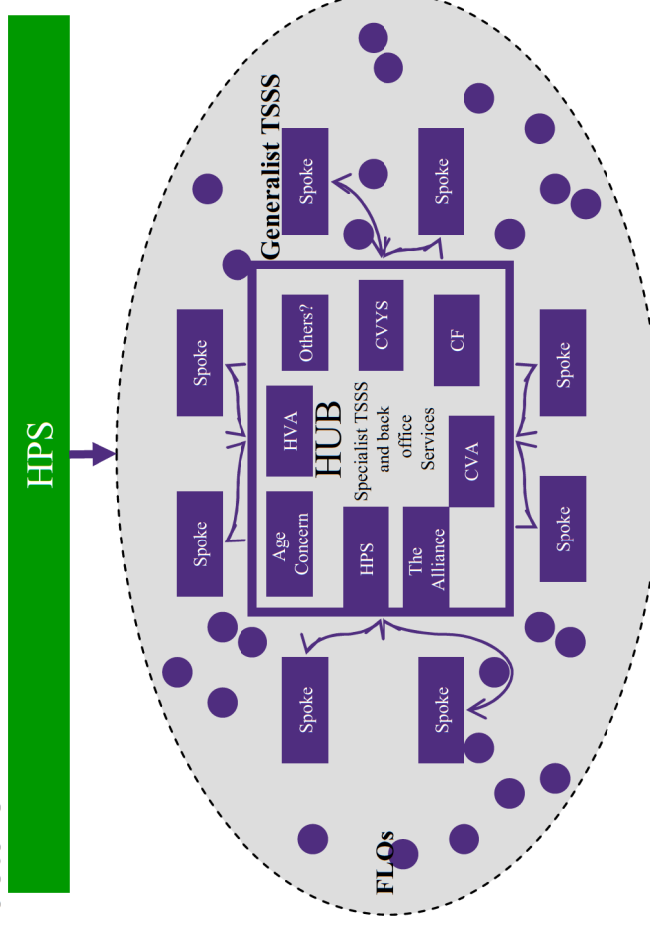
4. Hub and spoke / localities model

Overview

- Deliver core / specialist TSSS at county level via single "hub" (merging levels of provision by current providers) with provision generalist support in localities via smaller "spokes". Spokes can access central support from the "hub". This is a geographical model, ensuring provision can be made in localities across the county.

Function	Delivered by
Development support	Hub and spokes
Legal & technical information, advice and guidance	Hub and spokes
Practical assistance and resources	Hub and spokes
Learning and development	Hub and spokes
Strengthening voice	Hub and spokes
Strategic partnership building and brokerage	Hub and spokes
Research and policy development	Hub and spokes
Shared Services	Hub / No provider

Structure



Implied costs

- Potential cost of alternate accommodation for hub and spokes.

Implied benefits of option

- Economies from merged activity in single hub and single locality sites.
- Removal of duplication, and clarity to FLOs.
- Maximise potential for diverse and county wide coverage.

Implied risks

- LSDOs find merging provision difficult due to cultural or other barriers.

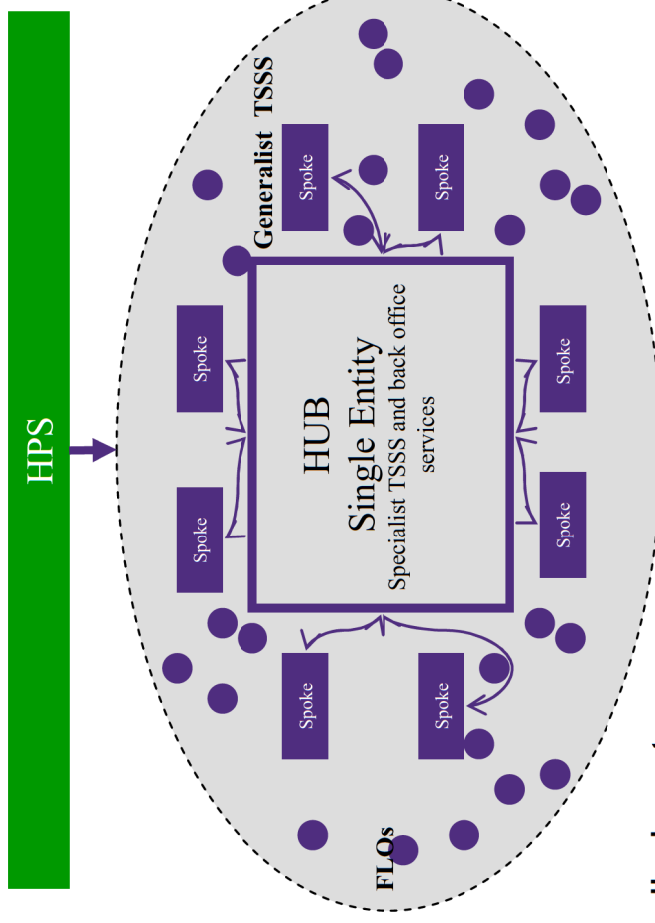
5. Single Provider with hub and spoke / localities model

Overview

- A hybrid of options 1 and 4, with a single entity with a central hub (including shared back office and potentially some specialist services) with local spokes providing other, potentially more generalist services.
- Balance of central and local delivery to be determined, and a phased approach possible, reflecting wider role out of localism principles and practical constraints.

Function	Delivered by
Development support	Hub and spokes
Legal & technical information, advice and guidance	Hub and spokes
Practical assistance and resources	Hub and spokes
Learning and development	Hub and spokes
Strengthening voice	Hub and spokes
Strategic partnership building and brokerage	Hub and spokes
Research and policy development	Hub and spokes
Shared Services	Hub

Structure



Implied costs

- Potential cost of alternate accommodation for hub and spokes.

Implied benefits of option

- Economies from merged activity in single hub and single locality sites, and from commissioning single entity.
- Removal of duplication, and clarity to FLOs.
- Maximise potential for diverse and county wide coverage.

Implied risks

- LSDOs find merging provision difficult due to cultural or other barriers.



Section 4: Options Evaluation

Evaluation Ranking

Scoring was undertaken by Grant Thornton against the evaluation framework agreed by the TSSSR Working Group (see slide 30).

The TSSSR Working Group then used these scores to inform their evaluation of the options, and to agree a ranking, as set out below.

Criteria	Key evaluation questions	Option 1 Single Provider	Option 2 TSSSR Board	Option 3a In & out source	Option 3b In & out source (BO only)	Option 4 Hub & Spoke	Option 5 Hybrid of 1 and 4
RANKING		2	4	6	5	3	1

Further detail on the underlying assumptions against each criteria is contained in the following slides.

Option 1 - Commission a single provider

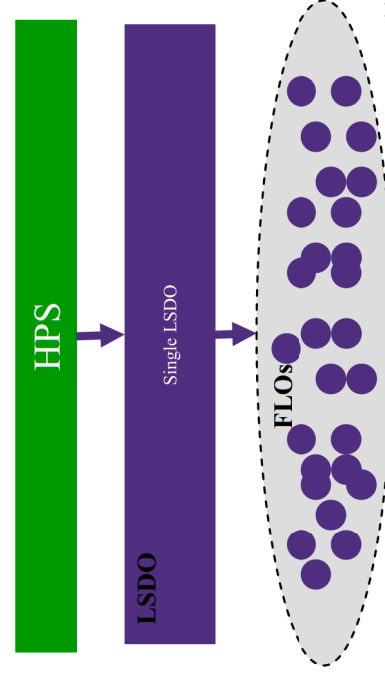
Key evaluation questions	Assumption
Does the option meet the strategic intentions of the sector, providing a solution which is owned by all parties and appropriately reflects the independence of the bodies involved?	Assume that the single provider can be more agile in meeting priorities of other funders and stakeholders, but some providers may be resistant to merger.
Does the option meet the priorities of HPS as a major funder and enabler of third sector support services, including localities principles?	Assume that the single provider can be more agile in meeting priorities of HPS. Good fit to HPS direction of travel.
Does the option focus support for third sector organisations to deliver against the emerging agenda of public services and civil society, contribute to its development, and is flexible enough to meet changing priorities?	Assume a single provider can provide a clearer and more focussed offering, and removal of overlap and duplication of activity. Single provider requires less coordination and management from HPS.
Does the option manage the expectations and focus on delivering the needs of the third sector?	Assume that a single provider can enhance the management of expectations of 3rd sectors orgs through a clearer and more focused offering, and through less complicated relationships with HPS. However, the risk of disruption to existing networks and brands needs careful management.
Can the option support the diversity of the third sector, and provide an equitable level of service across the county?	Assume that single coordination of TSSS would be more efficient with a common standards and level of service County wide offering may be dependant on levels of funding and demonstrated need.
What are the implied cost of changes associated with the option, and are they affordable?	Assume significant cost of change and disruption associated with planning and implementation of merging functions of 6 organisations. However, this option is likely to be eligible for OCS transition funding.
Does the option deliver better value for money and release efficiencies?	Assumes significantly better value for money commissioning to single entity, but need to manage risks of merger activity effectively.
Is the option credible with key stakeholders? (HPS, LSDOs, FLOs and end users)	Appears strong commitment for a more coordinated and focussed approach through single provider, however what this means for individual organisations may
How feasible is the change, and does the capacity and capability exist to support implementation?	Challenging to implement effectively, and would require a skilled merger team to manage risks and costs to deliver benefits

Overview

- All TSSS currently provided by HSP or commissioned from the 6 LSDOs is commissioned via a single, merged provider.

Key benefit assumptions

- Removes levels of duplication and overlap
- More focussed and common approach to service delivery
- Reduction in administration and management costs
- Longer term benefits outweigh the cost of change and merger
- Specialist support and knowledge is retained through merge process
- Potential to access OCS transitional funding.



Option 2 - Commission multiple providers via single Board

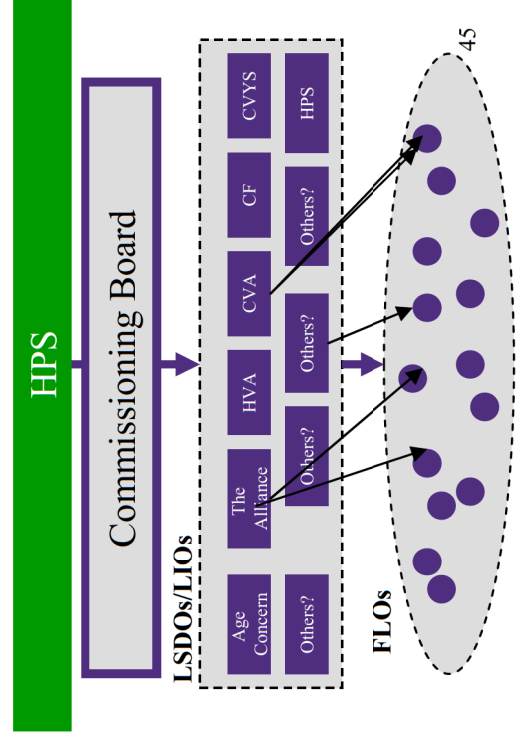
Key evaluation questions	Assumption
Does the option meet the strategic intentions of the sector, providing a solution which is owned by all parties and appropriately reflects the independence of the bodies involved?	Assume the commissioning board is strong enough to ensure that sector priorities are clear and are regularly reviewed as part of the commissioning cycle.
Does the option meet the priorities of HPS as a major funder and enabler of third sector support services, including localities principles?	Assume that commissioning board is strong enough to ensure that HPS priorities are clear and are regularly reviewed as part of the commissioning cycle
Does the option focus support for third sector organisations to deliver against the emerging agenda of public services and civil society, contribute to its development, and is flexible enough to meet changing priorities?	Assume regular review of performance and commissioning cycles allows opportunity to flex support to match evolving markets. Need to effectively manage existing duplications and overlaps.
Does the option manage the expectations and focus on delivering the needs of the third sector?	Assume this information is gathered at a local/regional and national level as part of commissioning cycle.
Can the option support the diversity of the third sector, and provide an equitable level of service across the county?	Assume, as above, this can be regularly reviewed, and maintaining separate providers can support diversity of provision.
What are the implied cost of changes associated with the option, and are they affordable?	Some initial development work required to set-up and service Board, and commissioning framework
Does the option deliver better value for money and release efficiencies?	Assume that strong commissioning Board and market management will help drive improvements and efficiencies
Is the option credible with key stakeholders? (HPS, LSDOs, FLOs and end users)	Will create a more competitive market so there may be some resistance from LSDOs.
How feasible is the change, and does the capacity and capability exist to support implementation?	Limited change required, but strong commissioning skills required

Overview

- Full strategic commissioning of existing TSSS currently provided or commissioned by HPS to a County TSSS Commissioning Board.
- Board members make operational commissioning decisions.
- Stimulate competition within market

Benefit assumptions

- more focussed commissioning to deliver HPS priorities with flexibility
- Assumes a more competitive market will drive efficiencies and improvements
- Limited costs of change



Option 3a - mixed in-sourced and out-sourced TSSS (back office and generalist support)

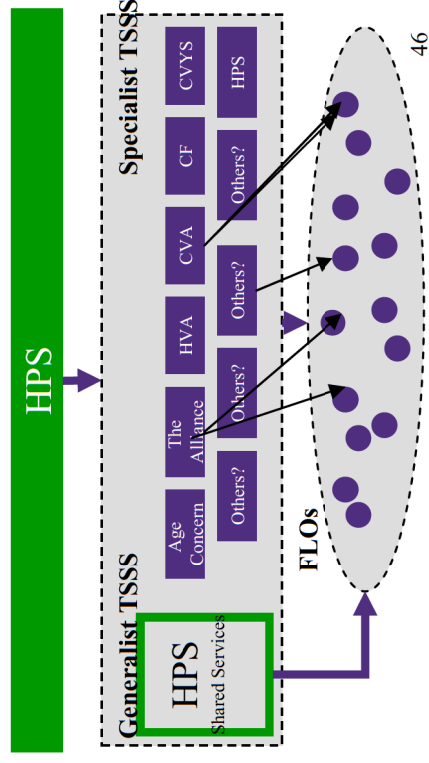
Key evaluation questions	Assumption
Does the option meet the strategic intentions of the sector, providing a solution which is owned by all parties and appropriately reflects the independence of the bodies involved?	Assumes this option is too complex for providers and recipients of services, and stronger role from HPS will inhibit sector independence.
Does the option meet the priorities of HPS as a major funder and enabler of third sector support services, including localities principles?	Assumes a close relationship between HPS Shared Services, and commissioner of specialist providers therefore ability to focus on priorities, but also assumes market confusion impacting on ability to deliver.
Does the option focus support for third sector organisations to deliver against the emerging agenda of public services and civil society, contribute to its development, and is flexible enough to meet changing priorities?	Assumes that core generalist support needs meet market needs and flexibility of specialist support determined through the commissioning cycle to a range of LSDOs, but risks that overly complex model will significantly inhibit opportunities.
Does the option manage the expectations and focus on delivering the needs of the third sector?	Assumes option would rely on specialist providers to provide insight and manage expectations outside of core/generalist provision
Can the option support the diversity of the third sector, and provide an equitable level of service across the county?	Assumes that diversity of sector and geography would be considered through the commissioning of specialist support
What are the implied cost of changes associated with the option, and are they affordable?	Assuming that generalist support services can be integrated in existing HPS shared service centre with limited cost implications.
Does the option deliver better value for money and release efficiencies?	implies cost savings through shared services arrangements, and better use of funding through commissioning focussed specialist support
Is the option credible with key stakeholders? (HPS, LSDOs, FLOs and end users)	Shared back office aligned to key stakeholders' direction of travel, but not shared generalist support.
How feasible is the change, and does the capacity and capability exist to support implementation?	Requires further consultation and detailed integration planning with HPS shared services and generalist support. Strong commissioning skills also required

Overview

- HPS provides core cross sector / generic TSSS via a single shared service centre.
- Commission specialist support via range of LSDOs
- HPS provide back office support services to FLOs and LSDOs

Benefit assumptions

- range of providers to deliver specialist support to meet diversity of sector;
- strong HPS involvement in delivery, coordination and commissioning allows 'The centre' to manage expectation of centre and communication priorities
- savings delivered through shared service centre with mechanisms already in place



Option 3b - mixed in-sourced and out-sourced TSSS (back office only)

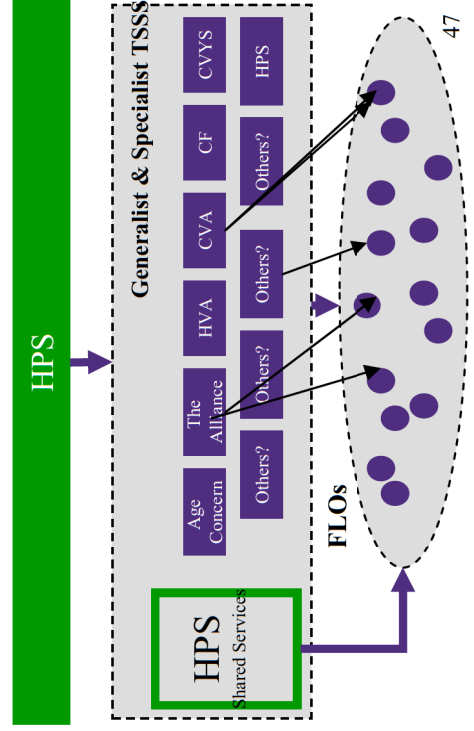
Key evaluation questions	Assumption
Does the option meet the strategic intentions of the sector, providing a solution which is owned by all parties and appropriately reflects the independence of the bodies involved?	Option assumes a stronger role for HPS in both coordination, commissioning and delivery of TSSS. Inhibitor to independence of sector, alongside complexity of model.
Does the option meet the priorities of HPS as a major funder and enabler of third sector support services, including localities principles?	This is aligned to HPS shared service direction of travel, but the option would require a stronger strategic coordination role by HPS.
Does the option focus support for third sector organisations to deliver against the emerging agenda of public services and civil society, contribute to its development, and is flexible enough to meet changing priorities?	Option could create another layer of TSSS overlap with a bigger delivery role for HPS shared services and potential lack of focus.
Does the option manage the expectations and focus on delivering the needs of the third sector?	Assume option would rely on both HPS and specialist providers to provide insight and manage expectations outside of core/generalist provision
Can the option support the diversity of the third sector, and provide an equitable level of service across the county?	Assumes that diversity of sector would be considered through the commissioning of specialist support and through HPS delivery
What are the implied cost of changes associated with the option, and are they affordable?	Assumes that generalist support services can be integrated in existing HPS shared service centre
Does the option deliver better value for money and release efficiencies?	implies cost savings through shared services arrangements, and better use of funding through commissioning focussed specialist support . Risk of overlap and duplication may still exist
Is the option credible with key stakeholders? (HPS, LSDOs, FLOs and end users)	Aligned to HPS direction of travel, and general agreement from LSDOs that sharing back office functions is required.
How feasible is the change, and does the capacity and capability exist to support implementation?	Requires integration planning with HPS shared services. Set up of strong commissioning also required .

Overview

- Commission specialist and generalist support via range of LSDOs
- HPS provide back office support services to FLOs and LSDOs

Benefit assumptions

- range of providers to deliver specialist support to meet diversity of sector;
- strong HPS involvement in delivery, coordination and commissioning allows 'the centre' to manage expectation of centre and communication priorities
- savings delivered through shared service centre with mechanisms already in place



Option 4 - Hub & spoke localities model

Key evaluation questions	Assumption
Does the option meet the strategic intentions of the sector, providing a solution which is owned by all parties and appropriately reflects the independence of the bodies involved?	Option assumes a stronger role for HPS in both coordination, commissioning and delivery of TSSS to align to localities model, maximising access to support across diverse communities.
Does the option meet the priorities of HPS as a major funder and enabler of third sector support services, including localities principles?	This model is strongly aligned to HPS localities principles.
Does the option focus support for third sector organisations to deliver against the emerging agenda of public services and civil society, contribute to its development, and is flexible enough to meet changing priorities?	This assumes strong flexibility, but option could create another layer of TSSS overlap with a bigger delivery role for HPS shared services and potential lack of focus
Does the option manage the expectations and focus on delivering the needs of the third sector?	Option would rely on both HPS and specialist providers to provide insight and manage expectations outside of core/generalist provision
Can the option support the diversity of the third sector, and provide an equitable level of service across the county?	Yes - assumes that diversity of sector would be considered through the commissioning of specialist support and through HPS delivery
What are the implied cost of changes associated with the option, and are they affordable?	Significant - assumes merging generalist support of providers, with added costs and setting up provision within 'spokes'. Could be eligible for OCS transitional funding.
Does the option deliver better value for money and release efficiencies?	Yes - implies cost savings through shared services arrangements, and better use of funding through commissioning focussed specialist support . But multiple sites limits VFM opportunities. Risk of overlap and duplication may still exist
Is the option credible with key stakeholders? (HPS, LSDOs, FLOs and end users)	Yes - aligned to stakeholder commitment to provide services across the county that meets diversity of geography and of sector
How feasible is the change, and does the capacity and capability exist to support implementation?	Requires detailed integration planning with HPS shared services Set up of strong commissioning also required for spokes

Overview

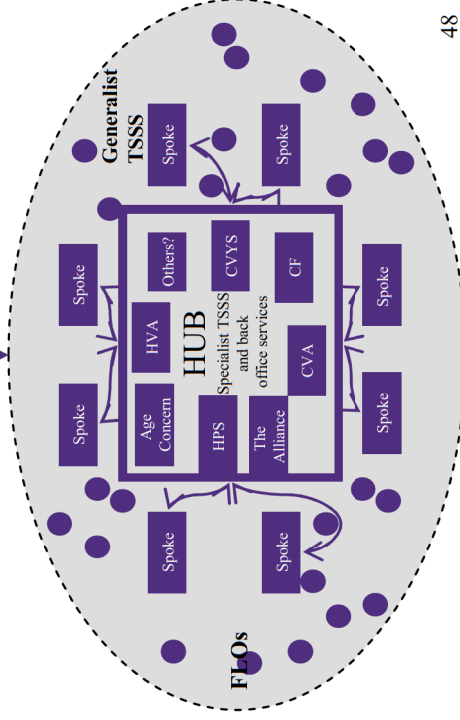
- Deliver core / specialist TSSS at county level via single "hub" (merging levels of provision by current providers) with provision generalist support in localities via smaller "spokes" .

Spokes can access central support from the "hub."

Benefit assumptions

- range of providers to deliver specialist support to meet diversity of sector;
- strong HPS involvement in delivery, coordination and commissioning allows 'the centre' to manage expectation of centre and communication priorities
- savings delivered through shared service centre with mechanisms already in place

HPS



Option 5 - Single provider with hub and spoke model

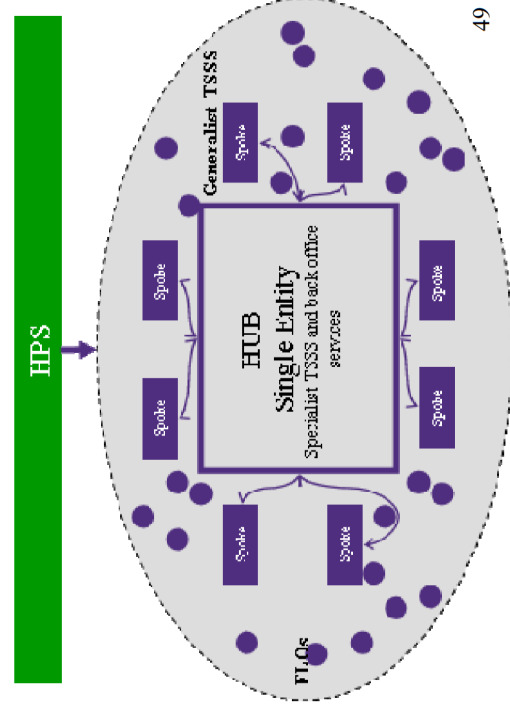
Key evaluation questions	Assumption
Does the option meet the strategic intentions of the sector, providing a solution which is owned by all parties and appropriately reflects the independence of the bodies involved?	Assume that the single provider can be more agile in meeting priorities of other funders and stakeholders, but some providers may be resistant to merger. Localities model supports independence outside hub.
Does the option meet the priorities of HPS as a major funder and enabler of third sector support services, including localities principles?	Assume that the single provider can be more agile in meeting priorities of HPS. Good fit to HPS direction of travel in terms of localities model and shared services.
Does the option focus support for third sector organisations to deliver against the emerging agenda of public services and civil society, contribute to its development, and is flexible enough to meet changing priorities?	Assume a single provider can provide a clearer and more focussed, and removal of overlap and duplication of activity. Single provider requires less coordination and management from HPS. Offers flexibility and local provision.
Does the option manage the expectations and focus on delivering the needs of the third sector?	Assume that a single provider can enhance the management of expectations of 3rd sectors orgs through a clearer and more focused offering, and through less complicated relationships with HPS, including localities delivery.
Can the option support the diversity of the third sector, and provide an equitable level of service across the county?	Assume that single coordination of TSSS would be more efficient with a common standards and level of service. Localities approach ensures county wide coverage. County wide offering may be dependant on levels of funding and demonstrated need.
What are the implied cost of changes associated with the option, and are they affordable?	Assume significant cost of change and disruption associated with planning and implementation of merging functions of 6 organisations. However, this option is likely to be eligible for OCS transition funding.
Does the option deliver better value for money and release efficiencies?	Assumes significantly better value for money commissioning to single entity, but further cost to meet localities model. Need to manage risks of merger activity effectively.
Is the option credible with key stakeholders (HPS, LSDOs, FLOs and end users)	Appears strong commitment for a more coordinated and focussed approach through single provider, with county wide coverage.
How feasible is the change, and does the capacity and capability exist to support implementation?	Challenging to implement effectively, and would require a skilled merger team to manage risks and costs to deliver benefits.

Overview

- A hybrid of options 1 and 4. Full commissioning of existing TSSS directly provided by HPS or commissioned via LSDOs to a single entity.
- The structure of the entity follows the "hub and spoke" model.

Key benefit assumptions

- Range of providers to deliver specialist support to meet diversity of sector;
- Strong HPS involvement in delivery, coordination and commissioning allows 'the centre' to manage expectation of centre and communication priorities
- Savings delivered through commissioning single entity.





Section 5: Conclusions

Best Fit Option

The TSSR Working Group considered the options. Following the first review it was agreed that:

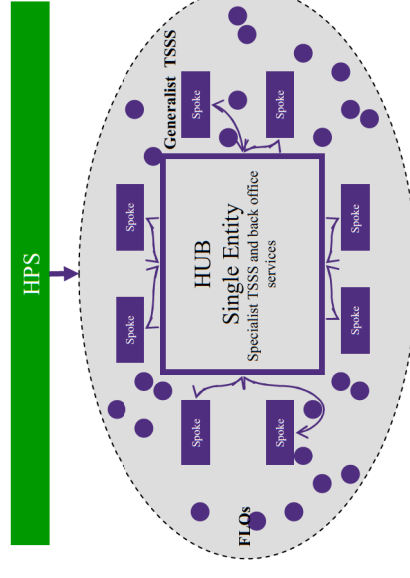
- Options 3 a and 3b should be discounted. It was recognised that these would offer some economies of scale, and so cost savings through shared services. However, it was unclear that the approach would be welcomed by all FLOs, and it was recognised that little extra value would be delivered.
- The Commissioning Board in Option 2 was identified as the distinguishing feature from the status quo. It was noted that the Commissioning board could be applied to the other options.
- A new option was identified, combining a single entity with some local presence (see Option 5 above). This was considered preferable to Options 1 and 4, due to combining the benefits of both.

The Working Group tended to focus on two options (2 and 5). The Working Group did not reach a clear consensus, although it should be noted discussion did not divide on sector that lines (there was not a separate HPS and sector view).

The sense of the meeting was that **Option 5** was preferable to most, but not all members of the Working Group. It was recognised that there were significant issues to be addressed. These included the viability of the predecessor organisations (if Herefordshire TSSS provider elements are removed) and the need to structure it in a way that maximises the potential to lever funding and additional resources. There are various organisational models that may reflect different types of integration with varying degrees of impact upon exiting bodies.

Equally there was consensus on a localities focus as the preferred direction of travel, which is consistent with likely developments in the county (and nationally). However there were some concerns about the feasibility of implementing local 'spokes' in terms of implementation complexity and potential cost - these could be **progressively implemented** as the entity matures, the wider locality approach is developed and affordability confirmed.

A minority on the group tended more to **Option 2**, feeling it offered greater flexibility, and suggesting that it may be more likely to secure the commitment of some stakeholders.





Section 6: Implementation Considerations

Implementation Considerations

Implementing the best fit option will require HPS and other TSSS providers to undergo a robust and focused change programme to get county-wide buy-in to the new way of working. When planning change it is important to address the four key organisational and interdependent dimensions (right) which need to be systematically addressed during the implementation process.

People & Culture – People change is critical to implementation success. We believe that a number of challenges will need to be addressed for the key stakeholders to make the required change, including:

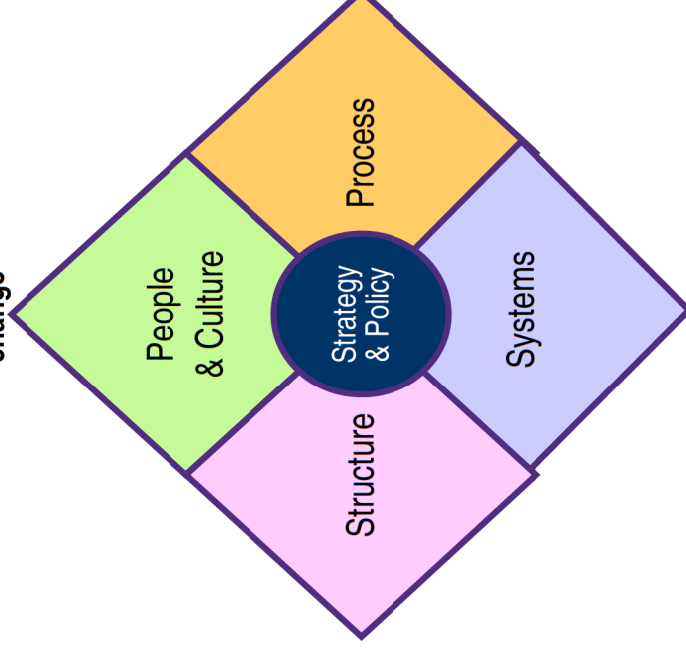
1. A high level of scepticism – a number of other reports have been commissioned in this area and people have seen little happen as a result
2. Silo attitudes – failure of services / organisations to work together to solve problems
3. Negative outlook on change – although people recognise problems and weakness, there is an inherent concern about the consequences of change.

Structure – implementing the best fit option may be construed in a negative light amongst some stakeholders, creating potential barriers to change and impeding effective delivery, especially during the transition phase to the new ways of working and new model for delivering TSSS.

Process – it will be important to establish new business processes that will support the new delivery model.

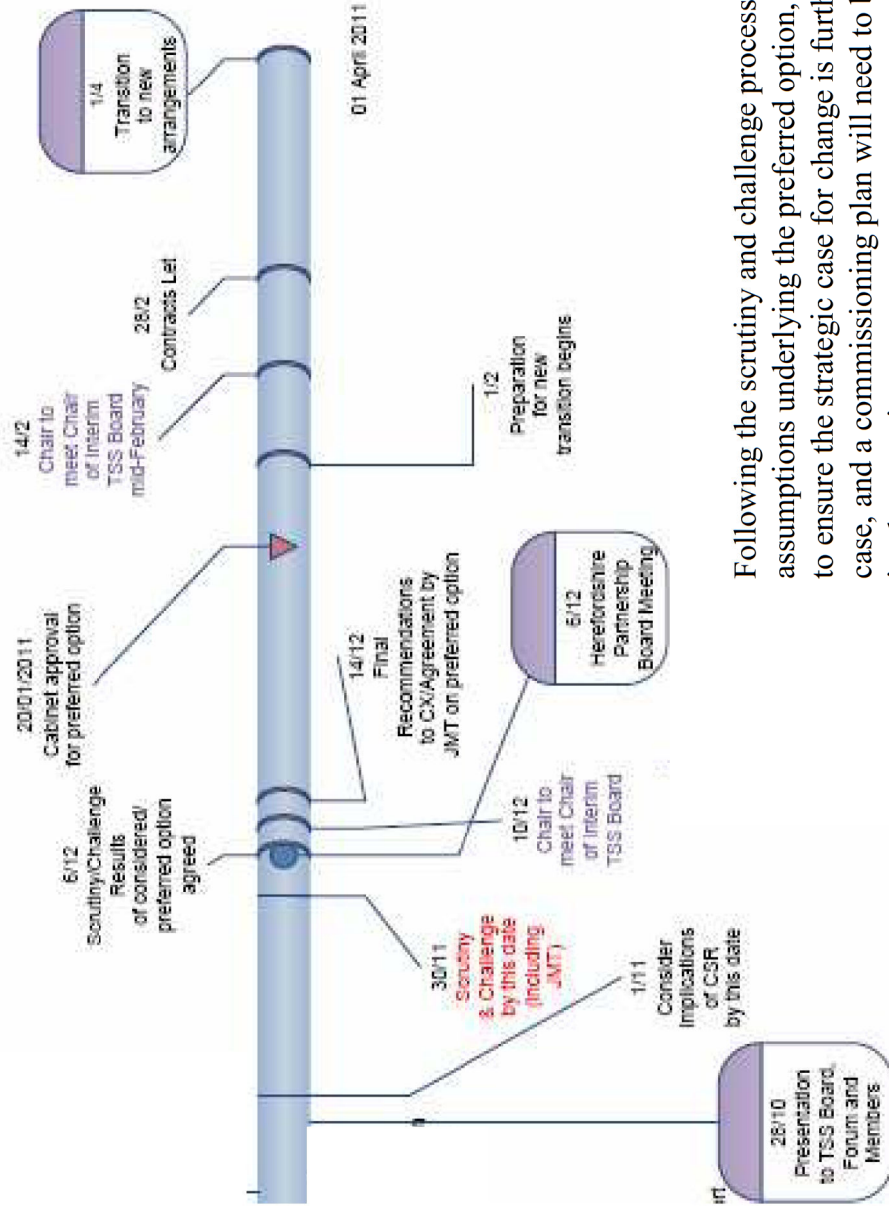
Systems – there will need to be some system integration as part of delivering the new delivery model.

Principle dimensions of organisational change



Next Steps

The options will now move through the scrutiny stage of the project:



Following the scrutiny and challenge process, which will test the assumptions underlying the preferred option, the Working Group will need to ensure the strategic case for change is further developed into a business case, and a commissioning plan will need to be in place prior to implementation.

Appendices

Appendix 1: Individuals Consulted

We are grateful for the time and inputs of the following who have been consulted as part of our work.

Name	Role	Organisation
David Powell	Director of Resources	Herefordshire Council
Alex Fitzpatrick	Third Sector Liaison Officer	Herefordshire Council
Phillipa Granthier	Head of Service, Children's Trust, CYPD	Herefordshire Council
Clare Wichbold	Grants and Partnerships Officer	HPS
Tess Brooks-Sheppard	CEO	CVALD
Helen Horton	CEO	The Alliance
Richard Kelly	Chair	The Alliance
Jan Frances	Trustee	The Alliance
Nina Bridges	Community Development Manager	Herefordshire Council
Richard Quallington	CEO	Community First
Magda Prall	Chair	Community First
Alan Courtney	Vice Chair	Community First
Cllr Roger Phillips	Leader	Herefordshire Council
Richard Bellerton	Coordinator	HCVYS
Di Jones	Non Executive Director	NHS Herefordshire
Wendy Fabbro	Act Director of Adult Social Care Integrated Commissioning	Herefordshire Council
Paul Ryan	Heda of contracting	NHS Herefordshire
Geoff Hughes	Director of Sustainable Communities	Herefordshire Council
Trish Jay	Interim Managing Director	NHS Provider Services
Will Lindesay	Chief Exec	HVA
Philip Talbot	Chief Exec	Age Concern Hereford & Worcester
Dave Barclay	Member	Herefordshire Community Foundation
Julie Gethin	Head of Partnership Support	Herefordshire Partnership
Gary Woodman	Director	Chamber of Commerce
Lynda Wilcox	CEO	Herefordshire Association of Local Councils (Also Chair of HVA)

Appendix 1: Individuals Consulted (Continued)

Name	Role	Organisation
Chris Morgan	President	Robert Owen Society
Rachel Jones	Assistant to the Head of Chief Executive's Office	Herefordshire Council
Carol Trachonitis	Equalities and Diversity Manager	Herefordshire Council
Penny Southwood	Community Partnerships Manager	Halo
Wendy Coombey	Community Partnerships & Funding Officer	Hereford Diocese (also Chair of Third Sector Interim Board, and Trustee of HVA)
Chris Baird	AD, Planning Performance and Development, CYPD	Herefordshire Council
John Pitt	Director	Mlinterprise
Bob Widdowson	Chair	Marches Credit Union
Robin Woodward	Chair	Bi-polar Society (also member of HVA)
Cheryl Carpenter	Chair	Community Access Point (also Business Support Manager, CYPD)
Martin Danks	Chair	Aylestone Park Association (Trustee of Herefordshire and Glos Canal Trust)
Jo Hardwick	Training and Volunteer Manager	Supported Housing for Young People Project (SHYPP)
Mags Smith	Development Manager	Jumpstart Kidz
Peter Chambers	Secretary	Welsh Newton Village Hall
Angela Legg		HVA
Ben Lee	Vice Chair	HCVYS
Rosemary Spitzmaul	Manager	Trinity Extended Services

In addition to the above, 321 FLOs responded to the HPS needs survey. The nature of this survey means that the individuals and organisations concerned were anonymous.

Appendix 2: Documents Consulted

We consulted many documents, key documents are noted below

- Review of the Herefordshire Alliance 2009
- Review of Third Sector Engagement with Herefordshire Partnership 2009
- Review of the Compact Funding and Procurement Code (FPC) 2009
- Herefordshire Community Strategy 2006
- The Herefordshire Compact and codes of practice
- Public Health Annual Report 2009
- Herefordshire Joint Strategic Needs Assessment 2009
- Third Sector Infrastructure Review Working Group
- Needs mapping survey results 2010
- Provision mapping survey results 2010
- The Alliance Summary of the Organisation Spetember 2010
- TSSSR - L10 Income from all sources 2010/11
- Third Sector First (TSF) terms of reference
- The Alliance Evaluation of acquA: Report for the Alliance of Third Sector Health and Social Care Orgs in Herefordshire April 2008
- The Alliance Options appraisal for the future development of the acquA accreditation kite-mark
- The Alliance Report and Action plan: strategic planning and joint commissioning in Herefordshire
- The Alliance Representation and Representation Policy
- The Alliance Annual Reports and Accounts from 2007-2010
- HC VYS Activity Programme 2010/11
- HC VYS Annual Review
- H65 Members' Accounts 2009-2010
- HC VYS Business Plan Plan 2010-11
- HVA strategic plan 2009
- HVA Fininacial Accounts 2009, 2010
- HVA "REACH" and "HERE FOR the CITY" Project Background Papers
- Community First factsheets
- Community First Corporate plan 2010 - 2013
- Community First Accounts 2009
- Community First Corporate Marketing Pack
- Community First Newslime magazine
- CVA Newsletters
- Herefordshire Partnership Management Group
- 14 May 2010: Localities
- Herefordshire Infrastructure consortium: Voluntary and community sector Infrastructure support and service needs: Report July 2006
- Valuing the Voluntary and Community Sector in Herefordshire and Worcestershire - Sustain Consultancy 2007
- Herefordshire Commissioning Framework
- Third Sector Support Services Review: Paper submitted by the six Local Support and Development Organisations, Sept 2010

Appendix 3: Glossary of Terms

Age Concern Herefordshire and Worcestershire	An independent charity and partner of Age UK working with and for the over 50s, their families, friends, and carers in the two counties.
Community First	LSDO providing support to community groups.
CYPD	The Children's and Young People Directorate of Herefordshire Council
CVALD	Community Voluntary Action Ledbury & District
CVS	Council for Voluntary Services
FLO	Front Line Organisation
Generalist Support	Generalist support within a geographical area, such as CVS
HCVYS	Hereford Council for Voluntary Youth Services
HPS	Herefordshire Public Services
HVA	Herefordshire Voluntary Action: works with volunteers, groups and communities to enhance quality of life throughout the county
LIO	Local Infrastructure Organisation
LSDO	Local Support & Development Organisation, an alternative term for LIO
OCS	Office for Civil Society
PCT	Primary Care Trust
Specialist Support	Specialist support to specific communities or client groups, such as Rural Community Councils or Volunteer Bureaux, or in areas such as health and social care.
The Alliance	The Alliance is a specialist support organisation for third sector health and social care FLOs
The Compact	The Compact is a framework to guide work between public and third sector bodies in Herefordshire.
TSSS	Third Sector Support Services
TSSSR	Third Sector Service Support Review
VCS	Voluntary & Community Sector

Appendix 4: Categories of Third Sector Support & Development Services

The TSSR Working Group agreed to an additional category of support service during the options development stage.

Service Category	Activities
Development support	Pro-actively identifying needs in the local community and facilitating and supporting responses to meet those needs or plug gaps in provision.
Legal & technical information, advice and guidance	Ensure organisations are fit for purpose, legally compliant and operating to high standards.
Practical assistance and resources	Buildings, premises and facilities support.
Learning and development	Encourage and co-ordinate the take up of training and learning opportunities across the sector.
Strengthening voice	Provide a representative and accountable voice for third sector organisations to policy makers, service planners and funders.
Strategic partnership building and brokerage	Bringing together FLOs with external public and private sector organisations for joint / co-operative policy making, planning and service delivery.
Research and policy development	Collect and provide evidence on the needs, role and developments within the third sector, in order to influence policy, planning and service delivery.
Provision of shared services	Provision of business services and infrastructure to third sector delivery organisations.

In Scope

Additional

Appendix 5: Discounted Long List Options

- There were four options excluded from the short list by the TSSSR Working Group:
 - Status Quo: it was felt that the evidence on the current model, and the need for change, was such that it should not be evaluated. However, it was further agreed, that the Status Quo should be used as the baseline against which the short-listed options would be evaluated.
 - HPS fully in-sourced model: it was felt that this was not a realistic option to consider for evaluation.
 - Dispersed localities model: it was felt that this was too complex and would not meet Herefordshire's requirements, and should not be evaluated.
 - HPS Funding Ceases: it was felt that this was not a realistic option - HPS would continue funding TSSS, and so it did not merit evaluation.
- Further detail on these options is included on the following slides.

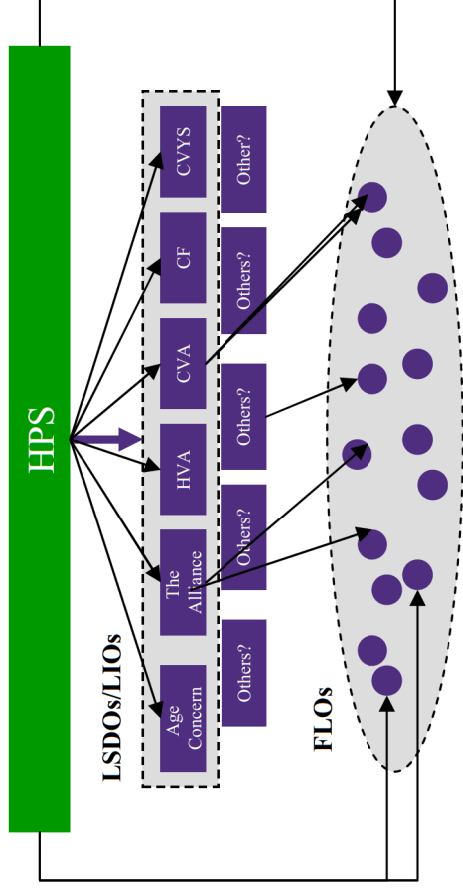
Status quo

Overview

- Continue to deliver TSSS via the 6 providers and HPS
- Recognise need to reduce levels of funding and deliver efficiencies through current arrangements due to fiscal pressures from govt deficit reduction programmes
- Assume providers work collaboratively to improve delivery and performance - deliver 'more for less'

Function	Delivered by
Development support	All providers
Legal & technical information, advice and guidance	All providers
Practical assistance and resources	All providers
Learning and development	All providers
Strengthening voice	Some Providers
Strategic partnership building and brokerage	Some Providers
Research and policy development	Some Providers
Shared Services	No providers

Structure



Implied costs

- Limited costs of change

Implied benefits of option

- Limited disruption to current level of support services provision
- Providers and HPS to work collaboratively to improve outcomes, reduce duplication

Implied risks

- Continued duplication and overlap in delivery
- Concerns over sustainability of model (funding and quality)
- HPS funding likely to be reduced

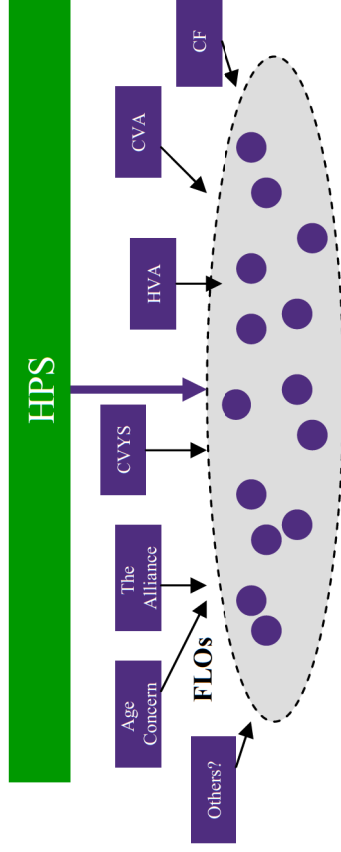
HPS in-sourced TSSS

Overview

- TSSS currently commissioned by HPS are de-commissioned, and then provided directly by HPS, alongside existing direct provision.
- LSDOs maintain market presence, realigning provision to new funding levels.

Function	Delivered by
Development support	HPS?
Legal & technical information, advice and guidance	HPS?
Practical assistance and resources	HPS?
Learning and development	HPS?
Strengthening voice	HPS?
Strategic partnership building and brokerage	HPS?
Research and policy development	HPS?
Fiscal Sponsorship	Other / No provider?
Support Services	HPS / other / No providers?

Structure



Implied costs

- Cost of building capacity in HPS to deliver broader services

Implied benefits of option

- One stop shop of currently funded HPS provision
- Assume savings can be made through bringing provision in-house through shared services

Implied risks

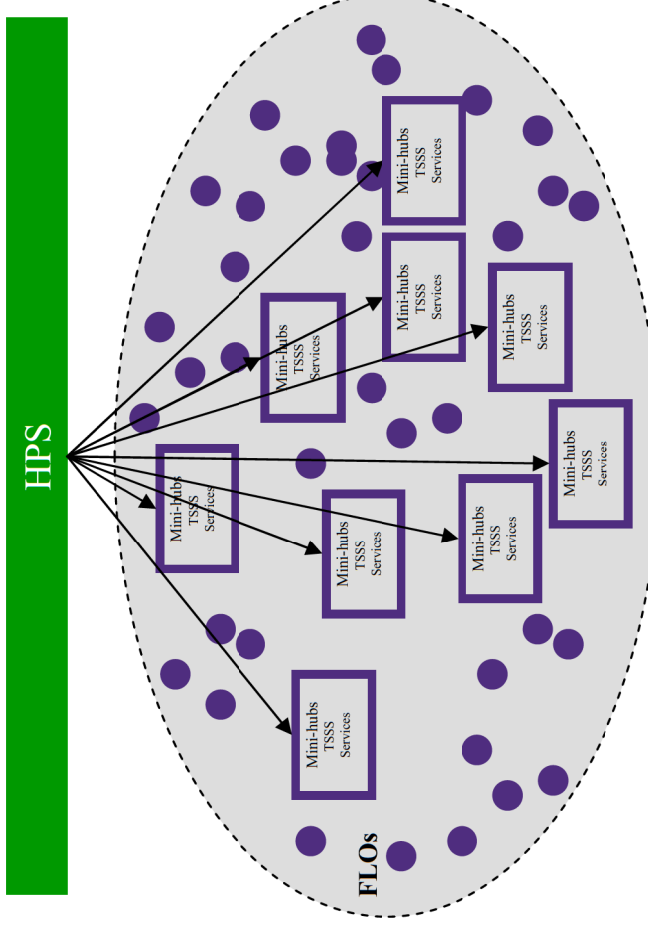
- HPS may not be able to uplift capacity and capabilities to deliver
- Levels of support services may need to be reduced
- HPS not seen as being an independent voice of the third sector
- FLO confusion between HPS and LSDOs
- Potential loss of key staff, knowledge and experience
- Reduction to specialist support available across the county

Dispersed Localities model

Overview

- HPS commissions all TSSS via "mini hubs" based in localities.
- "Mini hubs" are bases for all LSDOs.
- HPS continues to provide some TSSS via hubs.

Structure



Implied costs

- May require new accommodation in certain localities.

Implied benefits of option

- Alignment to HPS localities principles
- Effective and equitable county wide coverage
- Sharing of back office and accommodation in localities
- Reduced duplication in localities and locality one stop shop

Implied risks

- Loss of county wide voice and advocacy for the third sector.

Function	Delivered by
Development support	Mini Hubs
Legal & technical information, advice and guidance	Mini Hubs
Practical assistance and resources	Mini Hubs
Learning and development	Mini Hubs
Strengthening voice	Mini Hubs
Strategic partnership building and brokerage	Mini Hubs
Research and policy development	Mini hubs
Fiscal Sponsorship	No provider?
Support Services	No provider?

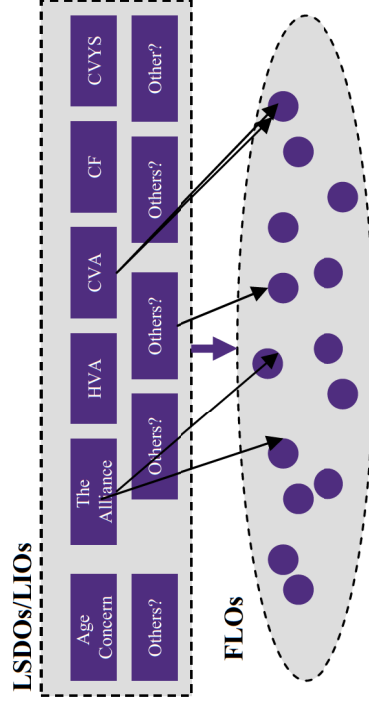
HPS Funding Ceases

Overview

- HPS ceases to fund TSSS activity (via commissioning and direct provision)
- Market picks up all provision.

Function	Delivered by
Development support	Range of Providers
Legal & technical information, advice and guidance	Range of Providers
Practical assistance and resources	Range of Providers
Learning and development	Range of Providers
Strengthening voice	Range of Providers
Strategic partnership building and brokerage	Range of Providers
Research and policy development	Range of Providers
Fiscal Sponsorship	No provider
Support Services	No provider

Structure



Implied costs

- Limited costs of change, predominantly associated with alternative income generation activity for LSDOs

Implied benefits of option

- HPS realise significant cashable savings (£1m+)
- No disruption to current level of support services, assuming alternative sources of funding secured
- Providers and HPS to work collaboratively to improve outcomes, reduce duplication

Implied risks

- Continued duplication and overlap in delivery
- Significant concerns over sustainability of model (funding and quality)
- Non equitable coverage as provision scaled back.

