

AGENDA

Cabinet

Date: **Thursday 12 June 2014**

Time: **2.00 pm**

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

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Agenda for the Meeting of the Cabinet

Membership

Chairman

Councillor AW Johnson

**Councillor H Bramer
Councillor JW Millar
Councillor PM Morgan
Councillor GJ Powell
Councillor PD Price
Councillor P Rone**

AGENDA

Pages

HEREFORDSHIRE COUNCIL

Notice has been served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Item No	Title	Portfolio Responsibility	Scrutiny Committee	28 Day Notice Given
4	Residential and Nursing Home Fees for Older People	Health and Wellbeing	Health and Social Care Overview and Scrutiny Committee	Yes
5	National Non Domestic Rate Discretionary Relief	Corporate Strategy and Finance	General Overview and Scrutiny Committee	Yes

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

To approve and sign the minutes of the meeting held on 10 April 2014.

7 - 12

4. RESIDENTIAL AND NURSING HOME FEES FOR OLDER PEOPLE

To seek a decision on the usual price the council pays for the purchase of residential and nursing home care for older people (persons aged 65 or over) with assessed eligible needs.

13 - 74

5. NATIONAL NON DOMESTIC RATE DISCRETIONARY RELIEF

This report requests the approval of a new Discretionary Rate Relief Charter that will facilitate a revised "Policy for Awarding Discretionary Rate Relief" that will be implemented in April 2015.

75 - 84

6. FINANCIAL OUTTURN 2013/14

To inform Cabinet of the revenue and capital outturn for 2013/14, including the Treasury Management outturn report.

85 - 110

7. CORPORATE PERFORMANCE REPORT 2013/14

To invite Cabinet Members to review performance for the operating year 2013/14.

111 - 132

8. UNDERSTANDING HEREFORDSHIRE 2014	133 - 178
To note and use the report as overall evidence of need for business planning, decision-making and commissioning.	
9. REVIEW OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY	179 - 192
The purpose of this report is to seek approval of the Regulation of Investigatory Powers Act 2000 (RIPA) policy which has been reviewed and updated to reflect legislative changes under the Protection of Freedoms Act 2012.	

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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 10 April 2014 at 2.00 pm

Present: Councillor AW Johnson (Chairman)

Councillors: H Bramer, JW Millar, PM Morgan, GJ Powell and PD Price

In attendance: Councillors WLS Bowen, A Seldon, ACR Chappell and EPJ Harvey

79. APOLOGIES FOR ABSENCE

There were no apologies for absence from Cabinet Members.

Apologies for absence were received from Councillors: TM James, Group Leader Hereford Lib Dems and AJW Powers, Group Leader It's Our County.

80. DECLARATIONS OF INTEREST

There were no declarations of interest made.

81. MINUTES

RESOLVED: That the Minutes of the meeting held on 13 March 2014 be approved as a correct record and signed by the Chairman.

82. 2014/15 DELIVERY PLAN

The Cabinet Member, Corporate Services presented the Corporate Delivery Plan 2014/15.

The following points were made in discussion:

- The performance agenda was aligned to the priorities of the Delivery Plan.
- The priorities needed to be clear for staff and members of the public.
- The Chief Executive stated performance was a key area of focus in controlling budgets. Quarterly performance reviews of the Council's performance against key performance indicators would be published monthly on the Council's website.
- The Chief Executive stated that the senior management team, Cabinet and scrutiny chairmen would meet regularly to focus on key aspects of performance improvement.
- In response to a question on lean thinking working principles the Chief Executive stated that these principles would be applied by managers to remove any duplication of processes.
- Members stated they were pleased that a more project management approach to the transformation of processes was being taken and aligned with stated objectives.
- In response to a question seeking confirmation that the Belmont transport package was being openly discussed as phase one of the western relief road, the director stated that nothing had been formerly agreed.
- In response to a question on Adult Social Care services the Cabinet Member Health and Wellbeing stated it was impossible to state when this service would be at the same level as Children's Services. He added that the demands on the service were

lessening, which he believed indicated that the current targeting of the service was working effectively. The Chief Executive added that a commissioning board with the Council and the Clinical Commissioning Group had been set up to ensure better use was made of the funds available.

RESOLVED

THAT:

- a) the Corporate Delivery Plan be approved;**
- b) performance monitoring and delivery assurance arrangements be noted;**
- c) assurance was provided by directors that appropriate performance management systems were in place across all services; and**
- d) the Performance Plus corporate system is decommissioned.**

The Leader of the Council informed Cabinet that Agenda Item 7, Closedown of Hereford Futures Ltd., would be brought forward as the next agenda item, to enable the Solicitor to the Council to attend another appointment.

83. CORPORATE PERFORMANCE REPORT 2013/14: END OF FEBRUARY 2014

The Leader asked Cabinet for comments on the Corporate Performance Report 2013/14.

The following comments were made in discussion:

- Clarity and assurance was sought regarding paragraph 8.8 of the Corporate Performance Report 2013/14 relating to the potential risks to the Council whilst it did not have a five year housing land supply and an adopted local plan, as these were one of the government's key measures for an effective planning service.
- Concern was raised over the reduced number of food inspections undertaken by Environmental Health. It was seen as a high risk, as the number of inspections undertaken was lower than the statutory minimum requirement.
- The Director for Economy, Communities and Corporate advised that with regards to Environmental Health inspections the view had been taken that a certain level of risk would be accepted. He stated that should any situations arise because of the level of risk taken the decision would be reviewed.
- In relation to the five year land supply the Director reminded Cabinet that an all Member seminar would be held on April 22. The adoption of the Local Development Framework (LDF) and the granting of planning permission for the required number of houses would give the Council a five year housing land supply. In response to a question on the public enquiry for the LDF it was stated that May to June would be the appropriate time for the public to make their comments on the deposit stage. Once these comments had been submitted to the inspectorate, it was hoped that the public enquiry would then be held in the autumn.
- The Cabinet Member Infrastructure reemphasised the importance of all Members supporting the approval of the LDF in order to prevent the Council from being in a position of having to approve planning applications for sites not specifically allocated in the LDF.
- In response to a query regarding the number of fatalities or serious injuries on the roads listed on the data as green. The Cabinet Member Infrastructure stated that this was merely to indicate that the figure was reducing.

RESOLVED: That performance be noted.

84. WEST MERCIA ADOPTION SERVICE

The Cabinet Member Young People and Children's Wellbeing presented the West Mercia Adoption Service report and recommended Cabinet approve the recommendations. He advised that the local authorities involved were: Herefordshire, Worcestershire, Telford and Wrekin and Shropshire. Each authority had reached varying standards in the service and it was felt that by working together standards would be raised across the board for each authority.

The following comments were made in discussion:

- There was concern that by joining with other authorities not performing as well as Herefordshire standards would be brought lower rather than raised and there would be a greater workload for staff as well as reducing the number of staff. The Director confirmed that Herefordshire had a small high performing team and this was seen as an opportunity to join with three neighbouring authorities on a staged basis. One of the authorities was ranked as one of the top performing in the country. She added that joining as partners would provide strength and there would be no reduction in staff numbers. By growing the service there would be more adoption families available, leading to more children being adopted and fewer children in care.
- It was felt that by joining together as an adoption agency there would be tangible benefits, providing a range of specialist training with a managed low risk approach.
- The Cabinet Member reiterated that the purpose was to ensure that all the authorities involved moved up to the highest level alongside the top performing authority.

RESOLVED

THAT:

- a) the proposed future operating model for a West Mercia Adoption Partnership commencing first with Option 2, as outlined in Appendix 1 to the report, be approved;**
- b) the financial implications of this option be noted;**
- c) delegated authority be given to the Director of Children's Wellbeing, in consultation with the Cabinet Member, on any future decision on the implementation of the operating model, including a preferred provider.**

85. CLOSEDOWN OF HEREFORD FUTURES

The Economic Development Manager advised Cabinet that in order for a successful closedown of Hereford Futures Ltd., on a solvent basis, Cabinet's approval was sought, along with that of the Chief Financial Officer and the Homes and Communities Agency. This would allow for the movement of the Hereford Futures obligations to the Council, as there were still a number of projects in the joint venture agreement with the Homes and Communities Agency that would need to be effectively managed. Cabinet was referred to paragraph six of the report, key considerations, for the list of functions to be transferred. It was added that the maximum amount of funding required for the outstanding projects, as at March 6, would be £695k.

The following comments were made in discussion:

- In response to a question on published redacted minutes of Hereford Futures, and the lack of a document trail, the Director for Economy, Communities and Corporate advised that a handover meeting had been held with the Chief Executive of Hereford Futures and it had been agreed that technical files would be handed over to the Council. The Director confirmed that the Council had all the files and material it required to take the work forward. In respect of the remaining files and material, which belong to the Company, the Chief Executive of Hereford Futures had advised that some would be retained by Board Members and the remainder, which was not required would be disposed of. The Director added that he could request that minutes of meetings were made available, but it was a decision for the board of Hereford Futures.
- It was stated that at previous scrutiny review meetings copies of documents had been requested.
- The Leader emphasised that Hereford Futures management team were professional and had delivered on what had been asked of them.
- The Solicitor to the Council reiterated the comments made regarding files that belonged to Hereford Futures and that there was no obligation to handover documents.
- Concern was raised and assurance was sought as to whether the Council had the staff to take over the work of Hereford Futures, as it had been set up in the first instance to assist the Council's economic development team to carry projects forward. The Leader gave Cabinet his assurance.

RESOLVED

THAT:

- a) the transfer of Hereford Futures Ltd., obligations to Herefordshire Council, as outlined at paragraph six of the report, be approved;**
- b) delegated authority be given to the Director for Economy, Communities and Corporate, in consultation with the Solicitor to the Council, to finalise and sign the necessary documentation to effect the transfer of obligations arising from recommendation a) above, including any necessary variation to the joint venture agreement with the Homes and Communities Agency; and**
- c) the role and efforts of Hereford Futures Ltd., board members throughout the board's period of operation is recognised and thanks be extended to the board.**

86. CHANGE OF INTERNAL AUDIT PROVIDER

The Chief Financial Officer presented the report on the Change of Internal Audit Provider and stated that now was an appropriate time to replace KPMG as internal audit providers. A number of alternatives had been looked into, including private sector providers, partnering with other local authorities or having an in house audit team. Based on market testing it had been decided to join the South West Audit Partnership (SWAP) that had a proven track record and provided quality internal audit services to 12 local authorities. TUPE will apply and the current internal audit team of three staff will transfer to SWAP, which is a not for profit organisation.

It was stated that as part owners in the organisation there would be an option for the Chief Financial Officer to attend board meetings. Should the Council decide at a future

date to come out of SWAP, the only cost to the Council would be the cost of transferring staff into SWAP under TUPE.

RESOLVED

THAT:

- a) **the South West Audit Partnership (SWAP) be selected to provide the Council's internal audit service;**
- b) **the Chief Financial Officer be given delegated authority to finalise contractual arrangements including a TUPE transfer of staff within the approved annual budget;**
- c) **the Council join SWAP and become part owners of the local authority owned company at zero cost – subject to approval by the SWAP board; and**
- d) **the Chief Financial Officer be given delegated authority to be the Council's representative on the SWAP board and to exercise the Council's vote at shareholder meetings.**

Following the final item on the agenda Councillor Graham Powell informed Cabinet that Superintendent Ivan Powell would be retiring later this year. Cabinet felt it was appropriate that the Chief Executive and the Leader should write to Superintendent Powell and express their thanks to him for all his help and to emphasise the real difference he had personally made in the County. It was also agreed that the Leader should write on behalf of the Council to Superintendent Sue Thomas to welcome her into her new position and to looking forward to her taking an active role in the County.

The meeting ended at 3.30 pm

CHAIRMAN



MEETING:	CABINET
MEETING DATE:	12 JUNE 2014
TITLE OF REPORT:	RESIDENTIAL AND NURSING HOME FEES FOR OLDER PEOPLE
REPORT BY:	DIRECTOR FOR ADULT WELLBEING

Classification

Open

Key Decision

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates.

And

This is a key decision because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the county.

NOTICE has been served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards Affected

County-wide

Purpose

To seek a decision on the usual price the council pays for the purchase of residential and nursing home care for older people (persons aged 65 or over) with assessed eligible needs. Specifically to:

- a. set out the methodology used to develop options for setting a usual price
- b. Present a recommended option for Cabinet to approve
- c. Present an implementation plan for approval

Recommendations

THAT:

- (a) Sets the usual price for the spot purchase of publicly funded places in**

Further information on the subject of this report is available from
Helen Coombes, Director for Adult Wellbeing on Tel (01432) 260339

residential care homes and nursing homes for older people as follows:

- I. residential care and residential care with dementia - £451.75 per week**
- II. nursing home care - £518.00 per week;***¹

- (b) Agrees the implementation plan set out in paragraph 8.21; and**
- (c) Requests the Health and Social Care Overview and Scrutiny Committee to undertake regular progress reviews on implementation.**

*¹ providers will also receive a further payment for funded nursing care (currently £112.70 per week from the NHS)

Alternative Options

- 1 As outlined in paragraphs 25 to 59, five options were considered:
 - a. **A: Use average cost of care from all care homes in Herefordshire participating in our review, less 16% to reflect budget pressures – recommended option**
 - b. B: Use average cost of care for the fifty percent of care homes in Herefordshire with the lowest cost of care participating in our review
 - c. C: Leave the current usual prices unchanged
 - d. D: Use the average cost of care from all homes participating in the Open Book Review
 - e. E: Use the cost of care for the single lowest cost provider for each category of home participating in the review

Reasons for Recommendations

- 2 The council purchases individual (spot price) residential and nursing placements for older people assessed as having eligible needs. The budget for 2014/15 is based on 396 older people in such placements, accounting for less than 30% of the total residential and nursing market capacity in the county. Most of the remaining placements are purchased by those funding their own care (known as “self-funders”).
- 3 The recommendations in this report relate solely to the price the council pays for individual placements for older people in residential or nursing care. The recommendations do not cover the price paid for:
 - a. block contracts (where there is a predetermined fixed price with a provider for a set number of beds), or
 - b. the price paid by self-funders, or
 - c. the price paid for residents whose medical needs are such that their care is fully funded by the NHS as a continuing NHS health care service.
- 4 Government guidance on council funded residential and nursing care emphasises that there is a general presumption in favour of individuals being able to exercise reasonable choice over the service they receive. This is sometimes referred to as the “Choice Directive”. The limitations on the council’s obligation to provide an older person’s preferred accommodation are not intended to deny individuals reasonable freedom of choice but to ensure that councils are able to fulfil their obligations in relation to the quality of service provided and value for money. Local authorities must

make all reasonable efforts to maximise choice as far as possible within available resources. To help service users, their families and carers to choose a care home it is essential that the council is clear what amount it will pay for placements and which care homes are willing to accept placements at that price.

- 5 The council has a statutory duty to set out the price it would normally expect to pay for residential and nursing care, this is known as the usual price. The council may set a different usual price for different types of placement (e.g. residential, nursing and residential care for those with dementia). A more detailed explanation of the statutory guidance is included in paragraphs 72-73 of the Legal Implications section of this report.
- 6 The council must ensure there are enough care homes in the county willing to contract with it at the usual price so as to ensure there is choice for service users. This does not mean that all Herefordshire care homes must be willing to accept placements at the usual price as council placements only utilise a small proportion of all available care home beds in the county.
- 7 The council believes that the proposed rates are viable, are consistent with the benchmarked costs from the neighbouring authorities and will result in a sufficient number of providers willing to contract at the proposed prices. The local authority only requires less than 30% of the available capacity in the county and believes that there is not an excess of demand for beds over existing places (nationally occupancy rates in care homes are at approximately 90%).
- 8 Service users can choose to go to more expensive homes than those that accept the usual price provided a third party is able and willing to make up the difference. This is known as a third party contribution or “top-up”. A more detailed explanation of the statutory guidance is included in paragraphs 76-80 of the Legal Implications section of this report.
- 9 When setting the usual price, statutory guidance (*Local Authority Circular (2004)20*) requires the council to have due regard to:
 - a. The actual costs of providing care; and
 - b. Local factors; and
 - c. Best Value requirements under the Local Government Act 1999.

Each of these factors is considered below.

Key Considerations

10 The Actual Cost of Providing Care

- 11 To understand the actual costs of providing care in Herefordshire, in July 2012 the council commissioned an Open Book Review (OBR) of residential and nursing care costs for older people. An OBR is an accounting method that allows providers to share their financial data with commissioners, so as to enable the council to understand the costs and other aspects of service delivery. Information was received from 22 homes in the initial consultation, of which the data for 16 was sufficiently robust for inclusion. Care homes with block care contracts for a specified number of beds were not included in the review.
- 12 Following completion of the OBR, a report was presented to Cabinet on 20 June 2013 setting out proposals for the new usual price. A usual price for residential care and

for nursing care was approved subject to the outcome of further consultation with providers. Delegated authority was given to the then Director for People's Services, in consultation with the Cabinet Member for Health & Wellbeing, having due regard to the outcome of the further consultation, to finalise the usual price at which it purchases. Following the Cabinet decision, the council received a formal letter from a solicitor representing thirteen care home providers in Herefordshire. This challenged the authority's decision making process and indicated the possibility of judicial review. In the council's response letter it was agreed that the decision on setting the usual price would be referred back to Cabinet.

- 13 In light of the above and feedback from provider consultation, the OBR was extended through October and November 2013. Responses were received from a further ten providers, but one of the returns received was from a home in Worcestershire and was therefore discounted making a total of 25 out of 41 homes. The full report for the extended OBR (which considered all 26 homes providing returns) is available as Appendix A.

14 Local Factors

- 15 The emerging national policy agenda, in particular the Care Bill (published 10 May 2013), prioritises promoting people's well-being by "enabling" them to prevent and postpone the need for care and support. When considered within the context of the demographic pressures facing the county, this will affect the shape of the local older person's residential and nursing care market:

- a. Increasingly more people will be supported to live independently in their own homes and community, there is likely to be a corresponding decline in demand for standard residential care. Locally, the number of social care supported older people entering standard residential care has been decreasing since 2011 (numbers receiving standard residential care did not increase in 2013/14 although older people numbers were expected to increase by 3%).
- b. As more people live longer with multiple and complex needs, those that do need residential care will be more likely to need nursing provision or specialist dementia support. Demand for dementia care is of particular significance as the number of people in the county with dementia is projected to almost double within the next 20 years.

- 16 The Care Bill emphasises that local authorities have a duty to manage the local market to ensure there is sufficient quality care available to meet local need and support service user choice and control. As a key commissioner of local services, some of the ways the council can shape the market include the price paid and how care is purchased from the market.

- 17 As outlined in paragraph 2 the council is responsible for commissioning only a small proportion, less than 30%, of the residential and nursing care beds for older people within Herefordshire, with the majority purchased by self-funders. Therefore, whilst it is essential to contract with sufficient care homes at the usual price so as to provide reasonable service user choice (and ensure that individuals do not have to wait an unreasonable length of time for their assessed needs to be met), the council does not necessarily need to contract at the usual price with every local care home

- 18 Trends in service user numbers indicate the need for more dementia and nursing care in future years, and a reduction in residential only care. The recommended option gives due regard to the OBR cost data, but also ensures that the Council

achieves best value having regard both to present levels and anticipated future levels of demand for council funded placements and budget pressures.

19 Approximately 30% of the clients in residential care receive a basic care package, whilst 70% are funded for dementia care. The majority of residential care homes also offer dementia care (five out of 22 do not), therefore a single rate for residential care which includes dementia care is more representative of the client base within Herefordshire and reflects anticipated changes in care needs.

20 Current average length of stay (based on a review of client turnover) of two years has been used to model the financial implications of the recommendation to not reduce fees for current clients but to allow natural turnover. The financial implications are noted in paragraphs 67-68.

21 Best Value

22 The council remains committed to supporting people to live full and independent lives within their local communities. When people are eligible for social care support, the aim is to support them in a way that reflects their preferences and the outcomes they wish to achieve. However, this must be balanced against the council's responsibilities to make best use of all available resources and to ensure those resources are distributed in a fair and transparent manner amongst all persons who are eligible for support.

23 Due to reductions in funding from central government the council will need to have delivered savings of £67m from 2011/12 to 2016/17 to stay within budget and to continue funding services that support its strategic priorities to:

- keep children and young people safe and give them a great start in life;
- enable residents to live safe, health and independent lives;
- invest in projects to improve roads, create jobs and build more homes.

Therefore the council must stop or reduce funding for non-priority services. However it must also seek to generate efficiencies and appropriate cost savings and achieve best value in areas of provision that support its strategic priorities, such as residential and nursing care services for older people. This includes ensuring contracted services are compliant with the Care Quality Commission (CQC) Essential Standards for Quality and Safety and meet the assessed needs of service users but in a manner that is financially efficient and delivers best value.

24 Whilst it is fully recognised that benchmarking comparisons cannot be used in isolation as a method for setting fees it is nevertheless useful to understand the market at a sub-regional level. A comparison has been made with neighbouring authorities on fees. Rates for 2014/15 have been confirmed by two out of three neighbours, the third one is subject to local consultation. The indicative rates provided show that the fees recommended in the report will be 17% higher for nursing and 9.5% higher for residential with dementia care than the average of the three neighbouring authorities. The benchmarking comparisons can be seen in more detail in Appendix B. Further evidence that the recommended fees are reasonable in the local market.

25 Options for Consideration

26 When shaping the care market, the council must ensure it obtains best value for money from all of its providers on behalf of the public, and the funds it has available

are used effectively to meet eligible need. As the council does not necessarily need to contract at the usual price with every local care home the usual price does not need to be at a level that every local care home will choose to contract with the council. Setting a usual price at a level where sufficient local care homes choose to contract with the council so as to ensure that current and anticipated local demand for funded placements can be met in a timely manner whilst offering real choice to publically funded service users is likely to encourage efficiency and innovation in the market. Conversely, setting the usual price too high will not encourage efficiencies and innovation in the market.

27 The options identified are considered in light of the council's duty to have due regard to actual costs, other local factors and best value. They are set out in summary in the table below and in more detail in Appendix B.

28 All the options considered below (except for option C - no change) are based on the CQC classification of care homes, and include an allowance for return on capital based upon the current market price for care homes for sale within the county in 2014. All options assume a 5% allowance for profit prior to the application of a budget pressures reduction - option A.

29 Options for Usual Weekly Price Per Person and Comparison to Budget

Recommended Option	Nursing (Excl. FNC*¹) (<i>prpw</i>)	Residential with dementia (<i>prpw</i>)	Annual Financial Impact Cost / (<i>saving</i>)*²	2014/15 estimated Cost / (<i>saving</i>)*³
	£	£	£'000	£'000
A – average cost reduced by 16% for budget pressures	518.00	451.75	2	260

Alternative Options	Nursing (Excl. FNC*¹) (<i>prpw</i>)	Residential with dementia (<i>prpw</i>)	Annual Financial Impact Cost / (<i>saving</i>)*²	2014/15 estimated Cost / (<i>saving</i>)*³
	£	£	£'000	£'000
B - Bottom 50%	545.07	463.64	392	292
C – Current fee * ⁴	570.24	445.89	296	296
D – OBR costs	615.71	537.86	1,886	1,258
E- Lowest cost provider	507.99	401.21	(651)	(205)

All options are evaluated based on the 2014/15 budget for client numbers

*¹ Funded Nursing Care (FNC) of £112.70 NHS funding in nursing placements

*² The financial cost / saving reported above is the total estimated cost / saving when revised pricing structure is fully implemented

*³ 2014/15 impact assuming 1 August implementation and fee reductions applied to new clients only.

*⁴ Weighted average fee based on budget client ratios - planned saving not achieved

30 Option A: Average cost from all participating homes with a 16% reduction applied for budget pressures

31 This option is based on the average cost of all participating nursing homes and the average cost of all participating residential and residential with dementia care homes in the OBR. Due regard has been given to the actual cost of care from the participating providers in the OBR. Due regard has been given to the actual cost of care which has been collated through the OBR but the difficult question on the allocation of resources available has indicated that a 16% reduction is required to the actual average price evidenced in the OBR. The 16% reduction will create a short term budget pressure for the Council whilst the current clients flow through at the higher fees but will enable the Council to operate within the approved budget once all clients are on the new tariff, assuming client numbers remain stable.

32 Approximately 60% of the care homes elected to participate in the OBR, the remainder did not. The clients which participated have a higher occupancy of local authority clients (34%) than the non-participating homes where comparable occupancy was 20% giving an average local authority occupancy of 30%. They therefore have greater reliance on local authority fees and an incentive to maintain the existing high fee rates. Given that overall local authority need for places is approximately 30% of existing market capacity it is believed that the proposed prices will find sufficient engagement with providers to meet local demands as it is better for a bed to be filled at a local authority rate than unoccupied. Most homes operate at circa 90% capacity indicating that there is not an excess self-funding client demand to fill these beds if not occupied by council funded clients.

33 The benchmarking data is shown in Appendix B and indicates that the new rates will still be higher than the average of the three neighbouring English authorities, higher than all nursing rates and higher than two out of three residential / residential with dementia rates.

34 The table below shows the difference between current fees and proposed fees for the recommended option

	Current Fees (i)	Proposed Fees (ii)	Fee Change up / (down)	% Variance
	£	£	£	
Residential and Dementia* ²	445.89	451.75	5.86	1.3%
Nursing	570.24	518.00	(52.24)	(9.2%)

*² The current fee above is a weighted average of the separate fees for residential and nursing based on budgeted client numbers

35 Conclusion: This option is recommended because:

- a. It will ensure that persons in need of council funded care are able to exercise genuine choice over where they live;
- b. It will ensure that individuals do not have to wait an unreasonable length of time for their assessed needs to be met;

- c. **The accommodation provided will meet the Care Quality Commission Essential Standards;**
- d. **It pays due regard to the cost of providing care in Herefordshire, by considering the costs provided by a number of homes;**
- e. **It pays due regard to best value requirements;**
- f. **It allocates the scant resources of the council and over time will balance the Adult Wellbeing budget; and**
- g. **It pays due regard to other local factors including current and anticipated levels of demand for council funded placements**

36 Option B: Average Cost for bottom 50 percent of providers

37 This option uses the average cost of the lowest 50 percent of providers of nursing care and residential and dementia care.

38 Conclusion: This option is not recommended because:

- a. This approach is likely to be subject to judicial review; and
- b. Using the average of the lowest 50 percent is not adequately robust and does not give sufficient regard to the actual cost of providing care in Herefordshire

39 Option C: Leave the usual price as is

40 This option proposes to continue with existing rates as the usual price.

41 Conclusion: This option is not recommended

- a. This takes no account of budgetary pressures; and
- b. No regard is given to best value requirements as efficiency in the market is not promoted.

42 Option D: Open book review (OBR) rates as the usual price

43 The OBR provides average costs of care based on information supplied by providers who took part in the review. Adopting the OBR rates as the usual price would incur significant additional council expenditure.

44 Conclusion: this option is not recommended because:

- a. It does not pay due regard to best value requirements as efficiency in the market is not promoted; and
- b. It does not address the allocation of resources and it would require very substantial savings to be made in other services to enable the council to set a balanced budget

45 Option E: single lowest cost provider

46 This option proposes to set the usual price upon the data provided by the lowest cost provider for each of the two categories (residential care with dementia, nursing).

47 **Conclusion: This option is not recommended because:**

- a. It is not adequately robust as it only relies on data from the lowest cost provider in each category. Accordingly it may give insufficient regard to the actual costs of providing care in Herefordshire

48 **Implementation**

49 The council has as part of the consultation and engagement process with providers also discussed:

- a. a core contract that enables all parties to be clear what is provided where the council is funding the placement, with clear core terms and conditions;
- b. the process for implementing the new contract; and
- c. introduction of new guidance on third party contributions (“top ups”)

50 **Application of the new usual price**

51 In conjunction with the introduction of a new contract, the new usual price shall be applied from 1 August 2014 using the following rationale:

- a. New usual prices will apply to all new service users from 1 August 2014;
- b. Existing service users on rates **below** the proposed new usual price shall have their rates increased to match the new usual price with effect from 1 August 2014; and
- c. Existing service users on rates **above** the proposed new usual price shall remain on their current rates and will not be affected by the rate reductions introduced on 1 August 2014

52 The usual price will be reviewed annually to consider the impact of inflation and other changes such as minimum wage increases.

53 **Introduction of a new contract**

54 The council intends to introduce a new contract for care homes which includes the council’s new standard core contract and terms and conditions. The contract sets out the council’s expectation that providers will be required to meet the CQC’s Essential Standards and does not place any higher requirements on providers.

55 Existing and new providers will be invited to participate in an accreditation process through which they agree to the new contract. To allow time for participation in this process the new contract will be applied after the conclusion of these discussions. Following the introduction of the new contract the council will only be able to make new placements with care homes that have been accredited and agreed to the new contract.

56 The accreditation process shall establish two approved provider lists– those that agree to contract at the usual price and those that agree to contract but at a higher price (and therefore would require top-ups). The establishment of approved lists will enable providers to market themselves as an approved supplier both to publicly funded service users and self-funders.

57 A small core group of providers will be invited to self-nominate to ensure effective implementation of the new approach and usual price.

58 Third party contributions guidance

59 Third party contribution guidance and information for service users has been developed collaboratively with input from providers and carers and is currently in the process of being finalised for publication.

Community Impact

60 As identified in the Corporate Plan, the council is committed to operating efficiently and effectively by making best use of the resources available in order to meet the its priorities. Within the council there is a priority to enable residents to live safe, healthy and independent lives, these proposals seek to ensure that vulnerable older people continue to receive quality and reliable residential and nursing home services that support them to stay safe, healthy and as independent as possible for longer.

61 In setting the usual price the council must have due regard to local factors. As outlined in paragraphs 8.5 and 8.6, of particular significance to Herefordshire is the need to shape the county's residential and nursing care market to be responsive to the current and future needs of local people.

62 The evidence base to support these proposals is comprehensive and ensures community impact is given thorough consideration. Evidence used includes the OBR which 58% of the market responded to, consultation with providers (including provider meetings), data about existing and projected levels of service use, quality monitoring data and national research and studies.

Equality and Human Rights

63 These proposals pay due regard to Herefordshire Council's public sector equality duty. The proposals aim to ensure all current and future service users receive quality, reliable and safe services that meet the CQC's Essential Standards and that providers receive a fair price for the level of service they provide. Implementation of the proposals through an accreditation process will help the council ensure that services contracted are of the quality required.

64 An Equality Impact Needs Assessment for this project has been undertaken and is attached as Appendix E. Analysis of service use identifies that this proposal impacts upon older people - particularly the very old, women and those with a disability (including frailty). The recommendation takes account of any potential negative impact on service users by including the following mitigating actions:

- a. Adoption of an OBR approach to analyse actual costs of care;
- b. Not applying any reductions in usual price to existing service users;
- c. The introduction of updated contractual terms and conditions that clarify service delivery expectations and promote compliance with the CQC essential standards; and
- d. The implementation of third party contribution guidance

65 These proposals, in conjunction with the development and introduction of a Third Party Contributions policy and service user guidance, seek to support service users' right to choose the home they wish to live in.

- 66 As a public sector organisation contracting services, accredited providers will be required to meet the requirements of the Equality Act 2010.

Financial Implications

- 67 The 2014/15 budget for the spot purchase of residential and nursing care for older people is £13m of which £9,934k relates to clients placed in Herefordshire care homes at current rates, some clients are accommodated out of county. Because all existing service users will remain on current rates a balanced budget is not estimated to be achieved until the end of 2017/18. This creates a budget pressure of £260k in 14/15. The council will mitigate pressure through a combination of bringing forward savings planned for 2015/16 and demand management.
- 68 It should be recognised that client numbers are volatile and therefore savings are an estimate based upon the most recent information and are consistent with the detailed budget planning assumptions for 2014/15.

Legal Implications

- 69 Section 21(1)(a) of the National Assistance Act 1948 provides the council with the power to make arrangements for providing residential accommodation for persons aged eighteen or over who by reason of age, illness, disability or any other circumstances are in need of care and attention which is not otherwise available to them. The section also places the council under a legal duty to do so where so directed by the Secretary of State. The council is thus under a duty to comply with the Choice of Accommodation Directions 1992 (“the Directions”), the National Assistance Act 1948 (Choice of Accommodation) (Amendment) (England) Directions 2001 and the National Assistance (Additional Payments and Assessment of Resources) (Amendment) (England) Regulations 2001 (“the Regulations”). The Directions are intended to ensure that when the council makes placements in care homes or care homes providing nursing care, that, within reason, individuals are able to exercise genuine choice over where they live.
- 70 Guidance on the council’s statutory duties in relation to the Directions and the Regulations are set out in *Local Authority Circular (2004) 20*. This guidance emphasises that there is a general presumption in favour of individuals being able to exercise reasonable choice over the council funded residential and nursing care they receive. The limitations on the council’s obligation to provide an older person’s preferred accommodation are not intended to deny individuals reasonable freedom of choice but to ensure that councils are able to fulfil their obligations in relation to the quality of service provided and value for money. Local authorities must make all reasonable efforts to maximise choice as far as possible within available resources. The legal implications for the matters set out in this report are outlined in the following paragraphs.
- 71 Requirements to set a usual price**
- 72 Councils are required to set a usual price that they would normally expect to pay for residential accommodation:
- a. This should be set at the start of a financial or other planning period, or in response to significant changes in the cost of providing care;
 - b. The usual price should be sufficient to meet the assessed care needs of supporting residents in residential accommodation;

- c. Service users should not be asked to pay more towards their accommodation because of market inadequacies or commissioning failures;
- d. Where the cost of providing accommodation to specific groups is different, the Council may set more than one usual price; and
- e. In setting and reviewing the usual price councils should have due regard to the actual cost of providing care as set out in LAC 2004, other local factors and best value requirements under the Local Government Act 1999.

73 Service user's right to choose their own home

74 If a service user with assessed eligible needs for residential or nursing care has a preference for a choice of home, the council must arrange for care in that home provided that:

- a. the accommodation is suitable in relation to the person's assessed needs;
- b. to do so would not cost the authority more than it would usually expect to pay for someone with the individual's needs (the 'usual price');
- c. the accommodation is available; and
- d. the person in charge of the accommodation is willing to provide accommodation subject to the authority's usual terms and conditions for such accommodation

75 Accommodation more expensive than the usual price (*including third party contributions*)

76 The guidance recognises that some care homes charge prices greater than the council's Usual Price and some service users explicitly choose to enter accommodation which is more expensive than that which the council would normally expect to pay. Such accommodation should not require the council to pay more than they would normally expect to pay having regard to the assessed needs. If an individual requests it, the council must arrange for care in more expensive accommodation provided a third party or, in certain circumstances, the resident, is willing and able to pay the difference between the council's usual price and the actual accommodation cost (known as a third party contribution or "top up").

77 However, where an individual has not expressed a preference for more expensive accommodation, but there are not, for whatever reason, sufficient places available at a given time at the council's usual price to meet the assessed care needs of the service user, the council should make a placement in more expensive accommodation and the council should make up the cost difference between the resident's assessed contribution and the accommodation's fees.

78 The threat of judicial review referred to in paragraph 12 was partly founded on a perceived failure by the council to properly take into account "actual care costs, capital costs and profit incurred by and necessary to Herefordshire providers." These matters are all addressed in this report.

79 The view taken by the courts is that the questions of affordability and allocation of resources are for the democratically elected Councillors and that affordability is in general a highly relevant consideration to be taken into account by any local authority in making its decisions on rates to be offered to service providers, subject to the local authority being able to meet its duties at the rates it offers. This view was taken by the High Court in R (Birmingham Care Consortium) v Birmingham City Council, which referred to R v Newcastle upon Tyne City Council ex p Dixon and also the Cleveland

Care Homes Association case. More recently, that view has been endorsed by the High Court in the Newcastle City Council decision in 2012 which emphasised that where local authorities have a difficult decision to make about where to allocate scant resources, the court will be reluctant to interfere. The budget pressures, which the council faces are set out above. The council has a duty to decide how it should allocate its resources. Provided that it has used an evidence based system to ascertain the actual costs of care, it is then for the council to make a decision about the allocation of resources.

Risk Management

80 The risks to the council if the proposals in this report are agreed:

Risk	Mitigation
Providers will reopen their application for judicial review and the Council will incur costs.	The report has addressed the matters raised in the provider's solicitor's letter and formulated proposals based on both actual costs and best value as well as meeting the eligible needs of service users. Counsel's advice has been used in the preparation of this report.
Providers will not supply services at the new usual price	The recommended usual prices have due regard to the actual costs of providing care in the county and are higher than the prices paid by surrounding councils.

81 The risk to the council if the proposals in this report are declined:

Risk	Mitigation
The council will have insufficient funds to maintain either existing or new placements in residential care and nursing homes	The council would need to divert additional funds to this service area requiring further cuts in other services and creating a risk of not meeting statutory obligations.
The council will be failing to obtain best value	The council could be open to challenge. The OBR and consultation process has taken into account statutory responsibilities and previous legal judgements and case law to ensure that council is working in a fair and legal manner. The new prices will over time deliver the savings required, whilst minimising the threat to vulnerable clients.
Reductions in rates may impact on the quality of care	The accreditation process will require all care homes that the council contracts with to meet the Care Quality Commission Essential Standards.

Consultees

- 82 A comprehensive programme of engagement with providers and partners has been undertaken. This includes:
- a. Invitation to providers participate in the OBR to help establish the actual average cost of care in Herefordshire (which included opportunities to meet and discuss figures with the OBR accountant);
 - b. Seven week consultation on the draft contract agreement and third party contributions policy with providers. Through this consultation providers also fed back views on various other aspects of the project. There has also been further consultation with providers on a revised draft contract;
 - c. Provider meetings with the Director for Adult Wellbeing;
 - d. Overview and Scrutiny Task and Finish Group for Older Person's Residential and Nursing Fees; and
 - e. Clinical Commissioning Group representation on the Older Person's Residential and Nursing Fees Project Board
- 83 The key themes that emerged from the consultation, and how these have been responded to are identified in the table below:

Consultation theme	Response
The need for a differential usual price for dementia	A single rate for residential care with dementia is recommended due to the small number of homes which provide residential only care.
Concerns around the Open Book Review	Concerns about the first OBR were addressed by extending the period for the OBR. In the additional time providers were encouraged to discuss the findings with the OBR Accountant
The council needs to improve communications with providers	The council is continually listening and acting on provider feedback - e.g. establishing new contact databases, establishing provider meetings and monthly provider forums
Concerns that a reduction in price will impact on quality	The council has analysed its quality data, including care homes in quality concerns, and can find no evidence of correlation between price and quality. In addition, the council proposes to honour existing price arrangements at rates above the new usual rate and increase any existing placements at rates below the new usual rates
Issues with the draft contract agreement	The entire draft contract agreement has been revisited and further consultation with providers undertaken
Greater clarity and transparency needed over how placements are allocated	An information sheet about the broker process and how this relates to the Choice Directive has been shared with all providers. The accreditation process will also promote openness and transparency

- 84 A list of all questions raised and corresponding responses are included at appendix F.

Appendices

- A. Open Book Review (December 2013) Full Report with redaction of specific costs identified home by home
- B. Finance Table for the Five Options and Benchmarking Comparison
- C. Methodology for Open Book Review
- D. Care Home Local Data
- E. Equality Impact Assessment
- F. Consultation Summary

Background Papers

- Pre-action Protocol Letter 2 July 2013, Alison Castrey Solicitor to Director of People's Services.

Appendix A Executive Summary

This report has been completed by Glyn Morgan, an independent accountant employed by the Council, to ascertain the actual cost of care at residential and nursing care homes, reviewing and analysing information provided by care home owners.

The initial review was not accepted by care home owners and so a second more comprehensive review has taken place which will show the cost of care for 2013/14 and highlight what the cost would be for 2014/15 if inflation was included.

This report covers only the cost of total care supplied in care homes across Herefordshire. It does not take into account the quality of care, the level of service provided or take account of any efficiencies that may be made. It deals solely with the cost of care. Any affordability issues must be considered by the Council and does not form part of this report.

Average Residential & Nursing Cost of Care 2013/14

Actual Cost of Care 2013/14	Nursing	Residential	Residential with dementia
	£ (prpw)	£ (prpw)	£ (prpw)
Baseline	642.75	444.27	475.52
Return on Capital @7 %	82.50	82.50	82.50
Profit @ 5%	36.26	26.34	27.90
Total	761.51	553.11	585.93

The costs have been calculated based on occupancy levels, provided by owners, of care homes which on average are 89% occupancy in nursing homes and 90% occupancy in residential and dementia care homes.

Return on capital and profit has been subject to negotiation with providers and the rates included have been based on those negotiations. Return on capital can be calculated in many different ways and this paper includes three such methods. An alternative option where an average of the three options is included below:

Actual Cost of Care 2013/14	Nursing	Residential	Residential with dementia
	£ (prpw)	£ (prpw)	£ (prpw)
Baseline	642.75	444.27	475.52
Return on Capital @7 %	60.84	60.84	60.84
Profit @ 5%	35.18	25.26	26.82
Total	738.77	530.37	563.19

All figures represent 2013/14 costs. Inflation has not been included for 2014/15 but does represent a true cost to the Owner and the Council. Current CPI is 2.2% and RPI is 2.6%.

Introduction

Herefordshire Council commissioned an open book review of nursing and residential care for older people in July 2012. An open book review is based on the principles of fairness and transparency, enabling a balanced approach to commissioning services of an acceptable quality that represent value for money, within a climate of increasing demand for services and significant financial constraints and cost pressures for both commissioners and providers. The Council appointed 2 independent leads – an accountant and a social care specialist – to complete the review. No authority could be found who used the L&B model for anything other than as a comparison tool. Other authorities do not use the L&B model and have devised their own cost model to measure costs.

At the request of owners, an extension was granted so additional evidence could be supplied. The request has been allowed because owners questioned the figures used in the original paper, the cost of capital and the process used to determine cost of care rates for nursing and residential care homes.

Owners were given the opportunity to complete a further questionnaire if they chose to and submit actual accounts so they could be considered to ensure all costs were correctly considered. No questionnaire would be considered without a full set of audited accounts to support. Those care homes that had already submitted as part of the initial process were not requested to re-submit but were given the same opportunity to re-submit if they chose. If a care home owner had already submitted their questionnaire and did not re-submit then their original questionnaire was considered to be valid. Original models were inflated to take into account 2013/14 costs.

As part of the additional work requested, actual costs shown in financial accounts were used to determine the real cost of care. All care home owners submitting revised cost models were asked to provide audited accounts. The actual cost was compared to the results coming from the questionnaire and cost model and shared with the owner as per the timetable shown below. This allowed the care home owner the opportunity to challenge figures before they were finalised as part of the review.

Actual accounts, provided in the initial survey carried out, have been used where no further accounts have been provided as a starting point for negotiation with owners. It is accepted that accounts relating to different time periods may reflect different costs. Whilst this is true it is also accepted that costs can go down as well as up.

All revised cost models have been used in the final assessment. Owners completed the cost model, these were all challenged based on the review of their financial and/or management accounts provided.

Background

The paper completed and concluded upon in May 2013, gave the Council options to consider. None of the options were taken in full as the Council used their discretion in

utilising the OBR option but reducing the cost of capital percentage to 2.5% from a proposed rate of 7%.

Four options were explored in the initial paper, including benchmarking, reverting to 2010 rates and leaving rates as they were. None of these were acceptable for various reasons so will not be explored further here. The original paper is available through the Council website.

The revised timeline agreed to by the Council after discussion with some owners is shown below:

Date	Action	Responsible
27 September 2013	Questionnaire sent to all providers	Glyn Morgan / Alison Clay
1 November 2013	Deadline for receipt of questionnaires and accounts	Providers
2 November – 8 November	Individual cost models sent to all providers	Glyn Morgan
2 November – 11 November	Providers to contact Herefordshire Council to discuss findings	Providers
Between 12 November and 15 November	Meeting with providers to share overall findings	Glyn Morgan
2 December	Report completed	Glyn Morgan

The meeting with providers to share findings has slipped, however, discussions with their recognised point of contact have continued. A meeting with all providers was held on 5 December and this paper has been finalised subsequent to that meeting.

As part of the further work, more emphasis has been placed on actual costs. Profit and loss accounts produced have been used to ensure some accuracy, however the report has been compiled based on financial information relating to 2013/14 which will not have audited accounts at this stage.

Findings

The Council received 23 revised or new returns, this was supplemented by 3 further returns that had been received in the initial work carried out. Within the total of 26 returns, 24 were supplemented by financial accounts.

Two of the new returns did not have a set of financial accounts attached to them and despite repeated requests no financial accounts were received. Consideration was given to excluding the information but in the spirit of goodwill both were allowed to stand.

The review was carried out considering the following 3 key components:

13 December 2013

- a. The L&B model – used as a basis and to provide guidance
- b. The cost model and cost model questionnaire – this offers information about what an owner believes the cost to be, and
- c. Financial Accounts or, where part of a group, Management Accounts.

Financial accounts are key because they provide actual costs incurred in a financial year. There was an expectation that costs included within the cost model would be similar to financial accounts produced when taking into account inflation. There was no expectation they would be exactly the same but a variance of roughly three (3) % on the total cost per financial year would be reasonable. Where costs were greater owners were requested to provide further evidence to support. Owners were informed that if agreement could not be reached then this would be included in this report.

All Twenty Six (26) care home owners were contacted, twenty two (22) responded and agreement was achieved. Four (4) did not respond which included the three (3) owners who did not re-submit information. Care was taken with the original returns to ensure inflation has been included within the cost models completed from the original assessment. At the meeting on 5 December, providers who attended the meeting felt that the original 3 assessments should be removed.

Occupancy and Capacity

Owners were requested to provide occupancy data. Of the twenty six (26) that provided data, twenty five (25) were accepted and one (1) was challenged. After discussion the occupancy levels at all 26 care homes have been agreed.

Occupancy can go up as well as down and this has led to challenges in determining the actual cost of care. Care homes occupancy levels have been accepted as part of this exercise and the costs shown are based on occupancy levels offered. The average nursing and residential care home occupancy reported during this exercise is:

Residential – 93%

Residential with dementia – 88%

Nursing – 89%

Many of the costs in a care home are fixed costs. If owners operated at full or greater occupancy the rate per resident would be lower.

Outliers

A full list of all baseline costs (before profit and return on capital) included in this exercise anonymised is shown in appendix.

Consideration has been given to removing outliers from the calculations as there are wide discrepancies between the most expensive and least expensive cost of care.

One care home owner assisted 23 other care home owners to complete their cost of care model. There are three independent cost models also. The provider who supported the 23 would like all of the cost models he helped complete to be included in the final assessment and his view is that the others (the independents) may be incorrect. Individual cost models were forwarded to each of the owners who took part in this exercise so they could review and challenge the cost model analysis. Of the 26 models that were forwarded, 22 challenges were made by owners, the other four, including the 3 independents did not challenge.

There are wide discrepancies between the most expensive and the least expensive care homes shown below:

	High	Low	Average
Nursing	834.42	541.92	642.75
Residential	655.13	322.90	444.27
Residential with dementia	537.22	331.25	475.52

I have considered the representation made and decided the owners of those three care homes were given the same opportunity to challenge and discuss the findings. No challenge was forthcoming and so a decision has been taken to include cost models received in the calculation.

Baseline Costs

Baseline costs are comprised of three elements, staff costs, non-staff costs and corporate overhead. Not all care homes will have a corporate overhead but these costs have been considered for all care homes.

Staff Costs

The cost model provided an estimate for staff costs which was then reviewed against actual accounts to ensure accuracy within the figures. Consideration was also given to the latest payroll data for October 2013 which included the national minimum wage increase.

The average staff costs and higher and lower ranges for staff costs across care homes are shown below:

Staff Costs	Nursing		Residential		Res with dementia	
	£ (prpw)	£ (prpw)	£ (prpw)	£ (prpw)	£ (prpw)	£ (prpw)
Average Cost	451.18		274.87		304.39	
Range	373.59	550.34	203.70	385.03	231.78	346.15

The range in staff costs for nursing and residential costs is considerable.

Nursing Costs

Of the eleven nursing homes analysed, occupancy ranged between twenty nine and sixty six. Three care homes had occupancy levels between 29 and 31. Although capacity and occupancy levels were similar between these three care homes (average 87%) staff costs ranged between £393 - £519 suggesting one care home may be more efficient with staffing levels than another.

Residential with Dementia

Many of the dementia care homes are reporting under occupancy with only one reporting an occupancy level of 100%. The average amongst the others is around the 87% rate. The lowest staff costs were found at the care home with the highest capacity and occupancy level which would be expected due to economies of scale. One care home did show that even at an occupancy level of 86% with 20 occupant's staff cost can be contained at under £300 per resident per week.

Residential

Four care homes are considered for residential care, of those the staff costs range between £219.11 and £319.29. the care home with low staff costs are at 100% occupancy whereas the care home with the highest staff costs are working at an occupancy level of 92%.

Making the assumption that the care home operating at 92% were operating at 100% would reduce the staff cost per resident per week to £293.40, this is still higher than the staff costs for a care home with 100% occupancy.

Non Staff Costs

Non-staff costs reflect the costs in the latest set of accounts with inflationary uplifts to reflect the financial year 2013/14. Non staff costs include costs for food, utilities, repairs and maintenance and other non-staff costs.

Non Staff Costs	Nursing		Residential		Res with dementia	
	£ (prpw)	£ (prpw)	£ (prpw)	£ (prpw)	£ (prpw)	£ (prpw)
Average Cost	174.04		145.30		135.70	
Range	104.06	264.62	96.49	252.71	78.22	179.17

The range of costs highlights significant differences in both nursing and residential costs.

Nursing

The range for nursing non staff costs was significant, between £104 and £264, it has not been possible given time restraints to review each of the differences in turn, however the most significant differences per resident per week were:

Repairs and maintenance – between £16 - £47 per resident per week

Food - £22 - £37

13 December 2013

Utilities - £14 - £38

Non Staff Costs - £10 - £111

Residential with dementia

The range of non-staff costs is £78 - £179. As with nursing staff costs, the detail underneath the figures has not been reviewed, main differences per resident per week were:

Food - £21 - £42

Repairs and maintenance - £12 - £85

Non staff costs - £9 - £45

Residential

There are two significant outliers in this section, one high and one low, the explanation that follows relates to the other four care homes that would not be classed as outliers. The four main cost components within non staff costs are repairs and maintenance, other non-staff costs, food and utilities. There were no significant differences between repairs and maintenance, food costs or utilities, however the main difference was found in non-staff costs where there was an overall range of £14 - £58, which is the difference between the lowest and highest within the range.

Corporate Overheads

Corporate overheads were a little more challenging with some owners including salaries paid to them for work carried out in their business.

There is no doubt this is a cost to the business. The issue related to how this was shown in financial accounts provided. In many cases these costs were included after net operating profit. If these payments are taken after net operating profit this effectively reduces the profit of the business as these costs relate to the running of the Care Home:

Corporate Overhead	Nursing		Residential		Res with dementia	
	£ (prpw)	£ (prpw)	£ (prpw)	£ (prpw)	£ (prpw)	£ (prpw)
Average Cost	25.86		27.76		36.89	
Range	8.67	59.36	12.75	48.52	15.30	57.44

The range within corporate overheads is significant with wide variations across nursing and residential care.

Summary all costs

There is a significant range in costs in nursing and residential care homes. Within the terms of reference the Council reflect that they are looking for care that is good enough to meet national minimum standards.

13 December 2013

'The Council expects to pay for services that are "good enough" to meet people's needs and outcomes. This is in line with local and national policy to provide "just enough support" to meet the needs of those who are eligible for public funding'

Overview

Nursing Care

A review of all the data supplied highlights that in general larger care homes have lower costs than those in smaller care homes. This in itself appears reasonable, greater economies of scale can be achieved with lower costs in larger care homes, however this was not always the case with one nursing care home reporting both high capacity and high occupancy being more expensive to run than care homes with lower capacity and occupancy.

Residential with dementia

In overall terms the care home with the lowest cost is the one with the highest capacity and occupancy, however one of the smaller care homes with a capacity (23) to occupancy (20) ratio of 86% is operating at much lower levels of cost. The cost difference between the two is only £10 per resident per week. At the higher end of the scale the care home operating at a cost of £530.69 has a 92% ratio with a capacity of 33 and an occupancy level of 30 clients.

Residential

It is not surprising that the lowest cost care home is one with full occupancy, however all residential care homes assessed are operating at over 90% occupancy.

Inflation

2013/14

Staff and non-staff costs included in the cost model have been completed using the latest data which includes 2013/14 information. No inflationary uplift is considered for 2013/14.

2014/15

No costs have been included to reflect any charge for inflation in 2014/15. It is for the Council to consider inflation. Current inflation rates for October 2013 are RPI of 2.6% and CPI of 2.2%.

Dementia

Questionnaire returns did not offer sufficient information to enable a calculation for dementia care. A review of all residential care homes that took part in the exercise showed that all of the care homes take clients with dementia. In the original report it was accepted that dementia clients should receive a premium and that view has not changed.

13 December 2013

Because cost models completed were inconclusive a different approach was taken, the owner acting on behalf of the 23 had offered a view on those care homes he believed to be predominantly residential care. A further review was carried out on information held within the Council and it became apparent that his list was reasonable and so this was used to support calculation for dementia and non-dementia care homes so two rates could be considered.

Capital Costs

The capital costs included in the paper submitted in May 2013 offered capital costs at 7%, in line with Laing and Buisson methodology. Opinions and views have been offered by both Council officers and owners. I have reviewed the original paper, analysed the accounts provided by owners, calculated the return on capital included within their accounts and see no reason to change my original assessment of 7% for return on capital.

The original paper offered a return of 7% based on the best interest rates that could be obtained from a fixed investment and the best rate had money been invested in the stock market for the last year. The reported rate of 7% was the same as the rate included in the Laing & Buisson model.

A commitment was made to completely review the return on capital findings from the original paper, three options were considered, no method for calculating return on capital is perfect. All options have been considered using the return on capital rate of 7%:

Option A

The favoured option of providers is the L&B option, this option allows for a return on capital based on a new build and existing buildings requiring upgrades. The L&B model allows a 7% return but reduces that return dependent upon quality factors. The L&B model describes those reductions as:

'it is proposed that the fair market price grading tool 'floor' should be 50% of the 'ceiling'. This leads to a maximum capital cost adjustment factor roughly in line with that proposed in the 2004 and 2008 reports. Ultimately, this percentage is arbitrary, but it is believed to roughly reflect the difference in investment between a new-build care home on the one hand and, on the other, one whose physical environment is on the borderline of acceptability to local authority care purchasers.'

If the maximum L&B figure was allowed then the calculation would suggest a return in the region of £98 to £107. The L&B model suggests a reduction of 50% from the ceiling rate should buildings not meet requisite quality, although they also say this figure is arbitrary. If the 50% was considered reasonable, this could reduce the rate to a floor rate of between £49 and £53.50.

There are weaknesses with using this method as the L&B model is based on a new build property. At a meeting with the providers they insisted that L&B should be used in the

calculation of return on capital and also believed that no other methodology for calculating return on capital would be acceptable.

Taking the concerns of the owners into account would suggest a maximum return on capital of £107 would be applied. Given the care homes in Herefordshire are not new build, an estimated reduction of 20% should be considered, hence leaving a return on capital of £85.

Whilst the method of calculation is not perfect and the estimation is just that, an estimate the L&B model is a model the providers trust and the results from it should not be discounted.

Option B

For the avoidance of doubt, return on capital for option B is calculated:

$$\text{Earnings before interest \& tax} / (\text{Total assets less current liabilities})$$

There are other methods of calculating return on capital and this is acknowledged, however the method shown above is not un-common practice for calculating return on capital.

Owners provided their financial accounts, in most cases, and this has provided the opportunity to obtain the total assets less current liabilities figures from accounts provided. This is not a perfect solution because the value of fixed assets can fall dependent upon the method of depreciation calculation used. Also it was clear from some owners accounts that fixed asset values were so low there accounts could not be used. Fifteen of the submitted financial accounts could be used to offer a total assets less current liabilities figure.

Providers were concerned

- a. This was 'cherry picking'
- b. Many of their accounts did not include an up to date fixed asset valuation

If the accounts had not been cherry picked then homes which had figures included in fixed assets which were clearly incorrect would have reduced the value by which the return on capital calculation would have been calculated.

It is recognised that some accounts did not have up to date fixed asset valuations and this is a weakness in using this method of calculation.

Accounts provided offered the opportunity to use the actual balance sheets of Herefordshire owners to assess the total assets less current liabilities included in accounts and use this as a basis to calculate what the 7% rate of return should be calculated on. The total assets less current liabilities value is £1.7m. Using this valuation for return on capital offers a return on capital of £57.96.

Option C

A review of care homes for sale in Herefordshire was undertaken and one care home with both nursing and residential facilities was being marketed at a fee of £750k for a 24 bed care home. *Source www.carehome.co.uk*

It is accepted that no two care homes are identical, however it is not unreasonable to base the cost of capital calculation on the basis of a care home for sale in the Herefordshire area. If this option were taken, the return on capital per resident per week would be in the region of £42.07.

Option D

None of the methods mentioned above are perfect, but all offer a return on capital that should be considered, a possible fourth option is to average the findings of the three options. This would offer a return rate of £60.86.

Conclusion

None of the above options are perfect and arguments can be had either way as to the method to be used. Using the methods of calculation above offers a range in cost of capital between £42.07 and £107.00. Actual accounts were supplied and the remainder of the report has been constructed based on actual costs, therefore Option B should not be dismissed. Option C appears reasonable and a similar method of calculating return on capital has been adopted in Staffordshire, however further work would be required. The providers were clear in the meeting on 5 December that no option, other than option A would be accepted by them. Option D offers an alternative.

Profit

Profit in the original paper was included at 5%. Some owners questioned this rate of return, one of the main reasons the profit rate was questioned was because owners felt that a comparison with BUPA Care Homes was not realistic. There were a number of reasons why this was seen as unfair on the Herefordshire provider market.

A review of Shaw profit before tax was undertaken, the profit reported was 4.6% which is lower than the rate of profit offered by BUPA. Shaw is much smaller than BUPA but also have care homes in Herefordshire.

Quotes taken from both Shaw and BUPA reports show the difficulties being faced by both providers and councils.

Shaw quote

'The current economic environment and the pressure on public sector bodies to cut costs have an impact on the group's ability to achieve annual inflationary increases in

non-contracted residential and nursing fees. In many cases it was necessary to maintain the same fee levels as in the previous year'

'However, the proportion of the group's income that does not derive from long-term contracts is subject to economic and political factors such as the current pressure on public sector bodies to cut costs. This has an impact on the group's ability to achieve annual inflationary increases.'

BUPA quote

'Challenging trading conditions continued, adversely impacting customer numbers and profit'

'While this is a step in the right direction, the cap will only cover the 'care' element of costs and people will have to continue to pay for the 'hotel' elements such as food.'

For clarity, profit is being calculated on all costs, this includes staff costs, non-staff costs, corporate overhead and return on capital. This is the same way that BUPA and Shaw have shown their calculations so the BUPA and Shaw model can be used for comparison purposes. The L&B model does not allow for profit on return on capital.

Herefordshire care home owners are of the view that the L&B model which allows a percentage profit of 10% should be used, however were accepting of the 5% rate if the L&B model was used for return on capital. The profit percentage is based on profit on staff costs, non-staff costs and corporate overheads only.

After careful consideration and taking into account the current challenging climate, I see no reason to increase the rates included in the original report of 5%.

Conclusion

The figures presented in this report are based on a Herefordshire cost model which takes account of changes in costs during the financial year 2013/14 and therefore reflects increases in utilities and staff minimum wage. It also highlights that as occupancy reduces, costs rise. Accounts offered by owners have been used as a basis and owners have been requested to explain differences and provide evidence to support their costs. Their latest accounts have been used to ensure the figures reflect the current financial year.

This paper does not take into account affordability, efficiencies, quality requirements, nor does it take into account what is expected to be paid for as part of a care package that the council is expected to pay for, although the terms of reference are clear in that they expect care home owners to provide a service that is 'good enough'. These are matters for the Council to consider.

Return on capital and profit have both been reassessed and the findings in the original paper appear reasonable, 7% for return on capital and 5% for profit and I see no reason to change either percentage.

13 December 2013

I would like to pass on my thanks to Council officers and owners for their assistance in completing this report.

Appendix – Baseline costs for all care homes including outliers

Nursing care homes

Nurse Care 1	834.42
Nurse Care 2	751.63
Nurse Care 3	692.00
Nurse Care 4	685.91
Nurse Care 5	634.18
Nurse Care 6	622.33
Nurse Care 7	599.64
Nurse Care 8	584.76
Nurse Care 9	572.76
Nurse Care 10	550.67
Nurse Care 11	541.92

Residential with dementia

Dementia Care 1	£537.22
Dementia Care 2	£530.69
Dementia Care 3	£511.76
Dementia Care 4	£493.17
Dementia Care 5	£479.33
Dementia Care 6	£476.45
Dementia Care 7	£464.28
Dementia Care 8	£455.56
Dementia Care 9	£331.25

Residential Care

Residential Care 1	£655.13
Residential Care 2	£445.61
Residential Care 3	£440.15
Residential Care 4	£405.82
Residential Care 5	£396.00
Residential Care 6	£322.90

Appendix B – Financial Summary

The key financial implications of the proposed fees are summarised below:

£'000

1) Gross Budget 2014/15

9,934

2) Average Costs Open Book Review - Option D

	No clients	Weekly Fee	Annual Cost
		£	£'000
Nursing	184	615.71	5,891
Residential and Dementia	212	537.86	5,929
TOTAL	396		11,820

3) Fee reduction to meet budget pressures - Option A (recommended)

(16.0%)

	No clients	£/week	Reduction	Revised Cost
		£	£	£'000
Nursing	184	518.00	(98.58)	4,956
Residential and Dementia	212	451.75	(86.11)	4,980
Total	396			9,936

4) Variance Recommended Fees to Current Fees

	Current Fees	Proposed	Fee Change up / (down)	% variance
	£	£	£	%
Residential and Dementia *	445.89	451.75	5.86	1.3%
Nursing	570.24	518.00	(52.24)	(9.2%)

* weighted average fee for residential & dementia based on budget client ratio

A breakdown of the component elements of the recommended and alternate options and annual saving / cost is shown below:

A) Average cost reduced by 16% for budget pressures (recommended option)

	Clients	OBR rate	Annual Cost / (Saving) £000	Impact 2014/15* ¹ £000
Nursing	184	518.00	4,956	
Residential & Dementia	212	451.75	4,980	
Total	396		9,936	
Budget			9,934	
Cost / (Saving) Pressure			2	260

B) Average bottom 50% OBR

	Clients	OBR rate	Annual Cost / (Saving)	Impact 2014/15* ¹
Nursing	184	545.07	5,215	
Residential & Dementia	212	463.64	5,111	
Total	396		10,326	
Budget			9,934	
Cost / (Saving) Pressure			392	292

C) Current Fee

Cost / (Saving) Pressure			296	296
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D) OBR average cost

	Clients	OBR rate	Annual Cost / (Saving)	Impact 2014/15
Nursing	184	615.71	5,891	
Residential & Dementia	212	537.86	5,929	
Total	396		11,820	
Budget			9,934	
Cost / (Saving) Pressure			1,886	1,258

E) Lowest single cost provider

	Clients	OBR rate	Annual Cost / (Saving)	Impact 2014/15
Nursing	184	507.99	4,860	
Residential & Dementia* ²	212	401.21	4,423	
Total	396		9,283	
Budget			9,934	
Cost / (Saving) Pressure			(651)	(205)

*¹ Assume fee increase applies from 1st August / fee decrease age out based on

*² Selected lowest dementia care provider- lowest cost is residential only

Benchmarking comparison

The Courts have made it clear that benchmarking must not be used as a determinant in setting a local authority's usual price. This is because what other council's pay for care is not related to the actual costs of providing care in Herefordshire (and, indeed, may or may not reflect actual costs in the comparator). However, an understanding of the rates paid by other local authorities is useful in giving greater context to any proposals under consideration.

Comparison to Average Costs of Neighbouring Authorities

	Benchmark *	Proposed	Proposed Fee (above) / below average benchmark	% (above) below benchmark average
	£	£	£	
Nursing	442.63	518.00	(75.37)	(17.0)%
Residential and Dementia	412.71	451.75	(39.04)	(9.5)%

* Shropshire use quality rating fee banding - for benchmarking purposes have used average for 2 & 3* fees as this equates to current average rating for Shropshire homes

*1 Nursing fees excluding FNC

It should be noted that one of the three neighbouring authorities have not yet confirmed fees for 2014/15 and therefore the average costs used may be subject to variation.

Lowest and Highest Cost Neighbours

For comparison the lowest and highest costs across the three neighbouring authorities are shown below and shows that the rates are not only above the average but in line with Gloucestershire which is currently also in consultation about fees (those shown are as per the published consultation document)

Weekly Fees - Lowest and Highest Cost Neighbours	Herefordshire	Shropshire*	Gloucestershire
	Proposed	Lowest Cost	Highest Cost
Nursing	518.00	365.15	504.00
Residential and Dementia	451.75	347.78	468.00

*Shropshire use a star rating system and shared rooms. Rates quoted based on single occupancy zero star rating

Appendix C – Options Appraisal – Methodology

1. Open Book baseline costs from participating homes October / November 2013 submission have been used as starting point.
2. The return for one home has been excluded as it is in Worcestershire not Herefordshire.
3. The current CQC registration has been used to determine a home's classification as either nursing, residential care only, or residential care with dementia.
4. Return on capital has been calculated by considering care homes for sale in Herefordshire (two were identified as being on sale in January / February 2014) and a 7% return on capital applied and converted to a cost per client per week based on the size of the two homes for sale. This method has been used in another authority in their price setting evaluation and the approach was not challenged in a judicial review.
5. Profit has been assumed at 5%, this approximated to net profits declared by two national providers with a local presence.
6. Revised submissions were based on 2013/14 costs. Inflation factors for 2014/15 have been considered and applied as follows;
 - a. Impact of minimum wage change has been applied to each care home and hourly wages below this uplifted to £6.50.
 - b. Other costs uplifted by 1.7% (excluding return on capital as current market value used) which is the February 2014 consumer price index (CPI) figure.
7. Fees have been calculated using an average of costs for all participating care homes for nursing care and residential with dementia care. Separate fees for residential only care have not been calculated due to the small number of homes (five out of 22) which provide residential only care, and the expected reduction in demand for residential only care.
8. The fees have then been adjusted down by 16% to set the fees to deal with budget pressures and the need to allocate scarce resources.

Appendix D - Care home local data

Organisation	CQC description	Dementia (per CQC)	Number of Beds	OBR Participant Yes / No		Private fee rates obtained	Other Information
				1st time	2nd time		
NURSING HOMES							
Brockhampton Court Nursing Home	Nursing home	XXX	58	No	No	verbal quote w/c 17/3/14	
Holmer Care Centre (Manor)	Nursing home	•Dementia	49	No	No	carehome.co.uk website w/c 31/3/14	
Leominster Residential & Nursing Home	Nursing home	•Dementia	51	No	No	verbal quote 3/4/14	
Charles Court Care Home	Nursing home	•Dementia	76	No	No	verbal quote 1/4/14	
Leadbury Home, The	Nursing home	XXX	36	No	No	verbal quote 3/4/14	
Ross Court	Nursing home	xxx	42	No	No	verbal quote w/c 17/3/14	Changed to nursing per CQC
West Bank Residential Home	Nursing & Resid'l home	•Dementia	36	No	No	verbal quote w/c 17/3/14	Changed to nursing per CQC
Kington Court	Nursing home	•Dementia	48	No	No	carehome.co.uk website w/c 31/3/14	
Oaklands Nursing Home	Nursing home	•Dementia	39	No	Yes	verbal quote w/c 17/3/14	
Hampton Grange Nursing Home	Nursing home	•Dementia	42	Yes	Yes	Own website w/c 31/3/14	
Newstead House Nursing Home	Nursing home	•Dementia	46	Yes	Yes	verbal quote w/c 17/3/14	
Broomy Hill Nursing Home	Nursing home	•Dementia	39	No	Yes	verbal quote 1/4/14	
Stretton Nursing Home	Nursing home	•Dementia	50	Yes	Yes	carehome.co.uk website w/c 31/3/14	
Lynhales	Nursing home	•Dementia	73	Yes	Yes	Own website w/c 31/3/14	
Highwell House	Nursing & Resid'l home	•Dementia	34	Yes	Yes	verbal quote w/c 17/3/14	
Weir Nursing Home The	Nursing home	•Dementia	35	No	Yes	carehome.co.uk website w/c 31/3/14	
West Eaton House Nursing & Res. Home	Nursing home	•Dementia	33	Yes	Yes	verbal quote 1/4/14	
Hazelhurst Nursing Home	Nursing home	•Dementia	44	Yes	Yes	carehome.co.uk website w/c 31/3/14	
Garth Care Home The	Nursing home	XXX	30	No	Yes	verbal quote w/c 17/3/14	
RESIDENTIAL HOMES							
Hampton House	Residential home	XXX	34	No	No	verbal quote w/c 17/3/14	
Whitchurch House	Residential home	XXX	29	No	No	carehome.co.uk website w/c 31/3/14	
Ashfield House	Residential home	•Dementia	14	No	No	carehome.co.uk website w/c 31/3/14	
Birchams Grange	Residential home	•Dementia	25	No	No	verbal quote w/c 17/3/14	
Lawfords House	Residential home	•Dementia	15	No	No	verbal quote w/c 17/3/14	
Marsden House	Residential home	•Dementia	23	No	No	carehome.co.uk website w/c 31/3/14	
Rosedale Retirement Home	Residential home	•Dementia	24	No	No	carehome.co.uk website w/c 31/3/14	
Wykenhurst	Residential home	•Dementia	25	No	No	carehome.co.uk website w/c 31/3/14	
Old Vicarage The	Residential home	XXX	16	Yes	Yes	carehome.co.uk website w/c 31/3/14	
Charmwood Country Residence	Residential home	XXX	17	Yes	Yes	verbal quote w/c 17/3/14	
Dulas Court	Residential home	XXX	25	Yes	Yes	verbal quote w/c 17/3/14	
Whitegates	Residential home	•Dementia	37	Yes	Yes	carehome.co.uk website w/c 31/3/14	
Coldwells House and The Stables,	Residential home	•Dementia	33	Yes	Yes	carehome.co.uk website w/c 31/3/14	
Ganarew House	Residential home	•Dementia	37	No	Yes	verbal quote w/c 17/3/14	
Abbey Grange	Residential home	•Dementia	29	Yes	Yes	carehome.co.uk website w/c 31/3/14	
Field Farm House	Residential home	•Dementia	65	Yes	Yes	verbal quote w/c 17/3/14	
Manor Rest Home The	Residential home	•Dementia	23	No	Yes	verbal quote w/c 17/3/14	
Forbury The	Residential home	•Dementia	40	No	Yes	verbal quote w/c 17/3/14	
Credenhill Court	Residential home	•Dementia	35	No	Yes	verbal quote w/c 17/3/14	
Pencombe Hall	Residential home	•Dementia	32	No	Yes	verbal quote w/c 17/3/14	
Holmer Court	Residential home	•Dementia	33	Yes	Yes	verbal quote 2/4/14	
Dovecot Care Home	Residential home	•Dementia	15	Yes	Yes	verbal quote 1/4/14	
Evendine House - Malvern	Residential home	•Dementia	20	No	Yes	carehome.co.uk website w/c 31/3/14	Excluded as in Worcestershire
Evendine							
Total Homes (excluding Evendine)			16		25		
					41		



Equality Impact and Needs Assessment Form

A) General Information

Name of service, function, policy (or other) being assessed

Residential and Nursing Homes for Older People in Herefordshire

Directorate or organisation responsible (and service, if it is a policy)

Adult Well Being

Date of assessment

3 Dec 2013

Reviewed 18 Feb 2014

Reviewed 09 May 2014

Names and/or job titles of people carrying out the assessment

Alison Clay Commissioning Officer

John Gorman Commissioning Support Officer

Accountable person

Helen Coombes, Director of Adult Well Being People

B) Describe in summary the aims, objectives and purpose of the proposal, including desired outcomes:

The purpose of the project is to ensure all service users of residential and nursing homes for older people in Herefordshire receive quality, reliable and safe services, for a fair and affordable usual price.

The key objectives of the project are to:

a. Set a new usual price for the spot purchase of residential and nursing home care for older people

b. Set out the high level implementation plan for the introduction of the new

APPENDIX E

Equality Impact Assessment

<p>usual price</p> <p>These objectives shall be met through:</p> <ol style="list-style-type: none"> i. An Open Book Review process, which seeks to calculate the average actual cost of care. The findings of this review will inform the usual price set by the council ii. Development of third party contribution guidance and information for service users and their families <p>The project is not intended to change the level of service required to meet the assessed needs. Providers will not be required to deliver a level of service beyond that which they are already required to by the Care Quality Commission Essential Standards.</p>

C) Context - describe, in summary;

<p>The number of people and/or providers that may be affected by the proposal.</p>	<p><u>Service Users</u> In the sample week analysed, there were 409 service users in spot purchased residential and nursing homes for older people in Herefordshire. Of the service users, 52% were in residential care and 48% in nursing care.</p> <p><u>Care Home Providers</u> There are currently 45 residential and nursing homes for older people in Herefordshire that hold contracts with the council. 27 of these homes are residential, 16 nursing and 2 residential and nursing.</p>
<p>What are the values of the contract(s) affected by the proposal? (if appropriate).</p>	<p>Residential and nursing homes for older people are contracted with on a spot purchase arrangement.</p> <p>The current rates are:</p> <ul style="list-style-type: none"> • £407.31 per person, per week for residential care • £468.41 per person, per week for residential care with dementia • £570.24 per person, per week for nursing care <p>The total net spend per year (including client contributions) on spot purchased residential and nursing care for older people £10m</p>
<p>What are the geographical locations of those that might be affected by the proposal?</p>	<p>The residential and nursing care homes for older people are located across the county.</p>

APPENDIX E

Equality Impact Assessment

D) Who are the main stakeholders in relation to the proposal?

- Current and future service users
- Service user family, friends and carers
- Care Home Owners and their staff
- Herefordshire Council
- Social care practitioners
- Elected members
- Clinical Commissioning Group

E) What are the anticipated impacts of the proposal?

Positive impacts

The proposals are intended to ensure that vulnerable, older people in Herefordshire continue to receive quality and reliable residential and nursing home services.

Open Book Review

Adopting an Open Book Review approach to calculate the average actual cost of care in Herefordshire will improve the council's understanding of provider costs and enables providers to discuss and demonstrate to the council their costs and cost pressure points

Market shaping to ensure the council achieves best value both now and in the future

As more people live longer with multiple and complex needs, and numbers of adults with dementia are expected to almost double in the next 20 years, those needing residential care will more likely need specialist dementia support. Using the findings from the Open Book Review to ensure the council is paying a reasonable price for all types of care will enable the council to make sure that it is making best use of its resources to meet both current and future trends in need.

New contract agreement

The current contract for residential and nursing homes is outdated and not sufficiently robust. The council intends to have one single contract and terms and conditions for all publicly funded placements. Moving providers onto the same, new contract will ensure greater fairness among providers and will provide increased

APPENDIX E

Equality Impact Assessment

clarity to homes and the council of what their contractual obligations are. The core contract and terms and conditions will set out the council's expectation that providers will be required to meet the CQC Essential Standards as part of the usual price and will not place any further requirements on providers. A standard core contract will provide the council with greater assurance about the services being contracted, which, in turn, ensures service users are more likely to receive a consistent and reliable service.

Increased efficiency promoted within the residential and nursing care home market

Due to reductions in central government funding, by 2016/17 Herefordshire Council will need to have delivered savings of £67m from 2011/12 to 2016/17 to stay within its budget. Therefore the council is seeking to find efficiencies, do less, and reduce costs. Whilst enabling residents to live safe, health and independent lives is a priority, the council must look to find ways of making reductions and promoting efficiency across all areas of provision, including residential and nursing care for older people, to ensure that the limited financial resources available are used efficiently and targeted effectively so as to benefit the most vulnerable.

Clarity for service users and their families, service providers and council Officers in relation to care home funding and third party top ups

In response to provider feedback, council officers have developed a Third Party Contributions Policy to give clarity to when, and how, third party contributions can be applied. Guidance and information for service users and their families and social care practitioner guidance will also be developed. Giving greater clarity to this extra funding mechanism will have the following benefits:

- a. Support service user choice: if a service user chooses to go to a more expensive home this can be made possible if a third party is willing to make-up the difference
- b. Ensure that homes which charge more than the council's usual price are not unfairly discriminated against when service users are deciding on which home
- c. Ensure that third parties are made exactly aware of the agreement they are entering into before they sign-up – thus reducing the risk of non-payments and complaints further down the line (which will therefore also benefit both the care home and council).

Negative impacts

Whilst the project is not intended to have any negative impacts, the following potential impacts should be considered:

Reduction in fees paid leading to a reduction in quality

The proposed usual price represents a reduction in the price paid to nursing homes and residential homes that meet the needs of those with dementia, which it may be argued might impact on the quality of care service users receive.

Mitigation: There are already services in Herefordshire providing nursing care and residential care for those with dementia within the proposed new rates and whilst there is a small minority of homes in quality concerns (some voluntarily), there is no evidence that quality correlates with cost (i.e. that high cost homes do not have any quality concerns).

All Herefordshire care homes are regulated by the Care Quality Commission (CQC) to ensure their service meets the essential standards of quality and safety. In addition, the council has a quality concerns process that monitors service performance and takes action, when necessary, to assist care providers/services in addressing any quality/safety concerns and meeting the CQC requirements.

Furthermore, there will be no negative impact on existing users as the council proposes to honour existing arrangements at rates above the new usual rate and increase to the new usual rate any existing placement fees below this amount, with effect from 01 August 2014. In addition, the council will monitor any adverse impact and take mitigating action to maintain the required level of service delivery.

Implementing a single rate for both residential care and residential dementia care

Previously, the council published separate usual rates for residential care and residential dementia care placements. The proposal is to combine these two rates and have one, unified rate for all residential care placements.

There is a risk that this will not pay due regard to the specialist care required for residents with a dementia and impact on the quality of the services providing dementia care.

Mitigation: The vast majority of residential homes within the County are already dual registered, i.e. can support clients with and without dementia. Only a small minority are not registered to support residents with dementia.

The average rates produced via the Open Book Review will therefore be

predominantly influenced by dementia care services. Plus, any usual rate calculated to adequately resource a dementia placement should be sufficient to cover a non-dementia placement, as the latter are generally considered to require lower staffing levels and staff skill sets.

The question of impact on quality and the related mitigating actions have been addressed above.

Service user families are asked for third party contributions

If a care home chooses not to accept the council's rate this could result in the service user's family being asked to pay third party contributions to make up the difference between the council's new usual price and the fee set by the home. This may have financial and emotional implications on the service user and their family.

Mitigation: To mitigate any impact on existing services users and families, the new usual price shall be applied from 1 August 2014 using the following rationale:

- New usual prices will apply to all new service users from 1st August 2014
- Existing service users on rates ***below*** the proposed new usual price shall have their rates increased to match the new usual price with effect from 1st August 2014
- Existing service users on rates ***above*** the proposed new usual price shall remain on their current rates and will not be affected by the rate reductions introduced on 1st August 2014

In addition, the Council has developed a third party contributions policy and sought feedback from providers on its effectiveness and implementation. The purpose of the policy is to give greater clarity to all parties on what third party contributions are and when they can be used. This policy is being turned into a simple, clear information sheet for service users and their families. Also, if this potential negative impact looks likely, the council will seek to mitigate this through communications with service users and their families.

Not all care homes agree to contract with the council at the new usual price

If the new usual price is lower than that which some residential or nursing homes would wish to contract with the council at, there is a risk these homes may choose not to agree to sign up to the new contract at the new usual price, thus reducing the number of beds available for eligible service users at the council's usual price.

Mitigation: The usual price set and new contract agreement have been influenced

APPENDIX E

Equality Impact Assessment

by provider input. Residential and nursing homes in Herefordshire have had the opportunity to participate in an Open Book Review to inform the calculating of the average cost of care in the county and to also feedback comments on the draft contract agreement as part of a 7 week consultation.

Even if a home does not agree to contract with the council at its usual price, this does not mean that home is not an option for eligible service users. The Directive on Choice means a service user may choose to reside in any home, but if that home is more expensive than the council's usual price (and suitable accommodation at the usual price is available elsewhere), the council must contract with that home, and the service user and their family or friends make-up the difference in price.

Therefore, the council does not necessarily need to be able to contract with all local care homes at the usual price. The Open Book Review process has established what the average cost of care is and the recommended price option takes into consideration the fact that the council utilises less than 30% of all care home beds in the county. Where service users wish to move to a home at a higher rate, they will be supported to do so in line with the council's choice and third party top up protocols.

Reputational damage to the council

If the council are perceived to be unfairly reducing rates paid for care this may impact negatively on the public perception of the council.

Mitigation: The council has purposefully adopted an Open Book Review approach to ensure the actual average cost of care in Herefordshire is calculated through a transparent and robust independent process. When setting the usual price the council has a duty to have due regard to the actual cost of care, local factors and Best Value. The council must ensure its resources are fairly distributed across all who are eligible for support. A communications plan for the project has been developed to ensure that all key stakeholders are informed and aware of the various factors that have had to be considered when developing the recommendations.

Residential and Nursing Fees for Older People
APPENDIX E
Equality Impact Assessment

F) With regard to the stakeholders identified and the diversity groups set out below;

	<i>a) Is there any potential for (positive or negative) differential impact?</i>	<i>b) Could this lead to adverse impact and if so what?</i>	<i>c) Can this adverse impact be justified on the grounds of promoting equality of opportunity for one group, or for any other reason?</i>	<i>d) Please detail what measures or changes you will put in place to remedy any identified adverse impact.</i>
Age	Yes. This proposal will almost exclusively affect older people as it relates to residential and nursing homes for older people. Within the category of older people 64% of service users are aged 85 years or older, meaning this proposal may particularly impact on the very old.	If fewer homes agree to contract with the council at its usual price, service users choosing to go to more expensive accommodation will be required to fund the difference (e.g. a third party contribution). This may place additional financial burden and anxiety on residents and their families.	Minimising the impact on service users, particularly currently service users, is a priority. Therefore any price reductions will only apply to new service users. The Council has a duty to set a usual price with due regard to the cost of care and Best Value. As the council has significantly reduced financial resources, it is appropriate all areas of spend are scrutinised to ensure resources are appropriately targeted to benefit all eligible vulnerable adults. The usual price proposed is informed by the findings of an Open Book Review to calculate the actual average cost of care in Herefordshire.	The Directive on Choice means service users can choose whatever home they wish and their options are not limited to those homes that agree to contract with the council at its usual price. A Third Party Contributions policy has been developed by officers, with feedback from providers. Plain English information for service users and social care practitioner guidance will be produced so all understand when, and how, third party contributions can be applied.
Disability	Yes. All social care funded service users are assessed as having eligible critical or substantial needs. 52% of service users are categorised within the primary client group of older person, 38% within the client group Mental Health and 10% within the client group physical disability and sensory impairment.	Future service users that do not wish to pay top-ups will only be able to select from those homes that do contract at the council's usual price. Providers have voiced concern these may be the poorer quality homes.	The usual price proposed is informed by the findings of an Open Book Review to calculate the actual average cost of care in Herefordshire. All care homes are regulated by the Care Quality Commission and provide a particular level of quality of service – 86% of Herefordshire care homes are CQC Grade 4 compliant. These proposals are not intended to impact on quality of service. The council's quality	A letter will be sent to existing service users to inform them of the plans and if/how it affects them. Social care practitioners will also be informed so they can provide support to service users if needed. New contractual terms and

Residential and Nursing Fees for Older People
APPENDIX E
Equality Impact Assessment

Gender	Yes. Women constitute 74% of service users		concerns process shows no evidence of correlation between price and quality of a home	conditions will be developed with care home provider's that clarify expectations and requirements and promote compliance with the CQC essential standards.
Race	Yes. 95% of service users identify themselves as White British	No. The composition of service users according to this equality strand is broadly reflective of the local demographics in Herefordshire generally (6% of the population describe themselves as non White British)		
Sexual Orientation	<i>No data available to allow analysis</i>			
Religion/ Belief / Non Belief	<i>No data available to allow analysis</i>			
Pregnancy / maternity	<i>Not applicable</i>			
Marital Status	<i>No data available to allow analysis</i>			
Gender Reassignment	<i>No data available to allow analysis</i>			

APPENDIX E

Equality Impact Assessment

G) Consultation

Please summarise the consultation(s) undertaken with stakeholders regarding this proposal

A number of consultations have taken place to inform the development of the proposals relating to residential and nursing care for older people – as the proposal primarily relates to price, it was considered appropriate to focus consultation on care home providers. Consultation activities undertaken include:

A. Open Book Review

An Open Book Review approach was adopted to establish the actual average cost of care in Herefordshire. In total 26 providers (57% of the local care home market) participated by completing financial questionnaires and submitting accounts. An independent report was produced, which then informed the council's approach to what usual price(s) to set and how.

B. Consultation on the draft contract and third party contributions policy

In this 7 week consultation, care home providers in Herefordshire were invited to provide the council with feedback and comments on these documents. 11 written responses were received in addition to a 12th response representing 13 providers (some replicated in the 11 written responses). An immense amount of valuable feedback was obtained and has been used to inform a revision of the third party contributions policy and the revisit of the draft contract.

C. Provider meetings

On 16 October 4 meetings were held between council officers and providers (a total of 15 providers attended). On 18 November a large group provider meeting was held with a total of 13 providers attending. At these meetings providers were encouraged to discuss with the council whatever issues they would like – key themes including comments on the Open Book Review Process, provider engagement, quality, the draft contract, third party contributions and brokerage. Following these meetings, a series of monthly provider meetings between the council, CCG and providers have been scheduled for 2014.

The key themes that emerged from the consultation, and how these have been responded to are identified in the table below:

Consultation theme	Response
The need for a differential usual price for dementia	A single rate for residential care with dementia is recommended due to the small number of homes which provide residential only care.

APPENDIX E

Equality Impact Assessment

Concerns around the Open Book Review	Concerns about the first OBR were addressed by extending the period for the OBR. In the additional time providers were encouraged to discuss the findings with the OBR Accountant
The Council needs to improve communications with providers	The Council is continually listening and acting on provider feedback – e.g. establishing new contact databases, establishing provider meetings and monthly provider forums
Concerns that a reduction in price will impact on quality	The council has analysed its quality data, including care homes in quality concerns, and can find no evidence of correlation between price and quality. In addition, the council proposes to honour existing price arrangements at rates above the new usual rate and increase any existing placements at rates below the new usual rates
Issues with the draft contract agreement	The entire draft contract agreement has been revisited and further consultation with providers undertaken
Greater clarity and transparency needed over how placements are allocated	An information sheet about the broker process and how this relates to the Choice Directive has been shared with all providers. The accreditation process will also promote openness and transparency

A list of all questions raised and corresponding responses are included at appendix F.

H) Additional information and / or research

Include here any references or other sources of data that you have used to inform this assessment.

- Herefordshire Facts and Figures website
- Herefordshire Council Framework Data Reports:
 - RAP P1 (sample week 18 – 24 October 2013)
 - RAP P4 (sample week 18 – 24 October 2013)
- Herefordshire Council Third Party Contributions (Top Ups) Policy
- Department of Health Circular LAC(2004)20
- Care Quality Commission website
- Herefordshire Council Adult Wellbeing Contract Register
- Herefordshire Council Quality Concerns data

APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)

SOURCES*: Provider Meetings: 16.10.13 - 4 meetings (15 providers attended); 18.10.13 (1 meeting, 13 providers attended)
Emails: 5 Letters: 6 (+1 Group Letter representing 13 providers)

*Note – some providers have submitted responses by both email, letter and at meetings, therefore some comments may be double counted.

Providers who have explicitly commented they agree with all the comments raised by others: 4

1. OBR Process		
Question/Issue	Source	Council Response
After submitting figures providers were not contacted back and so were not able to check the figures or have further input into the process (<i>regarding OBR first time</i>)	Meeting (3) Email (3) Letter (2)	For the second round of OBR, all providers that submitted evidence had the opportunity to meet and discuss their individual cost models with Glyn Morgan from 2-11 November
The original figures should have been subjected to greater challenge (<i>regarding OBR first time</i>)	Meeting (1)	In the second round of OBR, Glyn Morgan has contacted providers with queries about the evidence submitted. Providers also had the option to meet and discuss with Glyn their individual cost models
There should be a differential fee for dementia.	Meeting (4) Letter (3) Email (5)	This will be explored further as part of the second OBR but it is felt that one single rate will suffice, due to the very limited number of homes that provide non dementia residential care.
BUQA is an inappropriate comparator to use.	Meeting (1) Letter (3) Email (1)	This will be revisited as part of the second OBR
The costs reached were not realistic - even if a residential home was run at the lowest possible costs, the rates identified in the first OBR would not be viable.	Meeting (1) Email (2)	All providers have been encouraged to submit completed questionnaires and accounts to inform the second OBR to help us calculate the actual average cost of care in Herefordshire
The cost of capital was set far too low – 2.5% is not sustainable.	Meeting (4) Email (5) Letter (3)	This will be revisited in the second OBR

APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)

<p>The Laing and Buisson model should be used as it is based on research into thousands of care homes</p>	<p>Meeting (2) Letter (3) Email (1)</p>	<p>The terms of reference for the OBR stated that the Laing & Buisson model will be used as guidance – not in its entirety. For the second OBR this remains the case: the Laing and Buisson model will be used as guidance only</p>
<p>There are additional factors that ought to be considered:</p> <ul style="list-style-type: none"> i. The need to generate a profit to reinvest in homes ii. Cost of registering beds with CQC iii. Occupancy iv. Pension costs for staff v. Size of home vi. Provider rates have not increased since 2011 vii. Differing pay rates due to recruitment difficulties viii. The costs of changing client needs 	<p>Meeting (5) Letter (3) Email (2)</p>	<p>Where relevant, additional factors such as these will be included in Glyn Morgan's report</p>
<p>Once the OBR has established the actual average cost of care, including the actual costs of capital, these figures should be agreed by all. There should then be a discussion about affordability if the Council is not in a position to pay the agreed actual cost of care.</p>	<p>Email (2) Letter (1)</p>	<p>Glyn Morgan will feedback to providers his findings from the OBR. The same findings will also be fed back to the council. The council will consider these findings and continue to liaise with providers prior to making its recommendations to cabinet.</p>
<p>The OBR questionnaire is not straightforward - there may be unwitting errors in the data submitted by providers. Also it doesn't relate to the real cost structure of a quality care home</p>	<p>Email (2)</p>	<p>Throughout the second OBR providers were able to contact Glyn with any queries regarding the questionnaire and financial evidence required. Whilst the data provided will be analysed and challenged, providers are ultimately responsible for the data they submit. The questionnaire has been based on tried and tested questions used by other local authorities</p>
<p>A number of members of your team should attend a briefing session where one or two owners explain, using real numbers, their business model and what elements lead to delivery of good care.</p>	<p>Email (1)</p>	<p>The council purposefully adopted an open book review approach as this provides transparent accounting methods that allows providers to describe their expenditure whilst enabling a balanced approach to commissioning services of an acceptable quality that represent value for money, within a climate of increasing demand for services and significant</p>

APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)

		cost pressures for both commissioners and providers.
One price does not fit all - the needs and preferences of service users drive the design and organisation of each care home, making every home unique	Letter (1)	The council has a statutory obligation to determine its usual rates. Through the open book review we will seek to establish if any price differentials (e.g. dementia care) are required beyond usual prices for residential and nursing care.
A £1 a day for daily meals for service users is not an indication of a business that cares	Letter (1)	This example was given by one home owner to demonstrate their view that even if a home were to operate on absolute lowest costs, the rates proposed are not viable. It was verified in the meeting that this was an example given to illustrate a point, and is not reality.
Non-compliant homes should be excluded from the calculations	Letter (1)	All homes that submit a financial questionnaire and evidence will be included within the OBR calculations. CQC compliance rating does not always reflect the up-to date compliance of a home: whilst a home may be identified by the CQC as non-compliant, if that home takes immediate action to rectify this it remains categorised as non-compliant until CQC revisit (which could be up to 6 months later).
Benchmarking of fees with other authorities should not influence the usual rate set by the Council	Letter (1)	Whilst it is fully recognised that benchmarking comparisons cannot be used in isolation as a method for setting fees, it is nevertheless useful to understand the market at a sub-regional level. Neighbouring authority's fees will therefore be reviewed as part of the wider fee review and as a 'sense check' where comparable.
The second OBR is not a true OBR as it is based on a snapshot of last year's figures	Meeting (1)	The Council has had the methodology being used externally reviewed to check that it is a fair, reasonable and rational approach
Rather than checking and verifying figures, in the second OBR it seems the objective is to find the lowest figure	Meeting (1)	Glyn Morgan is keen to be transparent and has worked to validate figures back with providers – his objective is not to find the lowest figure, but to validate figures. Glyn will set out in his report where he has not been able to agree any figures and why
As the council is looking to change the rates in 2014/15, the costs being used in the second OBR need to be uplifted accordingly due to inflation	Meeting (1)	This will be included in Glyn Morgan's report
Homes need to be able to put down a notional figure for the time and responsibility proprietors invest in their businesses	Meeting (1)	This has been considered and included in the second OBR approach

APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)

A clear agreed understanding of what return on capital means is needed: for this exercise it should mean the cost of servicing a home's debt	Meeting (1)	This will be considered as part of the second OBR
Different options should be put to council so there is a level playing field from which an informed decision can be made	Meeting (1)	Any options developed by Glyn Morgan in his second OBR report will be presented to cabinet.
2. Provider engagement and communication		
Question/Issue		
Communication between homeowners and council officers is a big issue. Many owners have not received recent emails and letters.	Meeting (1) Letter (2) Email (2)	<p>Council Response</p> <p>New email contact lists for home owners and managers have been established as of 22 October 2013. If providers are not receiving all communications, or their contact details have changed, they should notify Alison Clay on alison.clay@herefordshire.gov.uk</p> <p>In addition to responding to all individual requests for document re-sends made at the meetings on 16 October, home owners were emailed on 28 October to ensure all have received copies of the draft contract, third party contributions policy and workforce development letter.</p>
Can other forms of communication, in addition to the long letters, be developed	Meeting (1)	We intend to hold regular meetings with home owners to develop an on-going open dialogue between the council and providers.
We would prefer to have whole group meetings.	Meeting (1) Email (4) Letter (5)	<p>Meetings are part of re-establishing regular provider engagement. Whilst many have expressed a preference for whole group meetings, there are some providers that would prefer small group meetings.</p> <p>For the provider meetings scheduled on 18 November we offered providers the choice of small group meeting or a larger group meeting.</p> <p>We will continue to monitor provider preferences for meetings so as to ensure we are enabling all providers to have their voice heard.</p>
Could a sub-committee of providers be formed to represent all homes and work with the council?	Meeting (1) Letter (1)	The council is keen to ensure all providers have equal opportunity to have their voice heard. We intend to establish regular provider meetings, which may be whole group, small group or a combination of both, depending on the provider preferences expressed to us. Based on provider engagement so far, we do not think a sub-committee of providers would necessarily be representative of all care home providers in Herefordshire.

APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)

What evidence do you have that smaller group meetings are valued?	Email (1) Letter (2)	Of these 15 providers that attended the meetings on 16 October, 4 stated they valued the opportunity to meet on a small group basis. For the meetings on 18 November, two providers indicated a preference for meeting in a small group.
Please provide an update of all the meetings you held with providers On Wednesday 16 October.	Email (1) Letter (1)	A summary of the key issues discussed at the meetings on Wednesday 16 October was emailed to all care home owners on Friday 25 October.
For this to be a consultation, I would expect to have records of meetings, what was said by who as to the views expressed and the actions taken by the Council	Email (1)	It was outlined at the start of the meetings on Wednesday 16 October that the meetings would not be minuted, but that notes would be taken to help the council understand the issues raised by providers.
1 hour meeting slots are not long enough to discuss very critical and important issues	Email (3) Letter (3)	We have taken this comment on-board and will allow more time for future provider meetings.
You opened up by saying this is your meeting and I am here to listen. This was incorrect as you had set the agenda (<i>Regarding provider meetings on 16 October</i>)	Email (1) Letter (1)	The list of items for discussion outlined in the meeting invite were intended to be a prompt. At the start of the meeting when an agenda was requested providers were invited to start the discussion with whatever they chose to.
Please check your correspondence before it is sent out – there were a number of errors in the letter dated 1 st October 2013.	Letter (1)	We apologise for any accidental errors in any communications we send out. When these are brought to our attention we will endeavour to rectify them as soon as possible.
Provider forums would be a good opportunity for the council to share information and thoughts on future planning and for providers to share best practice. These meetings should be regular, at suitable times, involve the CCG, have suitable officers attending that are able to answer questions and have action points that are followed up and fed back	Meeting (4)	Discussions are taking place about how we can grow support for the existing Registered Managers network in Herefordshire. In addition, we are looking to establish regular provider forums with home owners. It is hoped these meetings will be an opportunity for owners and the council to discuss concerns, issues and ideas relating to the Herefordshire care home market. We appreciate the suggestions on what will make these meetings most effective.
Providers want to work in partnership with the council. This needs to be fair and transparent	Letter (2) Email (2)	The council wants to work in partnership with home owners and is taking actions to develop this, including: re-running the OBR process, consulting on the draft contract and third party contributions policy, seeking provider involvement for developing a sector-led approach to quality, seeking provider involvement for developing service-user & family friendly information on third party contributions and establishing on-going

APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)

		meetings with the council to discuss issues faced by home owners.
We need to know what the council's short, medium and long term strategy is for adult care so that homeowners can plan accordingly.	Letter (1)	We are seeking to re-establish an on-going dialogue between home owners and the council through regular provider meetings – as well as enabling discussion around current concerns and issues in the local care home market, these meetings will be an opportunity for the council to share with providers its strategy for the future of adult social care.
At the meeting on 16 October you introduced workforce development. Whilst this is important it reduced the time available to discuss the major issues faced by providers	Letter (1)	The meeting was intended to be a two-way discussion between providers and the Council. The Council has recently been discussing workforce development with all social care providers and this meeting was a useful opportunity to gain care home provider views – for us the feedback was very valuable, particularly as we learnt many of you had not received our letter about workforce development opportunities. For future meetings we will allow more time to enable sufficient time for discussions.
There should be an agenda issued for meetings	Letter (1)	Provider meetings are intended to be an opportunity for home owners and the council to discuss whatever issues they choose in relation to the local care home market – therefore we did not want to tie the meeting to a fixed agenda. However, as several providers have expressed a preference for agendas, and we recognise the structure this can bring to meetings, we will develop agendas for future meetings and issue these in advance.
3. Quality		
Question/Issue	Source	Council Response
How can the council expect to improve quality if it is going to reduce the rates? Quality care costs money. Should the council not reward those providing the best quality care? Lower rates will lead to higher levels of non-compliance and homes going into administration	Meeting (3) Letter (4) Email (4)	The council has a quality concerns process that monitors service performance and takes action, when necessary, to assist care providers/services in addressing any quality/safety concerns and in meeting the CQC requirements. Whilst there may often be a small minority of homes in quality concerns (some voluntarily), there is no evidence that quality correlates with cost (i.e. that high cost homes do not have any quality concerns).

APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)

The CQC already inspect. Does the council need to as well?	Email (1)	We agree that council inspection activity is sometimes duplicative of CQC activity and this is not the best use of council resources or provider time. We are looking to review with providers how homes are quality monitored.
There are benefits to the council monitoring visits as they provide a valuable external view and source of advice on how to improve. Self-assessment alone is not sufficient	Meeting (3) Letter (1) Emails (2)	We recognise the value external monitoring visits can have. However, we also do not want to duplicate CQC activity and are keen to work with care homes to develop a new approach to quality monitoring.
To properly monitor quality, the specific outcomes for individuals should be looked at. Careful consideration should be given to how best obtain service user views.	Meeting (2)	The council is keen to develop an outcomes-based approach to quality monitoring and has invited providers to volunteer to be part of a working group with the quality and review officers to develop a sector-led approach to this.
The council should only contract with quality homes that invest in their staff and the care and dignity of their residents. Those of poor quality should be reviewed and maybe the council contract with fewer homes	Letter (1) Email (1)	The council works to ensure all providers within the county provide a safe, quality, resident focused service. Services perceived or found to be failing in this duty are reviewed and supported to improve. However, the council must also respect individual client choice of home and this may influence the services contracted with.
Any contract monitoring provisions that are considered necessary could be incorporated into the contract	Group letter	This will be considered as part of our work to revisit the draft contract agreement.
There should be a clear statement that the Council will not impose different or higher standards than those required by CQC and that the Council will not disagree with CQC about how standards are to be met	Group letter	This will be considered as part of our work to revisit the draft contract agreement.
There are credibility issues with the council inspecting nursing homes when it does not have a registered nurse in the quality and review team	Meeting (1)	The council is working with the CCG to develop a multidisciplinary approach to this.
4. Tendering		
Question/Issue		Council Response
How does tendering relate to residential and nursing homes given the directive on choice and that all homes are CQC registered? Tendering is not appropriate	Meeting (3) Email (4)	We recognise that by referring to “tendering” the council has been clumsy in its choice of words and that a process of provider approval may be a better description.

**APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS
AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)**

<p>a. homeowners were not aware of any tender process</p> <p>b. tendering normally involves a bidding process to achieve a lower price</p> <p>Homeowners need clarity regarding any tender process. Further details explaining this fully would be helpful.</p>	<p>Letter (3)</p>	<p>The simple objective is to get all providers onto a level playing field and there are different approaches for achieving this (e.g. assurance, accreditation, due diligence). The council will want to have an approved supplier scheme and a process to get providers onto this list that enables the council to discharge its responsibilities and that can have broader business benefits for the provider</p>
<p align="center">5. Contract agreement (first draft version)</p>		
<p>Question/Issue</p> <p>This is a 65 page legal framework document which was distributed 5 days late from your original timetable and some owners did not receive copies of the emails and attachments at all.</p>	<p>Source</p> <p>Meeting (1) Email (2) Letter (2)</p>	<p>Council Response</p> <p>As these documents were 5 calendar days late in being shared with providers, the consultation deadline was extended by 5 calendar days to 20 November 2013.</p> <p>All individual requests made at the meetings on 16 October for the re-send of documents were responded to the same day. In addition, on 28 October all owners were resent the draft contract agreement, third party contributions policy and workforce development letter.</p>
<p>There needs to be proper meetings and time for homeowners to respond to a 60 page document.</p>	<p>Letter (2) Email (3)</p>	<p>There has been a seven week consultation period and a further provider meeting with Helen Coombes was arranged for 18 November 2013.</p>
<p>Why do we need a new contract?</p>	<p>Letter (1) Meeting (1)</p>	<p>The current contract is outdated and not sufficiently robust and therefore in need of replacing or updating. The council wishes to have one single contract and terms and conditions for all publicly funded placements as this is good practice.</p> <p>In addition, current care home contracts do not include a service specification. Service specifications are standard good practice in contracts and it is appropriate we introduce a service specification as part of the new contract.</p>
<p>The agreement needs to go back to the drawing board as it is unfit for purpose in its current form. It needs to be a shorter, simpler, legislatively accurate, reciprocal document that imposes no greater standard or risk than required by compliance with the Regulations and Essential Standards under the 2008 Act and in which the Council commits itself</p>	<p>Group letter Meeting (1) Letter (1)</p>	<p>Noted. We appreciate the detailed feedback we have received and recognise that further work is required on the contract agreement. As such, the entire contract will be revisited in light of the comment received.</p>

**APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS
AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)**

<p>to service standards in relation to its own role</p> <p>There are numerous issues with the service specification and the remainder of the contract agreement than need addressing (<i>Note: detail has been provided and will be considered, but is too extensive to list</i>)</p>		<p>Meeting (1)</p> <p>Noted. The contract agreement will be revisited and the implication on third party contributions shall be looked at</p>
<p align="center">6. Third party contributions policy</p>		
<p>Question/Issue</p>	<p>Source</p>	<p>Council Response</p>
<p>Some social work staff are not following legislation and are discriminating against homes that charge top ups, stopping residents having a right to go to a home of their choice.</p>	<p>Meeting (5) Email (3) Letter (3)</p>	<p>Following finalisation of the policy on third party contributions, one of the next steps is for this to be shared with social workers and ensure it is understood (e.g. by developing social worker guidance). We will also work with providers to develop a service user and family friendly leaflet to ensure all parties have a clear understanding of third party contributions</p> <p>As all social care staff have repeatedly been briefed, providers are asked to provide evidence if they feel there are any individual workers not adhering to expected requirements.</p>
<p>Clause 4 relating to what a third party contribution can and can't be used for needs to be clearly worded and appropriate for all parties including families of residents.</p> <p>The policy should make it clear that third party contributions are about personal choice and accommodation</p>	<p>Meeting (2) Letter (1) Email (3)</p>	<p>The policy will be revisited to ensure this is made as clear as possible.</p>
<p>There is no need for such a convoluted document – a one page document is more than sufficient</p>	<p>Letter (1) Group Letter (1) Meeting (1)</p>	<p>At the event on May 24, several providers raised concerns about the need for a clearer approach to third party contributions.</p> <p>The national requirements relating to third party contributions are outlined in Charging for Residential Accommodation Guidance from the Department of Health. It is good practice for local authorities to have a policy on third party contributions to make it clear how national guidance is applied within the context of local procedures.</p> <p>The policy is needed so everyone is clear who is paying for what, what is</p>

**APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS
AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)**

	<p>being paid for, and most importantly, what the levers are if a third party stops paying their contribution. The current approach has no clarity on this and therefore it is difficult for homes and the council to recover owed monies and this results in complaints from service users and carers</p> <p>To ensure service users and their families understand third party contributions, we do intend to produce a succinct information sheet, based on the policy, which is clear and easy to understand.</p>	
<p>Section 4 of the policy must be excluded</p>	<p>Letter (1)</p>	<p>As stated above, a need for a clearer third party contributions policy has been identified by both the Council and Providers. A potential area of third party contribution confusion is in relation to what they can and can't be used for – making section 4 vital.</p> <p>This section of the policy will be revisited to make sure it is clear.</p>
<p>Third party top ups are legal. It is not the council's position to interfere in the process of whether a top up is justified</p>	<p>Letter (1)</p>	<p>We agree – third party contributions are legal and are vital to ensuring service user choice. A key driver behind writing the policy was the need to give greater clarity to this position. By having a clear policy this can then be disseminated to social care practitioners and other stakeholders as succinct guidance so everyone operates from a shared understanding.</p>
<p>The proposed policy contains clauses that would enable the council to challenge the fee proposed by a home. This is illegal</p>	<p>Letter (1)</p>	<p>The policy will be reviewed to check this.</p>
<p>Third party contributions does need defining – we must work together to do this</p>	<p>Email (1)</p>	<p>We agree and have welcomed provider feedback on the policy and thank those providers that have volunteered to help us to develop service user and family friendly information on third party contributions.</p>
<p>Home owners should agree on, or at least have sight of, a Plain English briefing note issued to social workers, so home managers are in no doubt as to the limits of the advice that both parties can give to social care clients</p>	<p>Letter (1)</p>	<p>It is our intention to produce clear, simple guidance for social workers based on the policy. The recommendation to share this guidance with home managers is appreciated, and as such we will seek to do this too.</p>
<p>There are numerous issues with the policy that need addressing (<i>Note: detail has been provided and will be considered, but is too extensive to list</i>)</p>	<p>Group letter Letter (1)</p>	<p>This feedback is appreciated and the policy will be reviewed in light of this</p>
<p>7. Brokerage and referrals</p>		

APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)

Question/Issue	Source	Council Response
<p>How does the broker system work in relation to residential and nursing homes? In particular:</p> <ul style="list-style-type: none"> • How is the process transparent? • How does it fit with the directive on choice? • How is quality of care not forgotten? <p>Homeowners would like a clear understanding of this process – a flow chart alone will not be sufficient</p>	<p>Meeting (3) Email (4) Letter (3)</p>	<p>An information sheet explaining how the broker process is used in relation to residential and nursing placements was emailed to all providers on 29 October.</p> <p>It is important to note that this process is used only by exception rather than the norm. In the first instance service user choice always determines where a placement is to be made and so the broker process is therefore often not needed at all.</p>
<p>We should go back to a proper referral mechanism where families are given a number of homes in their area so they can make visits and make an informed decision</p>	<p>Letter (1) Email (1)</p>	<p>Service users and family choice always determines where a placement is made. The broker process is only used when the service user has no preference.</p>
<p>The broker process seems to operate on a first come first served basis. Should a service user not be given the opportunity to consider all options before making a decision?</p>	<p>Letter (1)</p>	<p>The broker process is only used in circumstances where the service user has indicated they have no preference on where they are placed and that they wish the council to arrange the placement for them.</p>
<p>Slow hospital discharges are problematic for homeowners. Are social workers delaying patient discharges to keep them on NHS funding rather than move them into the community where they become the council's responsibility?</p>	<p>Letter (1)</p>	<p>Herefordshire local authority is one of the best performers in the Midlands for preventing of delayed discharges that are attributable to social care. We can only expedite a discharge once they are medically fit to be discharged and we work very closely with the NHS to ensure that the process is as efficient, and effective as possible.</p>
8. Timetabling		
Question/Issue	Source	Council Response
<p>The council timetable between the end of consultation and cabinet decision on 19 December is very tight and clearly impossible to achieve. This is not a proper consultation – everything is pre-determined and you are only having meetings to tick a box to confirm you have consulted. The Council should be aware of the Coughlan tests for consultation.</p>	<p>Email (5) Letter (2)</p>	<p>We would like to assure providers that the consultation on the contract and Open Book Review do not have pre-determined outcomes. We are very keen to work with providers to reach a resolution and are listening carefully to all the feedback received and taking action if required.</p> <p>We do not believe the timetable to be unachievable and have planned our time and resources accordingly.</p>

APPENDIX F. RESIDENTIAL & NURSING HOMES FOR OLDER PEOPLE: CONSULTATION COMMENTS AND COUNCIL RESPONSE (09.10.2013 – 20.11.2013)

9. Any other issues		
Question/Issue	Source	Council Response
We would welcome more visits from councillors and officers to our care homes	Meeting (1) Email (2) Letter (2)	If care home owners would like to invite councillors to visit their care homes, they can obtain contact details through the council website (http://councillors.herefordshire.gov.uk/mgMemberIndex.aspx?bcr=1)
There are delays between accepting a referral and payment by the council and issues relating to client contributions not being paid – these delays have significant implications on provider finances.	Meeting (4) Email (2)	The council is aware of issues within its business processes and work is underway to improve this – however, this will take time and won't be solved overnight. Providers are advised not to accept referrals if there is no purchase order in place.
Several providers observed that the needs of service users are continually increasing and would welcome any additional support the council could provide	Meeting (2)	The council is keen to make better links between the different types of services available - for example how we could support care homes to make more use of our telecare offer and the integrated equipment stores
<i>Regarding 2010 OBR:</i> due to the level of discretionary payments previously being funded by the council, the true increase in nursing rate in 2010 was very substantially lower than the headline increase of about 27.5%	Letter (1)	We are aware of the circumstances regarding the rate increase in 2010. Our focus and concern is not about what has happened to rates in the past, but what is an appropriate, fair and affordable rate for 2014/15.
The consultation for domiciliary care seems to be taking the same poor process as the one for care homes Domiciliary care providers are concerned the council will invite out-of-county firms to tender and provide poorer care at a lower price. In the same letter that gave notice of termination of contract and the intention for a competitive tender process, the council asked providers to accept an immediate £0.50 p/h reduction due to the budget and expected future fee reduction. This is not correct consultation and shows a pre-determined situation.	Letter (1)	The Home and Community Support project (which is predominantly homecare) is not a pre-determined situation. Whilst the council's financial situation does mean we may look to reduce homecare rates, the council has open views on what commissioning approach to take and has been very keen to obtain provider views on what approach would best support them to operate efficiently. Provider feedback is being carefully considered to ensure that the commissioning approach and rate(s) adopted support the local Herefordshire homecare market. Whilst current homecare providers were invited to accept a 50p p/h reduction, the council has agreed to not take up the voluntary reductions.
What are the implication of the 256 Monies from the NHS on adult social care budgets?	Meeting (1)	Whilst these monies are to protect adult social care investment, even with these funds the council is still having to take £12million out of the Adult Wellbeing budget over the next 3 years, within the context of increasing demand.



MEETING:	CABINET
MEETING DATE:	12 JUNE 2014
TITLE OF REPORT:	NATIONAL NON DOMESTIC RATE DISCRETIONARY RELIEF
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is a key decision because it is likely to be significant in terms of its effect on charities, organisations and communities living or working in an area comprising one or more wards in the county.

NOTICE has been served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards Affected

Countywide

Purpose

This report requests the approval of a new Discretionary Rate Relief Charter that will facilitate a revised "Policy for Awarding Discretionary Rate Relief" that will be implemented in April 2015.

Recommendation

THAT:

- (a) **Cabinet approve the Discretionary Rate Relief Charter, as set out in the Appendix to the report, so that a revised "Policy for Awarding Discretionary Rate Relief" can be introduced in April 2015.**

Alternative Options

- 1 The existing policy could continue, or other alternatives could be pursued, including options to remove all or other sections of National Non Domestic Rates (NNDR) Discretionary Relief.

Further information on the subject of this report is available from
Peter Robinson, Chief Financial Officer on Tel (01432) 383519

Reasons for Recommendations

- 2 To implement a new charter that will link the distribution of NNDR Discretionary Relief to the delivery of activities and services which directly benefit Herefordshire residents.

Key Considerations

- 3 Both charities and other organisations have access to apply for NNDR relief subject to qualification of the relevant criteria. Depending on the organisation's legal status, they could receive Mandatory Relief, of up to 80% of their NNDR and / or also apply for Discretionary Relief. Some organisations can also claim Rural Rate Relief if they are based within a qualifying rural settlement. This is further explained in the background papers to this report.
- 4 Revisions to the discretionary relief to achieve budget reduction targets need to take into account the impact on those organisations; charities, voluntary sector organisations and community groups assist in delivering corporate objectives.
- 5 The policy has been revised to incentivise organisations to do more in their communities, resulting in more services and activities that will benefit those communities and contribute towards the council's objectives.
- 6 Officers from each service, set up a working group to undertake a mapping exercise using a questionnaire sent to all NNDR relief recipients, to assess what services / activities they were delivering that support / contribute to the council's objectives. In addition they were asked to explain what expansion plans they had for future services that would support council priorities. This information will also help commissioning leads to understand available opportunities to encourage more service delivery in the communities.
- 7 The responses confirmed that many organisations are already delivering activities that satisfy the council's objectives:
 - Keep children and young people safe and give them a great start in life
 - Enable residents to live safe, healthy and independent lives
 - Invest in projects to improve roads, create jobs and build more homes
- 8 The working group then developed a Discretionary Rate Relief Charter, which is shown in Appendix A.
- 9 This Charter will be used to update the "Policy for Awarding Discretionary Rate Relief", after which all applications will be assessed on "what contributions the organisation makes in supporting the council's objectives".

Community Impact

- 10 The Discretionary Rate Relief Charter will allow many organisations to continue to receive Discretionary Relief. It will also encourage them to improve and increase their activities within the communities, which will directly benefit Herefordshire residents and meet the priorities of the council.

Equality and Human Rights

- 11 An Equality Impact Assessment (EIA) was done in December 2014, which confirmed that Mandatory Relief was available for all those complying with the criteria set nationally, whilst the Discretionary Relief policy changes implemented in April 2103 could impact on those who did not fit the criteria set out in the local policy.
- 12 The report presented to Members in November 2013, suggested a revised policy for 2015, that would significantly reduce the use of Discretionary Rate Relief, the EIA confirmed that these policy changes would not be discriminatory, but

“...the proposals set out in this report could see charities and applicable organisations having reduced NNDR discounts which could affect their viability. Legally any policy change is subject to 12 months notice for existing recipients.”
- 13 The Discretionary Rate Relief Charter allows the existing organisations as well as potential new organisations to access the relief providing they demonstrate that they are delivering activities that support council objectives. There may be organisations that do not apply in future because they undertake activities not beneficial to Herefordshire communities.

Financial Implications

- 14 All discretionary reliefs are funded in part (50%) by the National NNDR Funding Pool through national Government, Herefordshire Council (49%) and the fire authority (1%).
- 15 The current cost of NNDR Discretionary Relief is £470k, but, because of the funding mechanism, Herefordshire Council’s contribution is only £230k. Thus the council gets the full benefit from the organisation and what it delivers for the community / county, but only has to contribute to 49% of the relief.
- 16 The Medium Term Financial Plan includes a savings target from this budget heading of £150k, which was based on the original policy changes set out in November 2013.
- 17 Approval of the new charter will see organisations applying for relief, resulting in direct benefits to Herefordshire Council, and more specifically on Services, this is should facilitate corresponding reductions to service budgets.
- 18 Conversely it is likely that a number of organisations will cease to receive the relief because they are not prepared to extend their service offerings, this will reduce costs of this service.

Legal Implications

- 19 Section 47 Local Government Finance Act 1988 (as amended) provides the framework for the mandatory and discretionary reliefs that local authorities can exercise on NNDR.
- 20 Before 2012, local authorities were able to grant Discretionary Rate Relief only in specified circumstances. In each case the Government bore part of the cost of the relief. Eligibility was restricted to small rural businesses; charities; Community Amateur Sports Clubs (CASCs); non-profit organisations; and organisations experiencing ‘hardship’.

- 21 A council is now allowed to grant discretionary rate relief of up to 100% to any ratepayer. Section 69 of the Localism Act 2011 amended section 47 of the Local Government Finance Act 1988 to replace the limited circumstances in which local authorities could currently give discretionary relief with a power to grant relief in any circumstances.
- 22 The new power applied from April 2012. This is subject to the condition that, except in the limited circumstances specified, the local authority may only grant relief if it would be reasonable to do so having regard to the interests of council taxpayers in its area.
- 23 The council may adopt rules for the consideration of discretionary cases, but they should not adopt a blanket policy either to give or not to give relief and each case should be considered on its own merits.
- 24 If the correct procedures for applications for discretionary relief are not followed by the council, or an applicant is not satisfied with the council's decision, following any internal appeal, then ultimately the applicant for relief may challenge that decision by way of judicial review in the High Court.
- 25 Charities and Community Amateur Sports Clubs (CASCs) enjoy a mandatory reduction of 80% in business rates. Local authorities have the discretion to increase this to 100%. Most not-for-profit bodies can be granted up to 100% discretionary relief.

Risk Management

- 26 Implementing this policy change will impact on resources for staff both within the Services and Revenues and Benefits Team. It is proposed to manage this risk by preparing the application and guidance in advance, working with the Services to ensure we have clear criteria for assessment and approval, all of which will be concluded by October 2014. Then correspondence with the ratepayers will take place through the autumn. This managed approach should then ensure most communication is concluded before year end, mitigating the amount of appeals and correspondence in 2015.

Consultees

- 27 All existing recipients of NNDR Discretionary Relief were sent a covering letter and questionnaire that explained the rationale for the mapping exercise and the proposal to change the criteria, as well as incentivising access to Discretionary Relief.
- 28 Consultation and engagement took place across all council directorates, with nominated leads developing the charter and establishing what benefits would be received from this relief.

Appendices

Appendix A - Discretionary Rate Relief Charter for Herefordshire

Appendix B - NNDR Overview, including a brief explanation of NNDR and the available reliefs.

Background Papers

- None identified.

DISCRETIONARY RATE RELIEF CHARTER FOR HEREFORDSHIRE

Introduction

Herefordshire Council recognises that the voluntary and community sector make a major contribution to the economy, health and wellbeing of the people who live and work in Herefordshire. This covers both children's and adults' services. The county needs a healthy voluntary and community sector (VCS) to provide:

- **Local community based services** - many VCS organisations (including social enterprises) are community based and may therefore be better able to work with harder to reach groups;
- **Choice** - by supporting VCS organisations (including social enterprises) the council hopes to provide a greater choice for local people in terms of the services they are able to access and being responsive to changing local need;
- **Opportunities for people to participate** - as volunteers as well as service users;
- **Specialist services** - many VCS organisations develop expertise in the particular needs of a client group.

Herefordshire is also committed to protecting facilities and services in rural areas, as they improve the resilience of communities and support those who are more vulnerable and isolated. These services provide:

- **A social hub** - a focal point for the whole community and a place for people to meet; find out what's going on locally and to interact socially. This is particularly important for the sections of the community that might otherwise be socially excluded, particularly the elderly living alone, or those with disabilities;
- **Facilities for those with limited transport options** - very local facilities provide a lifeline for those unable to travel further afield, due to lack of public transport, poverty or limited mobility;
- **Employment** - rural retail services provide employment opportunities and are often flexible opportunities which provide employment to young people and those seeking part time work;
- **Support for local producers** - rural retail services provide a valuable outlet for local producers.

The council also recognises that the Discretionary Rate Relief (DRR)¹ is paid for in part, by council taxpayers, and therefore the council has a duty to ensure that public funds are spent wisely, with due transparency and accountability. By awarding DRR, the council is effectively awarding grant aid to those organisations, so they can use their resources towards achieving the aims of this charter rather than paying the rates that would otherwise be due.

Aim

The aim of the Discretionary Rate Relief scheme is to support organisations to run and further develop facilities, services or activities which directly benefit Herefordshire residents and meet the priorities of the council.

Council's priorities and how your organisation can help

The council's priorities are to:

- Keep children and young people safe and give them a great start in life
- Enable residents to live safe, healthy and independent lives
- Invest in projects to improve roads, create jobs and build more homes

In order to meet these priorities the council seeks to encourage individuals, communities and organisations to do more for themselves and their local area.

Priority	Examples of how your organisation can help
Keeping children and young people safe and giving them the best start in life	<ul style="list-style-type: none">• Provide services and activities which support vulnerable children and their families;• Engage with children and young people about what things they would like to take place;• Make your services and activities accessible and open to children and young people.
Enabling residents to live safe, healthy and independent lives	<ul style="list-style-type: none">• Provide services and activities which support people to live independently and stay healthy;• Engage with more vulnerable residents about what things they would like to take place;• Make your services and activities accessible and open to the more vulnerable and socially excluded;• Enabling communities to help themselves through improved local coordination of activities which support vulnerable and socially excluded residents.
Investing in projects to improve roads, create jobs and build more homes	<ul style="list-style-type: none">• Support local producers;• Offer local employment, training and volunteering opportunities;• Reduce journey times by increasing access to local services.

Evidence needed for eligibility

VCS organisations will need to describe how they deliver and intend to develop activities to meet the council's priorities and to what level they believe these services / activities will directly benefit Herefordshire residents.

Organisations will need to commit to provide and update information on their services and activities as advised by Herefordshire Council.

It is known that many VCS organisations already deliver activities that satisfy the priorities, but there is an expectation that "additionality" will be evidenced by doing and offering more in their communities.

ⁱ Types of relief available

There are two types of business rate relief – Mandatory and Discretionary.

Mandatory Rate Relief is funded nationally and granted to the following categories of business rates payer:

- Registered charities;
- Village post offices, general stores, specialist food shops, public houses and petrol filling stations – if they are in a designated rural settlement;
- Registered Community Amateur Sports Clubs (CASCs).

Local authorities also have the power to grant **Discretionary Rate Relief** as follows:

- To make a further award on top of Mandatory Rate Relief to those categories listed above and also:
- In respect of sports grounds and clubs;
- To other non-profit making organisations including asset locked social enterprises, such as Community Interest Companies;
- To other rural businesses situated within a designated rural settlement.

NNDR Overview

National Non-Domestic Rates, or business rates, as they are more commonly known, are a tax on non-domestic property. The amount collected in Herefordshire is £46m, of which 49% is retained by the council, 1% by the fire service and 50% NNDR Funding Pool national Government. The council agreed a NNDR collection budget of £22.7m for 2014/15.

The Local Government Finance Act 1988 (as amended) provides the framework for authorities to grant the following reliefs, which are fully explained in the council's current policy:

Mandatory – awarded to charities, community amateur sports clubs and qualifying rural businesses.

Discretionary – can be awarded as a top up to mandatory relief, to sports clubs and other non-profit making organisations, some rural businesses, community interest companies and other ratepayers set out in the statutory criteria as stated in the Localism Act 2012.

Hardship – in circumstances when the ratepayer would sustain hardship, or if it was in the interests of the council taxpayer.

Policy 2014/15

From April 2014, the "Policy for Awarding Discretionary Rate Relief" was updated, to limit relief to charities and organisations that are locally based and have a local benefit to the citizens of Herefordshire, and have a social / welfare nature.

All those currently in receipt of discretionary relief have been given 12 months notice to inform them about the further changes to the policy for April 2015 and explain that they may not be then be eligible to apply.



MEETING:	CABINET
MEETING DATE:	12 JUNE 2014
TITLE OF REPORT:	FINANCIAL OUTTURN 2013/14
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is not a key decision.

Wards Affected

County-wide

Purpose

To inform Cabinet of the revenue and capital outturn for 2013/14, including the Treasury Management outturn report.

Recommendations

THAT:

- (a) the final outturn for 2013/14 be noted;
- (b) the movement to new reserves outlined in paragraph 12 of the report be approved; and
- (c) the Treasury Management outturn report be recommended to Council for approval.

Alternative Options

There are no alternative options

Reasons for Recommendations

- 1 Whilst work continues on the range of tasks necessary to prepare the council's statutory statement of accounts for 2013/14, it is sufficiently advanced for Cabinet to consider the final outturn for the year.

Key Considerations

Revenue Outturn

- 2 2013/14 has been a difficult year, where in October, based on August expenditure a £4.3m overspend was forecast for Adult Social Care. This position has improved significantly, the Adults' overspend reducing to £3m which has now been compensated by efficiencies and brought forward savings plans in other directorates. This gives confidence that the 2014/15 budget can similarly be delivered, although savings of £15m will need to be closely monitored during a further very challenging year.
- 3 The revenue outturn position for 2013/14 shows an underspend of £397k, an improvement of £424k against the previously reported forecast based on January budget monitoring;

Service	Budget	January projection (over)/under	Outturn (over)/under	Change
	£000	£000	£000	£'000
Adults Wellbeing	55,001	(3,000)	(2,959)	41
Childrens Wellbeing	28,508	695	867	172
Economy, Communities & Corporate	44,414	105	567	462
Chief Exec & Organisational Development	7,326	58	309	251
Public Health	188	0	17	17
Directorate total	135,437	(2,142)	(1,199)	943
Other budgets and reserves	14,859	2,115	1,596	(519)
Total	150,296	(27)	397	424

- 4 The key changes from the January projected outturn are:-
- Use of Childrens Wellbeing grant £0.2m
 - Further joint initiatives in Public Health, particularly in ECC £0.4m
 - Pension costs, audit fees and Energy company dividend £0.3m
 - Change management costs capitalised £0.8m
 - One-off benefit from connexions service closure £0.3m
 - Increased Planning income £0.1m
 - IT and HR savings £0.3m
- 5 A more detailed analysis of the revenue outturn is shown at Appendix A.

Capital Outturn

- 6 £43.3m of capital schemes were delivered in 2013/14 which included:
- Leominster Primary School - £4.6m
 - The new Heritage Archive & Records Centre - £3.4m

- Blackmarstons Special School improvements - £3.0m
- The Connect 2 bridge crossing - £2.0m
- Capitalised Change Management Costs - £1.7m
- Hereford Enterprise Zone - £1.4m
- Multi storey car park refurbishment - £1.2m
- Road improvements - £10.7m
- Other smaller schemes - £15.3m

- 7 Total spend was £7.8m less than the previous forecast (October) of £51.1m which will now be spent in 2014/15. The majority relates to the Fastershire broadband project which will be fully deployed by December 2016.

Scheme	Approved Total Budget £m	October forecast 13/14 £m	2013/14 Outturn £m	(Over)/ under £m
Accommodation/HARC	9.7	7.6	8.0	0.4
Fastershire Broadband*	20.2	4.0	0.2	(3.8)
Hereford Link Road	27.0	1.9	1.2	(0.8)
Local Transport Plan	11.4	11.4	10.7	(0.6)
Masters House Ledbury	4.0	2.1	1.1	(1.0)
Smaller capital schemes	n/a	24.1	22.1	(2.0)
TOTAL	-	51.1	43.3	7.8

*** Total approved budget includes 50% Government – Broadband Delivery UK Grant of £10.1m, net cost to Herefordshire Council of £10.1m**

- 8 A more detailed analysis of the capital outturn is shown at Appendix B.

Treasury Management

- 9 The Treasury Management projected outturn is an underspend of £251k on borrowing costs, largely achieved through delaying taking out Public Works Loan Board (PWLB) loans by utilising internal reserves and short-term borrowing from other local authorities. It also includes capitalised interest on schemes over 12 months duration. Investment income over achieved by £73k as both balances and interest rates were higher than originally budgeted. Appendix C includes a detailed analysis and the formal treasury management outturn report in line with the CIPFA Code of Practice on Treasury Management. The council has complied with its Prudential Indicators for 2013/14, which were approved on 18 February 2013 as part of the council's Treasury Management Strategy Statement.

Reserves

- 10 The general reserve balance at 31 March 2014 is £5m, after taking account of the £397k underspend. This is slightly above the prudential balance of £4.5m, 3% of net budget. The 2013/14 budget included an increase in the general reserve of £2m, which was reallocated in the year to a risk mitigation reserve. The 2014/15 budget includes a further increase in general reserve of £3.6m which will increase the total to £8.6m.
- 11 The positive year-end position has enabled further increases in earmarked reserves, including a further £1.5m to the risk mitigation reserve (£3.5m in total) and the establishment of a reserve of £1m to cover the future impact of the deficit on the collection fund caused by higher than anticipated business rates appeals and reliefs.

- 12 The outturn position includes the following new reserves the majority of which were included in forecast revenue spending during the year;

Reserve	£000	Purpose
Risk mitigation	3,500	Unbudgeted risks in delivering 14/15 to 16/17 savings of £33m
Business Rate smoothing	1,000	To cover fluctuations to be used in 15/16
Land charges	600	National dispute around land charges
Safeguarding	417	To support safeguarding improvements
ICT	387	Infrastructure and ICT development
Library services	260	To support delivery of 2014/15 savings
Herefordshire Local Plan	170	To deliver the Local Plan Core Strategy
HR	146	For transformation support and development
SEN	75	To support government programme
Section 256	55	Joint health and social care funding cfwd
Other small reserves	53	Unspent funds committed in 2014/15
Total	6,663	

- 13 As at the 31 March 2014 the council held £23.9m of earmarked reserves. In addition to the new reserves outlined in paragraph 12 there were transfers to and from existing reserves, as shown in the table below. Earmarked reserves also include unused grants carried forward into 2014/15, the largest being £2.2m severe weather grant received in March 2014. The specific nature of some reserves means that some are not available for reclassification as general reserves, for example schools balances and dedicated schools grant.

- 14 Total revenue reserves, including general and earmarked are shown in the table below;

	31 Mar 2013	Transfer in(out) 2013/14	31 Mar 2014
	£000	£000	£000
General reserve	4,656	397	5,053
Earmarked			
School balances	5,535	810	6,345
New reserves	0	6,663	6,663
Waste Disposal	2,407		2,407
Other smaller reserves	2,723	23	2,746
Severe weather grant	0	2,120	2,120
Other unused Grants cfwd	3,303	359	3,662
	18,624	10,372	28,996

Collection Fund

- 15 Income collected from council taxpayers and business ratepayers (NNDR) is accounted for through the Collection Fund. For council tax the income is distributed to the council, West Mercia Police and Hereford & Worcester Fire and Rescue Authority. Similarly the account distributes shares of the business rates collected between the council, central government and the Fire Authority.
- 16 The position on council tax for 2013/14 was a small surplus of £50k, of which Herefordshire council's share is £42k. This will be carried forward to reduce the council tax requirement in 2015/16.
- 17 The Business rates element of the Collection Fund was a deficit of £3.5m, of which Herefordshire's share is £1.7m. The main reasons for the shortfall are increased rate reliefs and reductions for prior year adjustments, including appeals. The deficit has been covered by an allowance in the 2014/15 budget and the £1m rates smoothing reserve included in the 2013/14 outturn.

Community Impact

- 18 The recommendations do not have any community impact

Equality and Human Rights

- 19 The recommendations do not have any equality implications

Financial Implications

- 20 These are set out in the report.

Legal Implications

- 21 None.

Risk Management

- 22 The council is required to ensure the closure of 2013/14 accounts by 30 June 2014 including signing off of the statutory statements by the Council's Chief Finance Officer. Failure to do so carries a reputational risk for the council in relation to its corporate governance role. The council has a detailed plan and timetable to ensure the deadline is met.

Consultees

- 23 None

Appendices

Appendix A - Revenue Outturn

Appendix B - Capital Outturn

Appendix C - Treasury Management Outturn

Background Papers

- None identified.

Appendix A

The year-end figures reflect the requirement to allocate internal recharges to comply with CIPFA's Service Reporting Code of Practice (SERCOP). This makes the accounts comparable across all local authorities by ensuring services report their full costs including overheads and capital charges. It also includes technical accounting adjustments to comply with International Financial Reporting Standards (IFRS), including pensions, PFIs and holiday accruals, which have to be undertaken to complete the statutory accounts. The report shows budgets before and after these adjustments.

These are different to the budgets monitored and reported through the year which reflect management responsibilities and accountabilities which is normal practice. The following table summarises the 2013/14 final outturn position, reconciling the budgets reported through the year to the SERCOP budgets.

Service	Budget Exp.	Budget (Income)	Net Budget	Year-end adjusts	Final net budget	Outturn Spend	Outturn (over)under spend	January Forecast	Change
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adults Wellbeing	70,170	(15,169)	55,001	3,288	58,289	61,248	(2,959)	(3,000)	41
Childrens Wellbeing	43,181	(14,673)	28,508	8,050	36,558	35,691	867	695	172
Economy, Communities & Corporate	111,853	(67,439)	44,414	6,463	50,877	50,310	567	105	462
Chief Exec & Organisational Development	8,033	(707)	7,326	(6,653)	673	364	309	58	251
Public Health	7,941	(7,753)	188	(254)	(66)	(83)	17	0	17
Directorate total	241,178	(105,741)	135,437	10,894	146,331	147,530	(1,199)	(2,142)	943
Treasury management	15,239	(259)	14,980	301	15,281	14,957	324	250	74
Other budgets and reserves	4,364	(4,485)	(121)	(11,195)	(11,316)	(12,588)	1,272	1,865	(593)
Total	260,781	(110,485)	150,296	0	150,296	149,899	397	(27)	424

Adults Wellbeing

Service	Budget Exp.	Budget (Income)	Net Budget	Year-end adjusts	Final net budget	Outturn Spend	Outturn (over)under spend	January Forecast	Change
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Adult Operations	4,071	(516)	3,555	1,994	5,549	5,903	(354)	(91)	(263)
Mental Health	9,106	(1,932)	7,174	160	7,334	7,448	(114)	(190)	76
Learning Disabilities	17,227	(1,318)	15,909	38	15,947	15,655	292	327	(35)
Older People	19,206	(5,365)	13,841	(983)	12,858	13,517	(659)	(951)	292
Physical Disabilities	7,969	(753)	7,216	25	7,241	7,598	(357)	(368)	11
Adult Commissioning	1,020	0	1,020	729	1,749	2,113	(364)	(188)	(176)
Other Services	8,017	(4,660)	3,357	458	3,815	4,870	(1,055)	(1,150)	95
Adult Social care	66,616	(14,544)	52,072	2,421	54,493	57,104	(2,611)	(2,611)	0
Planned savings schemes outside directorate	(876)	0	(876)	0	(876)	0	(876)	(876)	0
Total for adult social care	65,740	(14,544)	51,196	2,421	53,617	57,104	(3,487)	(3,487)	0
Homelessness	2,916	(210)	2,706	166	2,872	2,523	349	317	32
Housing Needs and Development	280	(8)	272	121	393	371	22	44	(22)
Home point	282	(282)	0	144	144	125	19	0	19
Housing and independent living management	225	0	225	72	297	276	21	16	5
Healthy Housing	727	(125)	602	364	966	849	117	110	7
Housing and Independent living	4,430	(625)	3,805	867	4,672	4,144	528	487	41
Directorate Total	70,170	(15,169)	55,001	3,288	58,289	61,248	(2,959)	(3,000)	41

The main changes from the reported position in January are as follows:

Adults Operations

All obsolete stock that has not been purchased by the new external provider NRS, for the Community Equipment Service, has been written off at the 31 March creating a further overspend of £177k
Additional agency staff costs of (£86k).

Mental Health

There was a reduction in client care costs in particular a reduction in the number and value of residential care costs.

Learning Disabilities

There was a small increase in the cost of client care packages of £35k.

Older People

There was a decrease in the number and cost of packages for nursing (£137k), domiciliary care (£133k) and day services of £22k.

Physical Disabilities

There was a small decrease in the cost of client care packages of £11k.

Adult Commissioning

Underspending due to the lack of demand on the Social fund grant has now been placed in a reserve for use in 2014/15. This had previously been shown as an underspend in January.

Other Services

Further savings of £95k have been achieved within the 2gether, Wye Valley Trust and supporting people contracts.

Housing services

There was a reduction in the predicted cost of homelessness services in February and March.

Childrens Wellbeing

Service	Budget Exp.	Budget (Income)	Net Budget	Year-end adjusts	Final net budget	Outturn Spend	Outturn (over)/under spend	January Forecast	Change
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Directorate Costs	2,561	(318)	2,243	(534)	1,709	1,553	156	98	58
Directorate Costs	2,561	(318)	2,243	(534)	1,709	1,553	156	98	58
Service Management	127	0	127	(122)	5	60	(54)	7	(61)
Children's Safeguarding	13,571	(283)	13,288	1,008	14,296	15,495	(1,199)	(1,090)	(109)
Early Help	2,922	(395)	2,527	1,011	3,538	2,551	986	676	310
Safeguarding and Early Help	16,620	(678)	15,942	1,897	17,839	18,106	(267)	(407)	140
Service Management	512	(5)	507	25	532	459	73	56	17
Additional Needs	6,356	(4,004)	2,352	583	2,935	2,861	74	96	(22)
Education Improvement	1,140	(746)	394	102	496	361	135	202	(67)
Youth Services	312	(168)	144	(51)	93	26	67	75	(8)
Children's commissioning	1,811		1,811	105	1,916	1,699	217	169	48
Development and Sufficiency	13,869	(8,754)	5,115	6,026	11,141	11,512	(371)	(377)	6
Education and Commissioning	24,000	(13,677)	10,323	6,790	17,113	16,918	195	221	(26)
Education Support Grant				(103)	(103)	(886)	783	783	0
Children's Wellbeing Directorate	43,181	(14,673)	28,508	8,050	36,558	35,691	867	695	172

The main changes from the reported position in January are;

Education and Commissioning

The opportunity to offset some costs to DSG had not been included in the January forecast, which improved the position for the Local Authority. In addition the billing for inter-authority was different this year and had not been allowed for in the forecast. Previous apportionment of Public Health funding and a reduction in the short breaks demand had also helped improve the position in January.

Central Children's Directorate costs

The Education Service grant remained underspent by £783k and this along with the use of the dedicated schools grant were appropriate accounts for the underspend in this area.

Safeguarding and Family Support

Although this area continued to be overspent the final position had improved from previous forecasts. The adoption reform grant was used to fund costs within the adoption service area and the forecasted full spend of the training budget did not materialise. Previous allocation of Public Health grant to children's centres and intensive family support had helped improve the forecast significantly earlier in the year.

Spend on agency staff continued to increase and this accounts for the £376K overspend within the fieldwork total. Children's external placements remained overspent as forecasted all year, despite significant work being done to try and reduce both the numbers and the costs of individual placements it was not possible to reduce the numbers to those anticipated when setting the original budget which were 33 fostering, 5 residential and 1 secure.

Economy, Communities and Corporate

Service	Budget Exp.	Budget (Income)	Net Budget	Year-end adjusts	Final net budget	Outturn Spend	Outturn (over)under spend	January Forecast	Change
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Economic, Environment and Cultural services	12,592	(8,596)	3,996	6,876	10,872	10,104	768	211	557
Placed Based Commissioning	32,436	(4,531)	27,905	3,310	31,215	30,978	237	227	10
Law Governance & Resilience	3,798	(890)	2,908	(887)	2,021	2,685	(664)	(482)	(182)
Chief Finance Officer & Corporate Management	52,014	(48,056)	3,958	(300)	3,658	3,130	528	235	293
Property Services	6,162	(4,525)	1,637	(1,822)	(185)	78	(263)	(154)	(109)
Community & Customer Services	4,578	(805)	3,773	(775)	2,998	3,050	(52)	39	(91)
Director & Management	273	(36)	237	61	298	285	13	29	(16)
Economy, Communities and Corporate	111,853	(67,439)	44,414	6,463	50,877	50,310	567	105	462

The main changes from the reported position in January are;

The integration of the public health service within the council has led to successful joint working with resultant efficiencies. A number of initiatives planned for 2014/15 have been accelerated by the Director of Public Health, generating further efficiencies of which allowed £400k available to this Directorate.

Planning fee income exceeded previous forecasts by £100k in February and March 2014.

There was further underspending on Corporate Management budgets of £160k which includes pension costs and external audit fees and additional courts costs recovered in relation to Council Tax collection.

As previously reported, legal proceedings were commenced against the Council (and other Councils) by private search companies which could result in this Council having to repay around £600k, an increased estimate since January.

Chief Executive and Organisational Development

Service	Budget Exp.	Budget (Income)	Net Budget	Year-end adjusts	Final net budget	Outturn Spend	Outturn (over)under spend	January Forecast	Change
	£000	£000	£000	£000	£000	£000	£000	£000	£000
ICT	5,402	(495)	4,907	(4,733)	174	(19)	193	0	193
Human Resources	1,412	(132)	1,280	(1,245)	35	33	2	0	2
Communications and Web Management & Support	622	(80)	542	(539)	3	4	(1)	0	(1)
Organisational Development Team	7,653	(707)	6,946	(6,698)	248	20	228	0	228
Chief Executive	380	0	380	45	425	344	81	58	23
Chief Executive & Organisational Develop	8,033	(707)	7,326	(6,653)	673	364	309	58	251

The main changes from the reported position in January relates to slippage in ICT Projects. This includes in year savings across ICT budgets, which were previously held back to cover risks within the project to renew the PSN Network contract and the negotiations with partners on requirements and contributions.

Public health

Service	Budget Exp. £000	Budget (Income) £000	Net Budget £000	Year-end adjusts £000	Final net budget £000	Outturn Spend £000	Outturn (over)under spend £000	January Forecast £000	Change £000
Public Health Grant	0	(7,753)	(7,753)	0	(7,753)	(7,753)	0	0	0
Pay Budget	1,918	0	1,918	(509)	1,409	2,237	(828)	0	0
Commissioning Budget	5,522	0	5,522	367	5889	3,918	1,971	0	0
Contingency Budget	350	0	350	0	350	1,493	(1,143)	0	0
Public Health Grant	7,790	(7,753)	37	(142)	(105)	(105)	0	0	0
Research Team	151		151	(112)	39	22	17	0	17
Public Health LA	151	0	151	(112)	39	22	17	0	17
Public Health Directorate	7,941	(7,753)	188	(254)	(66)	(83)	17	0	17

The main changes from the reported position in January relate to vacancies within the Research Team.

2013/14 Capital Outturn

1. £43.3m of capital schemes were delivered in 2013/14. Summaries by directorate and schemes above £500k are provided below:

Table A - Summary spend and sources of funding 2013/14

	Capital Budget £'000	October Forecast £'000	Capital Outturn £'000
Directorate Spending			
Adults Wellbeing	3,422	2,895	1,494
Childrens Wellbeing	9,508	9,586	10,416
Economy, Communities & Corporate	41,828	37,773	31,104
Chief Executive & Organisational Development	1,248	648	389
Contingency	242	274	-
Total	56,248	51,176	43,403
Funding			
Capital Grants	30,463	31,182	26,213
Prudential Borrowing	21,905	16,662	15,013
Capital Receipts	3,819	3,271	1,979
Reserve & Revenue Funding	61	61	198
Total	56,248	51,176	43,403

Table B - Schemes with an outturn exceeding £500k in 2013/14

Scheme	Capital Budget £'000	October Forecast £'000	Outturn £'000	Comments
Adults Wellbeing				
Disabled Facilities Grants	1,119	1,119	1,077	Individual grants awarded through an application process, enabling independent living
Childrens Wellbeing				
Leominster Primary School	3,507	3,507	4,562	Works started on site, new school to open in October 2014
Blackmarstons Special School	2,719	2,719	2,981	Refurbishment scheme complete
Condition property works	1,634	1,634	886	Annual programme of works at various school sites committed on a highest need first basis
Economy, Communities & Corporate				
Local Transport Plan including additional maintenance allocation	11,376	11,376	10,790	Annual programme of capital works to highways, footways and bridges.
Corporate accommodation	9,135	7,690	7,967	Works progressing at Plough Lane, the new heritage, archive and record centre and Civic hub 2
Masters House, Ledbury	2,076	2,076	1,192	Refurbishment works have commenced and will continue into next year
Link road	2,287	1,921	1,188	Anticipated one year construction programme expected to start in late summer of 2014
Connect 2	1,601	1,695	1,984	New bridge on site with continuing works leading to an opening before Christmas
Hereford Enterprise Zone	1,566	1,566	1,353	Utilities, access and public realm works underway to enable plot sales
Garrick House multi storey	1,146	1,146	1,194	Works to complete and car park to re-open before Christmas trade
Capitalised transformation costs	-	-	981	Following capitalisation direction approval (total £1.66m)
Sub Total	38,166	36,449	36,155	
Schemes with an outturn <£500k in 2013/14	18,082	14,727	7,248	
Total	56,248	51,176	43,403	

2. Capital Receipts Reserve

The capital receipts reserve totalled £6.0m at 31 March 2014, a net increase of £3.3m from 1 April 2013, movements in year are summarised in the table below.

	£m
Opening Reserve Balance	2.7
Plus capital receipts:-	
Surplus properties auctions held in year	2.2
Right to Buy share from Herefordshire Housing	1.0
Hillrise (closed Day Care Centre)	0.5
Chestnuts (closed Care Home)	0.5
New House Farm Smallholding	0.4
Land at Riverside Primary School	0.4
Other sales & loan repayments	0.3
Less funding of 2013/14 capital spend	(2.0)
Closing Balance as at 31.03.14	6.0

The carried forward balance will fund approved capital schemes in 14/15 and 15/16.

3. Variance from October 2013 Forecast

Total spend was £7.8m less than the October forecast of £51.1m, the majority of which will now be spent in 2014/15. No funding resources have been lost as a result of the re-profiling of spend. A full breakdown is set out below:

- Fastershire Broadband £3.8m. BT re-profiled spending. Scheme delivery is still on track with deployment to complete by December 2016.
- Masters House £1m. The programme of improvement works continue to timescale with works due to complete in October 2014.
- New Link Road £0.8m. This scheme has been to public inquiry with agreements reached on all but one of the required property acquisitions. The outcome of the inquiry is expected to be published in July 2014.
- Redundant Building Grant £0.8m. This is a two year external grant funded programme with funds being released following completion of all grant conditions.
- Car parking Strategy £0.8m. This budget was provided for the Rockfield works which are now complete.
- Local Transport Plan £0.6m, as a result of changing contract in the year and severe weather disruption.

Annual Treasury Management Report 2013/14**1. Background**

- 1.1 The council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management. Before the start of every year the Code requires local authorities to produce Prudential Indicators and a Treasury Management Strategy Statement detailing the policies and objectives of the council's treasury management activities for the forthcoming year. After the year end an outturn report is then produced detailing the actual results for the year.

2. Economic Background

- 2.1 At the beginning of the 2013-14 lack of growth in the UK economy, the threat of a 'triple-dip' recession alongside falling real wages (i.e. after inflation) and low business investment were a concern for the Bank of England's Monetary Policy Committee.
- 2.2 In August 2013 the Bank of England gave forward guidance pledging to not consider raising interest rates until the unemployment rate fell below the 7% threshold. In the Bank's initial forecast, this level was only expected to be reached in 2016. Although the Bank stressed that this level was a threshold for considering an increase in rate rather than an automatic trigger, markets began pricing in a much earlier rise than was warranted and, as a result, gilt yields (and hence borrowing rates from the Public Works Loan Board) rose aggressively.
- 2.3 As the year progressed the recovery in the UK surprised with strong economic activity and growth. The last quarter of 2013 showed year-on-year growth of 2.7%. Much of the improvement was down to the dominant service sector, and an increase in household consumption buoyed by the pick-up in housing transactions which were driven by higher consumer confidence, greater availability of credit and strengthening house prices which were partly boosted by government initiatives such as Help-to-Buy. However, business investment had yet to recover convincingly and the recovery was not accompanied by meaningful productivity growth.
- 2.4 Inflation (as measured by the Consumer Price Index) fell from 2.8% in March 2013 to 1.7% in February 2014, the lowest rate since October 2009, helped largely by easing commodity prices and discounting by retailers, reducing the pressure on the Bank to raise rates. In February the Bank stepped back from forward guidance relying on a single indicator - the unemployment rate - to more complex measures which included spare capacity within the economy. The Bank also implied that when official interest rates were raised, the increases would be gradual – this helped underpin the 'low for longer' interest rate outlook despite the momentum in the economy.
- 2.5 Gilt yields ended the year higher than the start in April. The peak in yields was during autumn 2013. The biggest increase was in 5-year gilt yields which increased by nearly 1.3% from 0.70% to 1.97%. 10-year gilt yields rose by nearly 1% ending the year at 2.73%. The increase was less pronounced for longer dated gilts; 20-year yields rose from 2.74% to 3.37% and 50-year yields rose from 3.23% to 3.44%. Gilt yields determine borrowing rates from the Public Works Loan Board (with the rates available to the council set at approximately 0.80% above the equivalent gilt yields)

Annual Treasury Management Report 2013/14

and so interest rates on new PWLB loans also increased.

3. Council Borrowing Requirement and Debt Management

3.1 In line with the treasury strategy for the year the council did not take out any new longer-term finance during 2013-14 and increased its use of short-term loans from other local authorities.

3.2 Borrowing during the year is summarised in the table below:

Borrowing Activity in 2013/14	01/04/13 Balance £m	New Borrowing £m	Debt Maturing £m	31/03/14 Balance £m
Short-term borrowing	16.00	75.50	(60.00)	31.50
Long-term borrowing	140.53	-	(4.00)	136.53
TOTAL BORROWING	156.53	75.50	(64.00)	168.03
Other long-term liabilities	28.71	0.17	(1.17)	27.71
TOTAL EXTERNAL DEBT	185.24	75.67	(65.17)	195.74

The above amounts show the principal outstanding. The figures in the council's annual accounts will be higher as they include accrued interest and other accounting adjustments.

3.3 The council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31/03/2014 was £216.65m. The difference of £20.91m between the CFR and total external borrowing represents internal borrowing from usable reserves and working capital.

3.4 With short-term interest rates being much lower than long-term rates, it is currently more cost effective to borrow short-term loans from other local authorities. By doing so the council is able to reduce borrowing costs and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as interest rates remain low, the policy will be kept under review and short-term loans will be replaced with longer term finance when it is deemed prudent to do so.

3.5 In 2013/14 the council's weighted average cost of total borrowing was 3.48%. The weighted average cost of long term borrowing was 4.05% compared to 0.40% for short-term borrowing (0.40% being the gross cost including brokers commission of between 0.03% and 0.10%).

3.6 The council's capital financing costs in 2013/14 have been as follows.

Annual Treasury Management Report 2013/14

Capital financing costs for 2013-14	Budget	Outturn	(Over) / Under spend
	£m	£m	£m
Minimum Revenue Provision (provision for repayment of loan principal)	9.58	9.58	-
Interest on existing PWLB and bank loans (actuals include accrued interest and other year end accounting adjustments not in budget)	5.65	5.62	0.03
Variable rate borrowing for 2013/14 (£29m of short-term LA loans at an interest rate of 0.60%)	0.17	0.11	0.06
Fixed rate borrowing for 2013/14 (Budget at £17 million PWLB loans at 3.20% taken out mid-year)	0.27	-	0.27
Other interest paid (including finance lease interest)	0.30	0.31	(0.01)
Reduction in budget contributions from service areas	(0.13)	-	(0.13)
Less capitalised interest	(0.30)	(0.33)	0.03
TOTAL	15.54	15.29	0.25

4. Investments

4.1 The council follows CLG's Investment Guidance which requires local authorities to focus on security and liquidity in priority to yield.

4.2 Investments held at the start and end of the year were as follows:

Investments	01/04/2013 Balance £m	Investments Made £m	Maturities/ Withdrawals £m	31/03/2014 Balance £m
Instant Access Accounts	0.97	321.80	(316.94)	5.83
Notice Accounts	-	22.00	(17.00)	5.00
Term Deposits	8.50	41.69	(37.69)	12.50
Total	9.47	385.49	(371.63)	23.33
Increase in investments				13.86

4.3 Security remains the council's main objective. This was maintained by following the council's counterparty policy as set out in its Treasury Management Strategy

Annual Treasury Management Report 2013/14

Statement for 2013/14 which defined “high credit quality” organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

- 4.4 In March Moody’s downgraded the long-term credit ratings of both the Royal Bank of Scotland and NatWest Bank to Baa1. As this rating is below the council’s minimum credit criterion of A-, the Royal Bank of Scotland was withdrawn from the counterparty list for further investment and NatWest, which is the council’s bank, will only be used for operational and liquidity purposes.
- 4.5 Interest received during the year was as follows:

Month	Amount invested		Average rate of interest earned		Amount of interest £'000	Budget £'000	Surplus £'000
	Actual £m	Budget £m	Actual %	Budget %			
Apr-13	30.41	30	0.85%	0.70%	21	18	3
May-13	50.50	40	0.87%	0.70%	37	23	14
Jun-13	52.57	40	0.84%	0.70%	36	23	13
Jul-13	51.18	40	0.84%	0.70%	37	23	14
Aug-13	49.75	35	0.84%	0.70%	35	20	15
Sep-13	50.52	35	0.81%	0.70%	34	20	14
Oct-13	46.22	30	0.78%	0.70%	31	17	13
Nov-13	40.17	25	0.66%	0.70%	22	15	7
Dec-13	34.18	20	0.62%	0.70%	18	11	7
Jan-14	40.39	20	0.59%	0.70%	20	12	9
Feb-14	41.06	15	0.62%	0.70%	19	9	10
Mar-14	32.58	15	0.66%	0.70%	18	8	10
Sub-Total					328	199	129
Savings already declared and budget increased					-	60	(60)
Treasury Management outturn for year					328	259	69
Add other interest receivable on loans etc					4	-	4
Total					332	259	73

- 4.6 The interest received in the year exceeded budget due to the amounts invested being higher than the budgeted amounts and the average interest rates achieved being higher than budget for the first seven months of the year to October 2013. Interest rates on the council’s bank accounts fell sharply during the year with the result that the average interest rate achieved fell short of budget in the final five months.
- 4.7 The average interest rate achieved during the year was 0.75% which compares favourably with the generally accepted benchmark of the average 7-day London Inter-Bank Bid (LIBID) rate of 0.41%.

5. Compliance with Prudential Indicators

- 5.1 The Authority confirms that it has complied with its Prudential Indicators for 2013/14, approved on 18 February 2013 as part of the council’s Treasury Management

Annual Treasury Management Report 2013/14

Strategy Statement. Details can be found in Appendix 1.

- 5.2 In accordance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2013/14. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 5.3 The council also confirms that during 2013/14 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

Annual Treasury Management Report 2013/14

Appendix 1
Performance Indicators

(a) Capital Financing Requirement (CFR)

Estimates of the council's cumulative maximum external borrowing requirement for 2013/14 to 2015/16 are shown in the table below:

Capital Financing Requirement	31/03/2014 Approved £m	31/03/2014 Actual £m	31/03/2015 Estimate £m	31/03/16 Estimate £m
Total CFR	230,952	216,645	264,038	289,809

Total debt is expected to remain at or below the CFR during the forecast period.

(b) Authorised Limit and Operational Boundary for External Debt

- The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit or Authorised Limit. This is a statutory limit which should not be breached.
- The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit.
- The Chief Officer - Finance and Commercial confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the year.

	Approved Operational Boundary for 2013/14 £m	Approved Authorised Limit for 2013/14 £m	Actual External Debt as at 31/03/2014 £m
Borrowing	195.00	200.00	168.03
Other Long-term Liabilities	35.00	40.00	27.71
Total	230.00	240.00	195.74

(c) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

This indicator is set to control the council's exposure to interest rate risk. The indicator sets upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed.

	Approved Limits for 2013/14 %	Maximum during 2013/14 %
Upper Limit for Fixed Rate Exposure	100%	100%
Upper Limit for Variable Rate Exposure	25%	7.34%

Annual Treasury Management Report 2013/14

Note that the above indicator relates to net debt. Therefore if the council has variable rate investments at the same level as its variable rate debt it is deemed to have no variable rate exposure (all council investments are regarded as being at variable rate because no investments are for more than one year). For 340 days in the year the council's investments exceeded its variable rate short-term borrowing and so the effect of an increase in interest rates on revenue may well have been positive.

(d) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Lower Limit %	Upper Limit %	Actual Fixed Rate Borrowing 31/03/2014 £m	% Fixed Rate Borrowing 31/03/2014
Under 12 months (including £12m of LOBO loans)	0%	30%	16.01	11.7%
12 months and within 24 months	0%	30%	8.24	6.0%
24 months and within 5 years	0%	30%	15.17	11.1%
5 years and within 10 years	0%	30%	15.32	11.2%
10 years and within 20 years	0%	40%	35.79	26.2%
20 years and within 30 years	0%	40%	14.00	10.3%
30 years and within 40 years	0%	40%	9.00	6.6%
40 years and within 50 years	0%	40%	23.00	16.9%
Total			136.53	100.0%

(e) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

Capital Expenditure	2013/14			31/03/2015 Estimate £'000	31/03/16 Estimate £'000
	Approved Budget £'000	October Forecast £'000	Actual £'000		
Total	58,076	51,176	43,403	85,351	39,909

Capital expenditure has been and will be financed or funded as follows:

Capital Financing	2013/14			31/03/2015 Estimate £m	31/03/16 Estimate £m
	Approved Budget £m	October Forecast £m	Actual £m		
Capital grants	26,487	31,182	26,213	24,905	634
Capital receipts	1,569	3,271	1,979	3,209	1,904
Revenue funding	0	61	198	0	0

Annual Treasury Management Report 2013/14

Prudential borrowing	30,020	16,662	15,013	57,237	37,371
Total	58,076	51,176	43,403	85,351	39,909

Prudential borrowing in future years will be less than that shown above if the level of usable reserves increases through fixed asset sales (the current years Treasury Management Strategy Statement includes projected fixed asset sales of £20 million in both 2015/16 and 2016/17).

(f) Ratio of Financing Costs to Net Revenue Stream

This is an 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 financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/14 Approved %	2013/14 Revised %	2013/14 Actual %	2014/15 Estimate %	2015/16 Estimate %
Net Revenue Stream	150,296	150,296	150,296	146,135	141,318
Financing Costs	17,725	17,343	16,787	18,288	19,230
Percentage	11.79%	11.54%	11.17%	12.51%	13.61%

(g) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the council has adopted the principles of best practice.

The council has incorporated the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* into its treasury policies, procedures and practices.

(h) Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

Upper Limit for Total Principal Sums Invested Over 364 Days	2013/14 Approved £m	2013/14 Revised £m	2013/14 Actual £m	2014/15 Estimate £m	2015/16 Estimate £m
	15	N/A	0	10	10



MEETING:	CABINET
MEETING DATE:	12 JUNE 2014
TITLE OF REPORT:	CORPORATE PERFORMANCE REPORT 2013/14
REPORT BY:	DIRECTOR FOR ECONOMY, COMMUNITIES & CORPORATE

Classification

Open

Key Decision

This is not a key decision.

Wards Affected

County-wide

Purpose

To invite Cabinet Members to review performance for the operating year 2013/14.

Recommendation

THAT:

- (a) Performance for 2013/14 be considered.**

Alternative Options

- 1 Cabinet may: choose to review performance more or less frequently than quarterly; or request alternative actions to address any identified areas of under-performance, including referral to the relevant scrutiny committee.

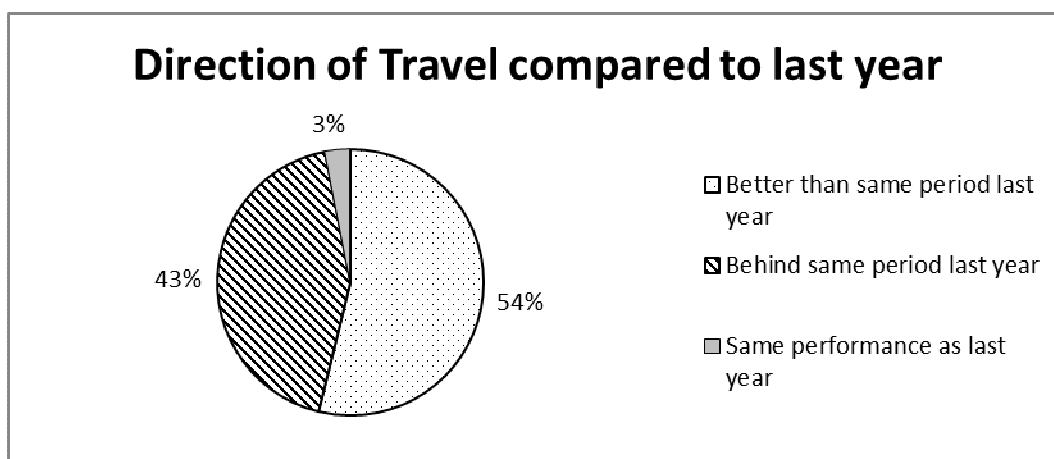
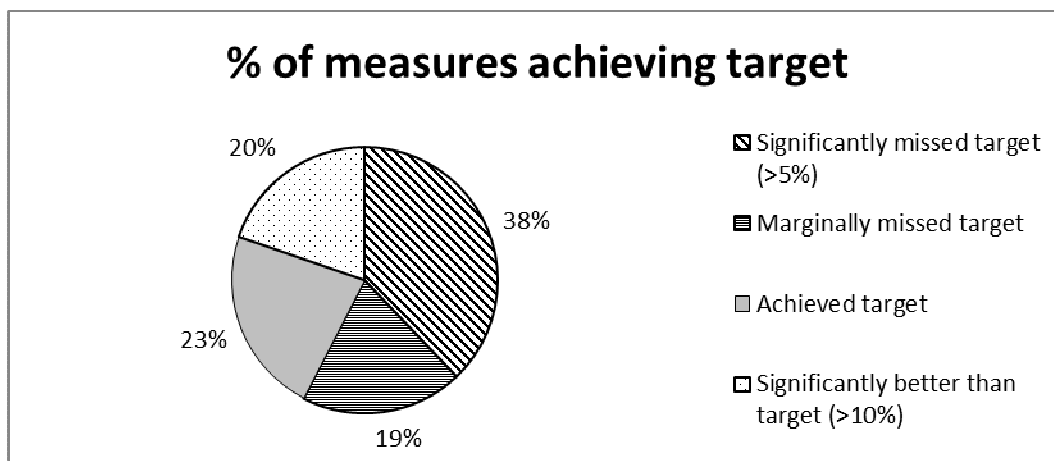
Reasons for Recommendations

- 2 To provide assurance that progress is being made towards achievement of the agreed outcomes and service delivery targets, and that the reasons for important areas of actual or potential under-performance are understood and are being addressed to the Cabinet's satisfaction.

Key Considerations

- 3 Council approved the Corporate Plan 2013-15 in November 2012, framed around the two key priorities of: enabling residents to be independent and lead fulfilling lives with resources focussed on supporting the most vulnerable; and creating and maintaining a successful economy. The supporting delivery plan for 2013/14 was approved by Cabinet in March 2013.
- 4 Progress is measured through a number of critical performance measures. These have been selected because they demonstrate progress towards achievement of the council's priorities and also provide an overview of the council's performance from a resident's perspective.
- 5 2013/14 has been a challenging year, during which our focus has been on 'change' in almost every aspect of our work as a council. A huge amount has been achieved and as a result, we have a platform on which to build.

Overview



- 6 Despite not achieving a number of our targets, the direction of travel has been positive, with 57% of our measures showing either an improvement or maintenance of performance (63% last year). This has been achieved against the background of moving from a £2.3m overspend in 2012-13 to an underspend of £365k in 2013-14, and with a reduced workforce of 219 compared to the number of full-time equivalents at the end of 2012-13. The aim now is to raise performance further.

- 7 The last few months have seen a refocus on our performance system and delivery plans. New approaches in the coming year include the introduction of Quarterly Performance Reviews; the creation of a Continuous Performance Improvement Programme; and a new grouping of senior managers within a Leadership Group to help develop and share learning across services.

Enable residents to be independent and lead fulfilling lives with resources focussed on supporting the most vulnerable

Adults

- 8 Performance for Adult Well Being is measured through a combination of local and national performance measures, with the main performance framework Adult Social Care Outcome Framework (ASCOF) designed to complement and align with similar frameworks for Public Health and the NHS. Included in the framework are data sets that are measured through yearly surveys and data taken from case management systems. A local measure was introduced by the service during 2014/15 to inform a more accurate view on safeguarding adults, and a previous national measure was retained locally to inform operational decision making through a significant organisational change programme.
- 9 For the first six months of the performance year, social work functions were within the management of the Wye Valley NHS Trust and performance managed through their organisational structure. Since the return to the council performance has improved steadily towards most targets and in some areas even though the target has not been achieved, performance is towards the top amongst West Midlands authorities.
- 10 During the final three months of the year, the service prepared for implementing a new streamlined assessment process, aimed at improving service user experience, reducing lengthy delays and improving data quality. Though not fully implemented until 1 April 2014, the positive impact on the quality of performance data was immediately noticeable. All activity taking place within the mental health social work teams is now accurately recorded within the Frameworki (FWI) system directly, rather than collected through the NHS system in the mental health trust, thus improving confidence in data integrity.
- 11 Overall the performance within ASC against the West Midlands and with comparators is very high; for example both in service user satisfaction and on delayed discharges of care from hospital. This is a considerable achievement given the high level of reorganisation and transformational change that has taken place during the performance year.

Achievements:

- 12 The response to the annual survey of service users showed continued high levels of satisfaction with services and quality of life.
- 13 The number of clients receiving personal budgets and direct payments increased during the year, and are expected to increase further with the new processes in 2014/5. The level of direct payments is dependent on client's willingness to assume the extra responsibility, which not all of them are able to do.
- 14 More streamlined processes were developed during the year (implemented in April 2014) to speed up assessments, improve levels of self-directed care and better manage costs.

- 15 Significant areas of service were recommissioned during this year, thus allowing the authority to start 2014/15 in a more sustainable position.
- 16 An improved performance picture was seen during 2013/14 for the percentage of repeat incidence of domestic violence (cases heard at Multi-agency Risk Assessment Conferences (MARAC)), with 30% of repeat cases over the 12 month rolling period to March 2014. Implementation of the Domestic Violence Forum Action Plan is ongoing. Recommendations from the Domestic Homicide Review, published in January 2014, have been added to the Action Plan.
- 17 Despite not achieving target, Herefordshire is amongst the best performing local authorities in the West Midlands for delivery of NHS Health Checks. There are national developments to support uptake to reach the 75% recommended that has not yet been achieved within the whole programme, on this Herefordshire is slightly higher than the average for the West Midlands. There is a particular need to ensure invitations to health checks are more attractive and targeted. Herefordshire's offer of lifestyle change support for those identified with high risk has been an innovative development and provides opportunities for not only identifying people with high risk but helping them to make sustainable health improvement changes.

Performance Challenges:

- 18 Self Directed Support (SDS) measurements are a key indicator as to just how far personalisation is embedded within practice and systems. This has been an area of improvement during the year; though the target was not achieved, it is expected that by the end of quarter 2 in 2014/15, 80% of service users will have Self Directed Support (SDS) and the rapid improvement that has taken place in the last quarter has been very encouraging. The assessment process and workflow was previously enabling activity to be taking place without a clear focus on SDS. The new assessment process, workflow, practice development and refresh of the community care guidance have all focused on improving performance in this area. Whilst we are ending the year at 58%, since the functions have returned from the Wye Valley Trust performance has steadily increased month on month.
- 19 A change in demand this year is reflected in the performance figures, and this reflects the increasing number of young people with a disability coming through the system. The admissions that have taken place this year have almost exclusively been as a result of young people who require a transitional plan before they are able to live independently. The supply of alternatives to residential care is being developed with the market and housing providers as the demand will continue to increase over the next 5 years. Aligned with demand and that lead in times for building needed to be addressed.
- 20 Herefordshire has one of the best performance rates on residential and nursing admissions in the West Midlands. This is partly due to the high number of self-funders within the county, but it also became apparent in-year that although provision had been made within the financial accounts, not all data was being correctly entered into the case management system. This was particularly evident where temporary placements were made, which became permanent and for mental health cases. During the year, data cleansing has helped improve confidence and also align financial information with that held within FWI. This has led to an increase in numbers reported.
- 21 However, in addition, during the winter months, with significant pressure within the hospital, more people reviewed by the NHS as no longer eligible for Continuing Health Care Funding and self-funders reducing their capital to below the limits has

meant an increase in demand within the local authority. This means that Herefordshire performance is still good compared to its comparators, but this indicator and performance will need to continue to be closely monitored.

- 22 Performance on timeliness of assessments is a local measure and was previously a national measure. It has been retained due to concern about the length of time service users were waiting for assessment. Whilst it has improved in the last quarter, performance in this area requires significant improvement and will be retained for the next performance year so as to ensure improvement.
- 23 Satisfaction with care and support, finding information and advice, and feeling control over their own life are measured through the annual survey. Although a decrease in performance has been reported this year, this is not unexpected given the depth of change. Herefordshire still ranks within the top of performance across the West Midlands and compares well nationally on this indicator, even with this slight dip in performance.
- 24 A steady increase has been achieved on the number of those receiving direct payments and it is intended to set an ambitious target for the coming year. We are significantly behind other authorities and during the performance year much work has been undertaken to ensure that the infrastructure, policy and information and advice is as simple as possible to help service users make this choice.
- 25 Delayed transfers of care have been monitored very closely during the performance year, locally, nationally and regionally. Whilst performance has reduced in this area, new schemes such as the discharge to assess scheme, rapid response and virtual wards have all been commissioned to ensure that current performance is, where possible, maintained. However, the pressure on the hospital has been significant and this will continue to be closely monitored through the next year.
- 26 Safeguarding Adults is a key priority for the local authority and the three measures in place are a combination of national and a new local measure that we introduced during the year. The adequacy of assessments at 61% is an endorsement of a concern that despite annual surveys with good performance, operationally staff and service users were experiencing dissatisfaction with a system that appeared overly focused on process. The measure introduced within the last quarter has evidenced that whilst the process is working, practice does need developing. The service will be participating in a national 'Making Safeguarding Personal' development process during the following year to further improve outcomes for service users in this area.

Risks:

- 27 Performance reporting and data quality has been significantly improved within the year. During 2014/15 performance intelligence needs to drive operational change and commissioning activity.
- 28 New requirements such as the Care Bill and capacity and capability of key personnel are an ongoing risk to accurate and useful performance requirements.

Children

- 29 Performance within this priority area of children, and more specifically vulnerable children, needs to be considered within the following context:

- Around 40,000 children live in Herefordshire;
- There were 2388 children in Herefordshire receiving free school meals reported in the Spring Census 2013 compared to 2254 reported in the Spring Census 2014;
- 4,500 children live in poverty in Herefordshire;
- There were 2360 children in Herefordshire with special educational needs in Spring Census 2013 compared to 2374 in Spring Census 2014;
- 2,000 children are supported by our safeguarding services and 450 of those need the highest levels of protection from harm.

Achievements:

- 30 The appointment of a number of senior managers for Safeguarding & Early Help is ensuring that there is greater clarity of expectation, better consistency in decision making and challenge, provision of stronger leadership and a more stable management group.
- 31 The establishment of the Multi-Agency Safeguarding Hub. Although it had a difficult start, the Council has invested significant resources into the MASH, secured a high quality service manager, revised business processes and overseen a significant improvement in the decision making and activity within the MASH. Performance on contacts and referrals has been consistently high in the past two months. The multi-agency governance group has recognised the lead role the council has asserted in its role as lead agency for safeguarding, and has responded through the development of more effective processes and protocols.
- 32 The adoption scorecard has been published and this shows that Herefordshire is performing better than the national average for the time taken between children entering care and being placed with an adoptive family. Herefordshire is also performing better than the national average in the time taken in receiving court authority and matching with an adoptive family. In addition, the county has a quicker than national average number of weeks for care proceedings (43 weeks in Herefordshire compared to a national average of 51 weeks).
- 33 The Council has been successful in becoming part of several national developments - the New Belongings project, to significantly enhance and improve planning, opportunities and outcomes for our care leavers. The Council is one of only 10 local authorities nationally to be piloting SEN Direct which is a new brokerage and information service for children and families with disabilities. This aim is to improve the access families and professionals have to information, advice and guidance to enable them to improve the quality of their lives and experiences and improve outcomes for their children. The council has also made a good start with partners in developing our Families First (Troubled Families) approach which has not only evidenced a positive impact for a number of families in Herefordshire, but also enabled the council to claim a reward grant from national government.
- 34 Herefordshire Council has the best success rate in the West Midlands and one of the best nationally, for helping 16 year olds leaving statutory schooling to go into further education, employment or training. In data published by the Department for Education in March, figures for Herefordshire show that 96.3% of the county's 1800 young people are recorded as being in education, employment or training, which is three percent above the national average (93.2%) and four percent above the West Midlands average of 92%. Tracking of young people has improved significantly during the year, and the year-end figures show that the numbers known to be not in education, employment and training are at 6.9%, which is the best in the West

Midlands. This paid particular dividends for our children in care, all of whom had a positive destination into employment, education or training in September 2013, at age 16.

- 35 During the year the Herefordshire School Improvement Partnership has been established, a partnership between schools and the local authority to focus support and school to school collaboration. The particular focus of the Partnership is to raise the quality of teaching and learning in all schools, reduce inconsistency in outcomes between schools by adopting best practice and particularly focus on narrowing the gap in progress and attainment outcomes for vulnerable children. There have been some discussions with families and children around the county about what they like about schools, and what they would like to see improved. Most often parents are grateful for the support their schools provide them in improving their own learning, and providing a range of support to address issues their children are facing, such as support to combat bullying where it occurs. The aspect which parents would like most improved is transition between schools and the sharing of information, including some secondary schools taking sufficient account of prior learning and curriculum approaches. They would also like more information and involvement themselves in secondary schools.
- 36 Whilst it is too early at this stage to say what impact the partnership has had, there was a very successful joint conference with Ofsted in the autumn 2013, and the partnership has developed approaches to data sharing, challenge guidance for governors and a focus on key stage 2 trends over three years as part of the overall approach to closing the gap for pupils in danger of not making expected progress. Ofsted have been involved in developing further work with schools which will take place in the summer term 2014, focusing on teaching and learning, closing the gap for pupils with free school meals and also those who have English as an additional language. A further conference focusing on sharing best practice across Herefordshire is planned for the autumn term 2014, led by schools and with full involvement of the Teaching School based at Wigmore.
- 37 In addition we have provided 200+ more nursery places for vulnerable 2 year olds than target as part of early help offer.

Performance Challenges:

- 38 During the year, there has been a sustained focus on securing the right number of qualified safeguarding staff in the right places in the safeguarding system. Whilst the recruitment and retention of front line and senior managers, and newly qualified managers has been effective, the challenge remains for experienced social workers. There has also been a slight rise in the turnover of permanent social work staff, up from 5 in 2012/13 to 12 in 13/14. The ratio of permanent to agency staff has changed from 48.4% interim team managers and 27.3% interim social workers at the start of the year to 35.3% interim team managers and 35.6% interim social workers at the end of the year. This has an implication for the quality and effectiveness of relationships within teams, with partners, and, most particularly, with children and families.
- 39 There has been stronger improvement in performance in terms of the timeliness and oversight of safeguarding decision making and activity in the last six months of the year, than in the previous six months. There is not yet sufficient or sustained evidence of improvements in quality of practice and therefore impact on children and families. Practice remains inconsistent, with evidence of good and outstanding practice combined with inadequate practice.

- 40 Education attainment for Herefordshire overall remains at or below national average. There has been some improvement in progress and attainment in the early years, from the third to the second quartile; however the rates of improvement in all key stages in Herefordshire are slower than national. There is significant variation in performance between schools, with some schools achieving outstanding results. There are also variations by individual schools in performance year on year. However, for vulnerable pupils, particularly those eligible for free school meals or those where English is an Additional Language, the gap in attainment is in the third or fourth quartile across the different ages, something that became a focus nationally and with Ofsted.
- 41 Ofsted's Dataview (up to 31/12/2013) indicates that primary schools are ranked 62 out of 353 local authorities in England, with 82% of schools judged as Good or Outstanding. We have a smaller percentage of outstanding schools (14%) than regionally (14.6%) and nationally (17%), bearing in mind that this is a mixture of judgements under the old and new frameworks. Secondary schools are ranked 26 out of 353 local authorities in England, with 86% of schools judged as Good or Outstanding. Similarly to primary, we have a smaller percentage of outstanding schools (13%) than regionally (22%) and nationally (23%), again the mix of frameworks applies.
- 42 Ofsted's Dataview (as at 31/08/2013) indicates that Herefordshire's Early Years provision had 18% judged as outstanding with 60% judged as good, which compares regionally to 13% outstanding and 66% good and furthermore nationally 12% outstanding and 65% good. In addition Children's Centres within Herefordshire have 60% being judged as good, compared to 53% regionally and 57% nationally.

Risks:

- 43 Turnover of staff and slow recruitment of experienced staff in child protection teams.
- 44 The Children's partnership fails to establish a coherent families' strategy which takes account of the diminishing resources available to all organisations.
- 45 The improvement plan does not bring about the required changes in practice rapidly.
- 46 There is an increased number of looked after children within the care system which may lead to an increased number of high cost placements that are required to meet their needs. A tender has just been published to commission a Herefordshire Intensive Placement Service to establish a more cost effective local solution to meet the needs of the most vulnerable children.
- 47 Some schools may not engage with the collaborative approach to achieving performance improvement.

Create and maintain a successful economy

Achievements:

- 48 The Inward Investment contract has achieved a significant number of active enquires for the Hereford Enterprise Zone in specific business sectors that match with the Zone priorities. These enquiries are being actively managed. A zone masterplan has been produced and delivered a site-wide schematic for site layouts and infrastructure. A series of more detailed works are being undertaken on specific issues such as, landscaping, plot specific infrastructure requirements, and transport interventions.

- 49 The Local Enterprise Partnership (LEP) has been focusing on completing the Strategic Economic Plan and developing the EU funding programme. Both these documents were submitted to timetable and the focus in the forthcoming months will be on developing projects and having negotiations with government over the delivery and content of the Marches programmes.
- 50 Outline planning permission has been granted for the first phase of the Urban Village.
- 51 The percentage of working age (age 16-64) in employment for Q3 2013/14 (latest data available), has increased from 72.8% to 73.9%. Furthermore, the increase within Herefordshire has been more significant than national rates which increased from 71.1% to 71.5% quarter on quarter.
- 52 The delivery of affordable housing has significantly improved. The appropriate amount of affordable housing is being negotiated successfully with private developers as a standard provision.
- 53 The Local Development Framework Core Strategy was approved by Council in July 2013. That plan set out strategic housing and economic growth and transport and other infrastructure required to assist in the delivery of growth. Work continues on developing an evidence base before the anticipated submission for independent examination in autumn 2014.
- 54 Work has started in this year on the construction of the Herefordshire Archive and Modern Records Centre at Rotherwas; this is an important facility in its own right and is key initial phase of development on the Enterprise Zone. The Connect 2 cycle bridge has also been completed, improving cycle access to the estate.
- 55 The reprourement of services previously provided by Amey was completed successfully this year with new arrangements in place with Balfour Beatty Living Places for public realm services. Furthermore, the building cleaning contract has been awarded to Initial Facilities Services UK Limited, with the building repairs and maintenance contract granted to Integral UK Limited.
- 56 Plans to develop a joint Energy from Waste facility with Worcestershire County Council to treat residual waste have been concluded following consent from Cabinet to proceed.
- 57 Significant progress on the delivery of broadband infrastructure with the roll out started in the south of the county; also progress on digital inclusion and business support.

Performance Challenges

- 58 The condition of the county's roads has increasingly become a significant local issue. In July 2013, Cabinet gave approval for investment of an extra £20m in highway maintenance over the next two financial years. However, the recent floods caused considerable further damage to roads across the county, including a significant increase in the number of Category 1 defects. In accordance with the Highway Maintenance Plan, all Category 1 defects are made safe or repaired within 24 hours. Data from September 2013 to March 2014 shows that over 96% have been repaired within 24 hours.
- 59 Considerable work has been undertaken to respond to the damage to the road network resulting from the recent flooding. Herefordshire has been awarded additional funding of over £3.5m to make repairs during 2014/15. Furthermore, under

the Bellwin scheme, it is anticipated that works to the highway totalling over £4m will be included in the council's claim. Further funding has also been announced for local authorities to bid for to fund more maintenance in 2014/15. Investment in highway maintenance will be targeted over the coming year in accordance with best practice. A detailed programme has been developed based on known highway conditions, in consultation with local members and parish councils.

- 60 There is an on-going need to ensure that a range of council activities supports and encourages young people to enter either direct employment or training schemes. This can be achieved through a variety of specific measures and at the higher level through the training and skills element of the evolving Marches Strategic Economic Plan.
- 61 Work has continued on the Old Market site in Hereford city centre and the scheme opened for trade in May 2014. Newmarket Street has been upgraded with traffic being carefully managed so as to minimise impact on the public and maintain access to the city. In spite of these significant works, there has only been a very slight increase in the average journey time per mile in Hereford City during the morning peak.
- 62 Council Tax Reduction - Due to changes in legislation, support for Council Tax was localised from April 2013 and, at the same time, central government funding was reduced by 10%. Whilst protection was provided for pensioners, each Local Authority had considerable discretion over its own Reduction Scheme for working age claimants. Herefordshire Council decided to reduce the maximum liability Council Tax Reduction (CTR) to 91.5% meaning that every working age claimant had to pay a minimum of 8.5%. Second Adult Rebate was also abolished. The outcome of this was that all working age claimants in receipt of CTR had to pay a higher Council Tax proportion of their council tax than in previous years. In addition changes, approved by the council, will further reduce support available for working age claimants from April 2014. Initial indications are that the working age caseload will drop by about 200 cases as a direct result of these changes and that expenditure on CTR will reduce by over £500,000. This will be monitored as the year goes on. The net effect of the above has been that collection rates have remained broadly unchanged. 98.4% as at the end of March 2014 compared to 98.6% as at end of March 2013.
- 63 Benefit Cap - The national roll out of the Benefit Cap took place in July 2013 with the aim being that working age claimants should receive no more in benefits than the average family in work. Where benefits exceed the income of an average family in work, Housing Benefit is reduced to bring their benefit income back below that level. As of 31 March 2014, 35 of our claimants were affected by the benefit cap and they had an average reduction of £45.74 per week in their Housing Benefit entitlement.

Risks:

- 64 Weather conditions have a direct impact on the county's network. This was clearly evident in January/February 2014.
- 65 In relation to the 5 year housing land supply until the LDF is adopted there are concerns that housing may be located in inappropriate locations.

Customers

Achievements

- 66 Significant improvements have been made over the year in the planning search, a

high traffic area of the site.

Performance Challenges:

- 67 The call volume handled by the team has increased by over 10% this year. It is hoped that work being carried out to improve website functionality will help to continue to reduce the overall number of calls received. New measures are being developed to track movement of the service to digital.
- 68 The performance measures relevant to the Web are volatile, but focus on the areas that caused dissatisfaction has generated an upward trend in recent months.

Risks

- 69 Transition period as the service migrates to digital by default.
- 70 High traffic areas of the council's website are not in areas seen as a priority for the council. If we do not invest effort in meeting user need in these areas satisfaction will not increase. If we do it will reduce the resource available to support priority areas. We are exploring mitigation options in these areas.

Community Impact

- 71 Delivering the Corporate Plan is key to the council achieving the positive impact it wishes to make across Herefordshire and all its communities. Given the decreasing financial resources available to the council, monitoring performance is likely to become even more important so as to ensure that resources are best directed to meet the council's agreed priorities and statutory obligations.

Equality and Human Rights

- 72 There are no specific implications in the report. As regards demonstrating due regard to the council's Public Sector Equality Duty (PSED), as part of our decision making processes we ensure that individual directorates and service areas assess the potential impact of any proposed project, leading to fairer, transparent and informed decisions being made.

Financial Implications

- 73 Projects and activity within the delivery plan must be delivered within the budget agreed by Council in February 2013; they include projects and activity to deliver the cost reductions required for a balanced budget.
- 74 Slippage in projects and activity to deliver cost reductions will impact on the overall council budget and will require remedial or mitigating actions to maintain financial stability.

Legal Implications

- 75 When service managers seek to remodel services it is essential that a proper process is followed if the council's decision making is not to be overturned by legal challenges. This means managers must understand the needs of their customers and how changes will affect them; particularly if there will be any disproportionate impact on any group sharing a protected characteristic. All reports seeking approval for service change must include sufficient information on impact and mitigation

measures to enable the decision maker to have due regard to the council's PSED and other legal obligations. It is important that legal advice is sought early on in service change projects if the risk of challenge in the courts is to be mitigated.

Risk Management

- 76 The corporate plan and its delivery plan are integral elements of the council's risk management framework. Risks associated with each objective and project are entered onto the relevant service or directorate risk register and escalated to the corporate register as appropriate. Risks are reviewed by the Management Board at the regular performance meetings and any significant risks are outlined below.
- 77 The financial challenge and capacity to deliver the transformation necessary to both improve outcomes for people and deliver savings remains the most significant risk. This is a particular challenge in the areas of adult social care and children's safeguarding where change must be made at a pace which ensures that vulnerable people remain safe. The on-going 'priorities' work to redefine the council's core functions, operating within significantly reduced budgets is critical to managing this risk.

Consultees

- 78 None in relation to this report. The development of the delivery plan was informed by the evidence base already gathered during the year and which includes user, resident and partner feedback where available, and which this year includes the outcome of the Your Community Your Say engagement undertaken throughout the autumn/winter period and building on the Quality of Life survey results in 2012. The consultation undertaken immediately before Council set the budget in February provided a range of views which included insights into opportunities for meeting the budget pressures as well as ways in which proposals may need to be implemented to minimise any adverse impacts; these views will continue to inform delivery planning and implementation through the year, further enhanced by specific stakeholder consultations on individual projects as appropriate.

Appendices

Appendix A - Critical Performance Measures.

Background Papers

- None identified.

Judgement	
Green	Significantly better than target (>10%)
Blue	Achieved or better than target by up to 10%
Amber	Behind target by up to 5%
Red	Significantly behind target (>5%)

				2011/12 Outturn	2012-13 Outturn	2013/14 Target	Outturn	Judgement	Council Controlled or Influenced
PEOPLE									
ADULTS									
Number of adults, older people and carers receiving self-directed support in the year to 31 March as a percentage of all clients receiving community based services and carers receiving carer specific services	Monthly	Bigger is better	Data not available from Framework-i	34%	78%	58%	Red	Controlled	
Minimise the number of people killed or seriously injured in road traffic collisions in Herefordshire	Monthly	Smaller is better	75 (2011)	80 (2012)	<89 (2013)	61	Green	Influenced	
Permanent admissions to residential and nursing care homes for younger people (18-64), per 100,000	Monthly	Smaller is better	26	25.8	13	20.3	Red	Controlled	
Permanent admissions to residential and nursing care homes for older	Monthly	Smaller is better	559	558.7	500	607.5	Red	Controlled	

Appendix A - Critical Performance Measures

							2013/14 Target	Outturn	Judgement	Council Controlled or Influenced
Delayed transfers of care from hospital, per 100,000 population	Monthly	Smaller is better	2011/12 Outturn	2012-13 Outturn	2013/14 Target	Outturn	Judgement	Council Controlled or Influenced		
Delayed transfers of care from hospital which are attributable to adult social care per 100,000	Monthly	Smaller is better	New	3.6	7.5	5.76	Green	Influenced		
The proportion of people who use services who have control over their daily life	Annual	Bigger is better	New	1.4	2	2.68	Red	Controlled		
Percentage of Adults with learning disabilities in employment	Annual	Bigger is better	80%	76%	78%	77%	Amber	Influenced		
Percentage of Adults with learning disabilities who live in their own home or with family	Annual	Bigger is better	13%	7.3%	14%	4.5%	Red	Influenced		
Percentage of Older people (65 and over) who were still at home 91 days after discharge from hospital into reablement/rehabilitation services	Annual	Bigger is better	77%	77.9%	82%	77%	Red	Influenced		
The percentage of people who use services who feel safe	Annual	Bigger is better	94%	87.3%	88%	83.3%	Red	Influenced		
The percentage of people who use services who say that those services have	Annual	Bigger is better	65%	65%	69%	67%	Amber	Influenced		
	Annual	Bigger is better	75%	80%	80%	86%	Blue	Influenced		

				2011/12 Outturn	2012-13 Outturn	2013/14 Target	Outturn	Judgement	Council Controlled or Influenced
made them feel safe and secure									
Percentage of assessments for safeguarding adults viewed to be adequate	Monthly	Bigger is better	New			100%	61%	Red	Controlled
Social care-related quality of life score	Annual	Bigger is better	19.2 (max score 24)	19.4 (max score 24)	20	19.1		Amber	Influenced
Percentage of eligible people who take up a NHS health check	Quarterly	Bigger is better	20%	5.57%	17.4%	10.1%		Red	Influenced
Percentage of eligible people who have been offered a NHS health check	Quarterly	Bigger is better	85%	8.0% (Target was 4%)	23.1%	20.6%		Red	Influenced
Decrease the % of working age population with no qualifications	Annual	Smaller is better	18.6% (2011)	13.5% (2012)	<13.5%	12.2%		Blue	Influenced
Increase the % of working age population qualified to level 3 or higher	Annual	Bigger is better	47.6% (2011)	52.4% (2012)	>52.4%	51.1%		Amber	Influenced
Increase the % of residents who feel safe in their local area after dark	Quarterly	Bigger is better	58.7%	56.9%	>56.9%	53% (Q3) (end-of-year data available 31 July)		Red	Influenced
CHILDREN									
Percentage of child assessments completed within agreed timescales (Core Assessments)	Monthly	Bigger is better	New measure	63.24%	85%	44.7%		Red	Controlled

														2013/14 Target	Outturn	Judgement	Council Controlled or Influenced
Percentage of child assessments completed within agreed timescales (Initial Assessments)	Monthly	Bigger is better		2011/12 Outturn	2012-13 Outturn	2013/14 Target	Outturn	Judgement	Council Controlled or Influenced						82%	Amber	Controlled
No of young people in temporary accommodation as a result of homelessness	Monthly	Smaller is better	0	1	0	0	0	Blue	Influenced								
Percentage of children's safeguarding audits viewed to be adequate	Monthly	Bigger is better		67.5%	100%	37.5%	Red	Controlled									
Percentage of looked after children missing from care	Monthly	Smaller is better		3.24%	0%	0%	Blue	Controlled									
Increase % pupils achieving 5 or more A*-C grades at GCSE or equivalent, including Maths & English	Annual	Bigger is better		57.5% (2011-12 academic year)	59%	56.5% (2012-13 academic year)	Red	Influenced									
Early Years Foundation Stage profile (EYFSP) - % Pupils achieving a good level of development	Annual	Bigger is better	56% (2010-11 academic year)	61% (2011-12 academic year)	>61%	55% (2012-13 academic year)	Red	Influenced									
Year 1 Phonics - % of Pupils working at the expected level	Annual	Bigger is better	New assessment	51% (2011-12 academic year)	>51%	68% (2012-13 academic year)	Green	Influenced									
Key Stage 1 - % Pupils achieving Level 2C+ in Reading	Annual	Bigger is better	86% (2010-11 academic year)	85% (2011-12 academic year)	>85%	89% (2012-13 academic year)	Blue	Influenced									
Key Stage 1 - % Pupils achieving Level 2C+ in	Annual	Bigger is better	83% (2010-11 academic year)	80% (2011-12 academic year)	>80%	84% (2012-13 academic year)	Green	Influenced									

Appendix A - Critical Performance Measures

									2013/14 Target	Outturn	Judgement	Council Controlled or Influenced
Writing												
Key Stage 1 - % Pupils achieving Level 2C+ in Maths	Annual		Bigger is better	90% (2010-11 academic year)	89% (2011-12 academic year)	>89%	90% (2012-13 academic year)	Blue	Influenced			
Key Stage 2 - % Pupils achieving Level 4+ in Reading Writing and Maths	Annual		Bigger is better	New assessment	71% (2011-12 academic year)	>71%	71% (2012-13 academic year)	Blue	Influenced			
Key Stage 2 - % Pupils achieving required progress in Reading	Annual		Bigger is better	New assessment	89% (2011-12 academic year)	>89%	90% (2012-13 academic year)	Blue	Influenced			
Key Stage 2 - % Pupils achieving required progress in Writing	Annual		Bigger is better	New assessment	91% (2011-12 academic year)	>91%	91% (2012-13 academic year)	Blue	Influenced			
Key Stage 2 - % Pupils achieving required progress in Maths	Annual		Bigger is better	81% (2010-11 academic year)	86% (2011-12 academic year)	>86%	88% (2012-13 academic year)	Blue	Influenced			
Key Stage 4 - % Students achieving 5+ GCSE's A* - C including English and Maths	Annual		Bigger is better	57.5% (2010-11 academic year)	56.5% (2011-12 academic year)	>56.5%	56.1% (2012-13 academic year)	Amber	Influenced			
Free School Meals (FSM) Gap at EYFSP in % pupils achieving a good level of development	Annual		Smaller is better	17% (2010-11 academic year)	28% (2011-12 academic year)	<28%	24% (2012-13 academic year)	Green	Influenced			
English as an Additional Language (EAL) Gap at EYFSP in % pupils	Annual		Smaller is better	20% (2010-11 academic year)	17% (2011-12 academic year)	<17%	25% (2012-13 academic year)	Red	Influenced			

Appendix A - Critical Performance Measures

					2011/12 Outturn	2012-13 Outturn	2013/14 Target	Outturn	Judgement	Council Controlled or Influenced
achieving a good level of development										
Gender Gap at EYFSP in % pupils achieving a good level of development	Annual	Smaller is better	15% (2010-11 academic year)	22% (2011-12 academic year)	<22%	19% (2012-13 academic year)		Green	Influenced	
FSM Gap at KS1 in % pupils achieving level 2C+ in reading, writing and maths	Annual	Smaller is better	New assessment	19.4% (2011-12 academic year)	<19.4%	17.6% (2012-13 academic year)		Blue	Influenced	
EAL Gap at KS1 in % pupils achieving level 2C+ in reading, writing and maths	Annual	Smaller is better	New assessment	8.9% (2011-12 academic year)	<8.9%	24.4% (2012-13 academic year)		Red	Influenced	
Gender Gap at KS1 in % pupils achieving level 2C+ in reading, writing and maths	Annual	Smaller is better	New assessment	7.2% (2011-12 academic year)	<7.2%	8.2% (2012-13 academic year)		Red	Influenced	
FSM Gap at KS2 in % pupils achieving level 4+ in reading writing and maths	Annual	Smaller is better	New assessment	23% (2011-12 academic year)	<23%	25% (2012-13 academic year)		Red	Influenced	
EAL Gap at KS2 in % pupils achieving level 4+ in reading writing and maths	Annual	Smaller is better	New assessment	21% (2011-12 academic year)	<21%	8% (2012-13 academic year)		Blue	Influenced	
Gender Gap at KS2 in % pupils achieving level 4+ in reading writing and maths	Annual	Smaller is better	New assessment	9% (2011-12 academic year)	<9%	4% (2012-13 academic year)		Green	Influenced	
FSM Gap at KS4 in % pupils achieving 5+ GCSE A* - C including English	Annual	Smaller is better	25.8% (2010-11 academic year)	36.6% (2011-12 academic year)	<25.8%	26.8% (2012-13 academic year)		Amber	Influenced	

												Council Controlled or Influenced
and Maths												
EAL Gap at KS4 in % pupils achieving 5+ GCSE A* - C including English and Maths	Annual	Smaller is better	2.9% (2010-11 academic year)	24.5% (2011-12 academic year)	<24.5%	21.3% (2012-13 academic year)					Green	Influenced
Gender Gap at KS4 in % pupils achieving 5+ GCSE A* - C including English and Maths	Annual	Smaller is better	8.5% (2010-11 academic year)	10.1% (2011-12 academic year)	<10.1%	12.4% (2012-13 academic year)					Red	Influenced
ECONOMY												
Percentage of Category 1 highway defects (those presenting an immediate or imminent hazard) repaired or made safe within 24 hours	Monthly	Bigger is better	100%	100%	100%	96%					Amber	Influenced
Residual waste per household (kg)	Monthly (one month in arrears)	Smaller is better	576.5kg	550.2kg	<600kg (<550kg to February)	516.9kg (to February)	(Year-end data not available until end of June)				Blue	Influenced
Decrease the % of young people Not in Education and Training or Employment (NEETs)	Monthly	Smaller is better	6.20%	6.20%	8%	6%					Green	Influenced
Decrease the % of young people whose status is "Unknown"	Monthly	Smaller is better	Measure amended	13%	5%	3%					Green	Influenced
No of affordable homes	Monthly	Bigger is	90	61	70	116					Green	Influenced

												Council Controlled or Influenced	
acquired and built							better						
Percentage of the working age population in employment	Quarterly (three months in arrears)		Bigger is better	72.50%	71.8%	5% above GB rate (71.5%)	Bigger is better				73.9% (Q3)	Amber	Influenced
Reduce county CO2 levels (% reduction in County CO2 emissions)	Annual		Bigger is better	19.66% (2009)	15.73% (2010)	23.8% (2011)	Bigger is better				20.22% (2011)	Red	Influenced
The amount of new employment floor space developed	Annual		Bigger is better	3,550.8 (2010/11)		>3,550.8 (2012-13)	Bigger is better				3,835 (2012/13)	Blue	Influenced
Increase GVA and narrow the gap between the county and the region.	Annual		Bigger is better		40,400 (2011)	>40,400	Bigger is better				39,900 (2012)	Amber	Influenced
Increase earnings (workplace based) and narrow the gap between the county and the region	Annual		Bigger is better	£385.00 (2011)	£384.80 (2012)	>£384.80	Bigger is better				£386.60 (2013)	Blue	Influenced
Improve average journey time per mile in Hereford City during the morning peak	Annual		Smaller is better	20.14 minutes	20.44 minutes	19.02 minutes	Smaller is better				20.45 minutes	Red	Influenced
Increase the % of broadband connections achieving 2Mbit/s speeds.	Annual		Bigger is better	n/a	78.5%	Target to reach 100% by 2016.	Bigger is better				82%	n/a	Influenced
CUSTOMERS													
% of web users that were satisfied or content with their visit	Monthly		Bigger is better	80.6%	75.6% (3 mth. avg.)	>75.6%	Bigger is better				73.9% (3 mth. avg.)	Amber	Controlled
% web users who did not find what they were	Monthly		Smaller is better	19%	22.4% (3 mth. avg.)	20%	Smaller is better				22.8% (3 mth. avg.)	Amber	Controlled

			2011/12 Outturn	2012-13 Outturn	2013/14 Target	Outturn	Judgement	Council Controlled or Influenced
looking for								
Reduce the % of calls abandoned	Monthly	Smaller is better	7.28%	14.34%	<14.34%	16.5%	Red	Controlled
Overall satisfaction with the way the Council runs things	Annual	Bigger is better	33% (2008)	51% (2012)	54%	Survey not conducted in 2013-14		Controlled

<i>Measures where data is not yet available</i>		<i>When expected</i>
ADULTS		
Number of re-ablement packages commenced in month		
Percentage of Adults in contact with secondary mental health services in employment		Measure going through quality assurance
Percentage of Adults in contact with secondary mental health services living independently, with or without support		End of July
Percentage of Older people (65 and over) who were offered reablement services following discharge from hospital		End of July
ECONOMY		
Net additional homes provided		
		End of July



MEETING:	CABINET
MEETING DATE:	12 JUNE 2014
TITLE OF REPORT:	UNDERSTANDING HEREFORDSHIRE 2014
REPORT BY:	DIRECTOR OF PUBLIC HEALTH

Classification

Open

Key Decision

This is not a key decision.

Wards Affected

County-wide

Purpose

To note and use the report as overall evidence of need for business planning, decision-making and commissioning

Recommendations

THAT:

- (a) **The evidence base be noted (consisting of *Understanding Herefordshire* and the underpinning data), and used to inform future planning, decision making and commissioning;**
- (b) **In the light of the evidence base, no changes be made to the current corporate plan; and**
- (c) **The budget proposals are developed in accordance with the timetable outlined in this report**

Alternative Options

- 1 There are no alternative options.

Reasons for Recommendations

- 2 To ensure that future decisions on service priorities, planning and commissioning are based on what we understand about the key issues and long-term challenges in Herefordshire. To use the information as evidence for budget setting and obtaining funding to meet need in the county (from government, the EU and investment by the private sector in the county).

Key Considerations

- 3 *Understanding Herefordshire* provides a single integrated assessment of the health and well-being needs of Herefordshire's population, combining the statutory requirement to produce a Joint Strategic Needs Assessment and the previous State of Herefordshire reports (developed over the last decade).
- 4 *Understanding Herefordshire* provides a high level summary with electronic links to the underlying evidence provided throughout the document, where more detail and supporting strategies can be found. The integrated evidence base is available at www.herefordshire.gov.uk/factsandfigures and maintained by the local authority strategic intelligence team.
- 5 *Understanding Herefordshire* and the underlying evidence base is used to influence and inform future decision-making in the following ways:
 - Review the corporate plan and effectiveness of key strategies
 - To inform future commissioning and delivery plans
 - To inform the budget setting process
 - Provides evidence to obtain funding to meet need
 - To enable the market to provide key services and infrastructure by providing evidence of need
 - To influence lifestyle behaviour of people who live and work in Herefordshire
- 6 The current Corporate Plan 2013/15 provides a clear basis to guide delivery and budget planning for the coming year. As such, no amendments are currently proposed. The corporate plan provides the policy framework within which the budget is to be set in the spring. The timetable for Council to set the budget, and consequently the council tax, is guided by statutory requirements and is set out in the council's constitution. In essence the Council Tax must be set in March, and to inform that decision the Council sets its budget in February.

The annual cycle is as below:

Cabinet receive <i>Understanding Herefordshire</i> report	12 June 2014
Start consultation on budget for 2015/16	July 2014
Result of Public Consultation	September 2014
Cabinet consider 2015/16 budget proposals	January 2015
Council approves 2015/16 budget	February 2015
Council sets 2015/16 Council Tax	March 2015
Cabinet approves 2015/16 Delivery Plan	March 2015

Further information on the subject of this report is available from
Madeleine Spinks, Research & Intelligence Principal Officer on Tel (01432) 260442

Community Impact

- 7 The evidence base informs the development of key strategic plans and commissioning decisions across the county, highlighting key areas of need including geographic communities and particular groups of people within communities

Equality and Human Rights

- 8 *Understanding Herefordshire* considers inequalities in opportunities and outcomes wherever the evidence is available. This is particularly relevant for health inequalities

Financial Implications

- 9 The evidence is used for informing the budget setting process.

Legal Implications

- 10 *Understanding Herefordshire* fulfils the statutory requirement to produce an annual Joint Strategic Needs Assessment.

Risk Management

- 11 *Understanding Herefordshire* (and its associated web-based integrated evidence base) mitigate the risk that priorities and commissioning decisions are not based upon assessment of need. However this requires the evidence to be used to inform decisions.

Consultees

- 12 The integrated needs assessment reference group contributed to and challenged the narrative summary of *Understanding Herefordshire 2014* in early May. The group is led by the strategic intelligence team with representatives from the local authority (public health, transport, housing, forward planning, sustainable communities and the adult and children's improvement team), the clinical commissioning group, Herefordshire Voluntary Support Services and the local nature partnership. The draft report was also discussed at Management Board, Health and Wellbeing Board and Leader's briefing week beginning 19 May 2014.

Appendices

Appendix A - Understanding Herefordshire 2014

Background Papers

- None identified

Understanding Herefordshire 2014

An integrated needs assessment

Version 1.0, May 2014



www.herefordshire.gov.uk/understandhere

Table of Contents

About this document.....	3
Key issues and long-term challenges	5
About Herefordshire.....	6
Geography and infrastructure.....	6
Population and changing demographics.....	7
Overview of inequalities and deprivation	10
Residents' views about life in Herefordshire	13
Starting well: birth to age 5 years.....	14
Developing well: realising children and young people's potential	16
Education.....	16
Child health.....	18
Children in need.....	20
Working well: economic development.....	22
Economic development.....	22
The labour market and social inclusion	23
Qualifications and skills.....	25
Ageing well: people aged 65 years and over	27
Being well.....	29
Living well: communities and protecting the vulnerable.....	32
Adult social care.....	32
Social capital – volunteering and caring	33
Safer communities	34
Living well: the place aspect of living	37
Access to services	37
Housing.....	37
Environment and transport.....	40
Recommendations for filling the gap in our evidence base	42

About this document

The *Understanding Herefordshire* report provides strategic intelligence for commissioning and business planning for the whole county - to help determine priorities for resource allocation for a sustainable future, regardless of which organisation you are part of. It is an integrated assessment of the health and well-being needs of the *people* of Herefordshire, bringing together the statutory requirement to produce a *Joint Strategic Needs Assessment* and the previous *State of Herefordshire* reports (developed over the last decade). It is essential to understand the *place* – such as the local economy and environment – in which people live, learn and work as part of understanding their quality of life. Individual determinants of health and quality of life include a person's age, gender and hereditary factors but there are also the social, economic and environmental determinants of well-being which include lifestyle factors, social and community influences, living and working conditions, activities, the built environment and the natural environment.

The diagram below shows these determinants of health and well-being and demonstrates the interdependences between different aspects. As the chief executive of Public Health England puts it, “**everything is connected in some way and helping to identify the best value interventions will support moving resources around the system.**” With this in mind, *Understanding Herefordshire* highlights some of the opportunities for joint working between organisations and communities in Herefordshire to meet the health and well-being needs of our population in the context of significantly reduced funding.

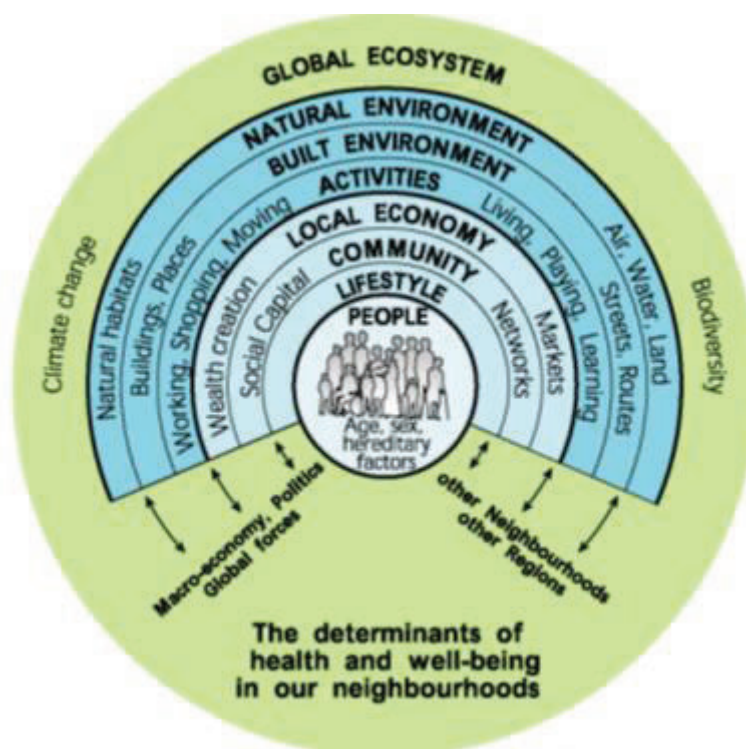


Figure 1: The health map (Barton, H. and Grant, M., (2006); *A health map for the local human habitat*, Journal of the Royal Society for the Promotion of Public Health

This document is a high level summary with electronic links to the underlying evidence provided throughout the document, where more detail and supporting strategies can be found. The integrated evidence base is available at www.herefordshire.gov.uk/factsandfigures and maintained by the local authority strategic intelligence team with contributors from other areas of Herefordshire Council, Herefordshire's Clinical Commissioning Group, Herefordshire Voluntary Organisation Support Services, Healthwatch Herefordshire, Herefordshire Carers' Support, the Local Nature Partnership and others.

Understanding localities

This document is a summary of the needs of Herefordshire as a whole, but wherever possible the analysis has been carried out for smaller areas and is available by following the **electronic links** to the underlying evidence base. Major geographical differences have been mentioned here where appropriate, but for a fuller understanding of a particular locality *Understanding Herefordshire* should be used alongside the *Key Findings about Herefordshire Localities* available at www.herefordshire.gov.uk/aboutlocalities. Also available online are various statistical profiles of particular areas, including [localities](#), [GP practices](#), [wards, market towns and smaller areas within them](#).

Understanding inequalities

Analyses of different groups within the population or different geographic areas can highlight where there are inequalities in terms of health and well-being outcomes. This has been done throughout the report and is denoted by the following symbol in the margin.



Key issues and long-term challenges

- **Sparse, scattered population** is a key driver in meeting need and the cost of addressing that need. Impact on transport, broadband and jobs. Lack of transport options for rural communities. Opportunities for integration of health, social care & education transport.
- **Ageing population:** social care demand already rising; dementia diagnosis remains a challenge; co-ordination of service; provision of appropriate housing.
- **Wages and economic growth:** second lowest earnings in Great Britain, after Blaenau Gwent. This along with the sector makeup of the county contributes to low economic productivity.
- **Affordable housing** is the worst in the West Midlands, with houses at the lower end of the market costing around 8.6 times the annual wages of the lowest earners.
- **Enabling development:** required levels of economic development and housing growth will be enabled by a range of transport measures, but it is important to ensure that these developments do not unacceptably impact upon the local environment. In particular work is needed to manage housing development and land use to ensure water quality in the River Wye and Lugg Special Area of Conservation is not compromised.
- **Lifestyle choices** for those living in the most deprived areas; smoking, alcohol and obesity are key risk factors in causing ill-health and early death. More can't work for health reasons than can't find a job.
- **Strong communities:** one in three volunteer; one in five are carers...but one in twenty feel lonely most of the time - social isolation and loneliness affect vulnerability.
- **Protecting the most vulnerable:** children in need; victims of domestic abuse; families in poverty. Need for more effective use and sharing of information and multi-agency co-ordination to ensure an effective, holistic approach.
- **Educational attainment:** mixed picture for children attending state maintained schools. Achievement is similar to national in the early years of primary school, but not as good in later years of compulsory education. Challenge of tackling relatively low attainment against a backdrop of high proportions of children attending schools rated as good or outstanding by Ofsted.
- **Poverty:** one in five households live in poverty. Income deprivation is mostly in urban areas but also in rural pockets. Effect of welfare reform starting to be seen in increased need for 'crisis' support - there is a need to work with third sector providers to ensure holistic assessment of those in greatest need.
- **Inequalities** mean some sectors of society continue to get a raw deal: gap between most & least deprived areas widening; poorer health outcomes for those in most deprived areas; looked after children, those with special education needs or English as an additional language don't do as well at school; people with mental health problems or learning disabilities are less likely to be in employment; one of the highest gender pay gaps in the country; only a third of estimated dementia cases have been diagnosed.



About Herefordshire

Geography and infrastructure

Herefordshire is a predominantly rural county, with the 4th lowest population density in England. It is situated in the south-west of the West Midlands region bordering Wales. The city of Hereford, in the middle of the county, is the centre for most facilities; other principal locations are the five market towns of Leominster, Ross-on-Wye, Ledbury, Bromyard and Kington.

Herefordshire has beautiful unspoilt countryside; distinctive heritage; remote valleys and rivers. The River Wye divides the county, flowing east from the Welsh border through Hereford city before turning south into the Wye Valley Area of Outstanding Natural Beauty. The Malvern Hills AONB, rising to 400m, borders the east of county, and the south-west is dominated by the western reaches of the Black Mountains with altitudes of more than 600m.

Unlike other rural counties, which have large areas with no residents, Herefordshire's 82,700 homes and 184,900 residents are scattered across its 842 square miles – which poses a particular challenge for service delivery and access. Almost all its land area falls within the 25 per cent most deprived in England in terms of geographical barriers to services; the Golden Valley in the south-west and the Mortimer locality in the north-west are particularly affected. Compounding the physical access issue, access to broadband, mobile phone services and other service infrastructure is an issue for some residents and businesses in rural areas.

With only four railway stations, the transport network is mainly comprised of rural 'C' or unclassified roads leading off single carriageway 'A' roads. The main road links, which all pass through Hereford, are the A49 trunk road (running from north to south), the A438 (east to west) and the A4103 towards Worcester.

In general the county has a relatively large proportion of employment in sectors that tend to attract lower wages such as 'wholesale and retail' and 'agriculture', which affects the overall productivity of the county (as measured by a low GVA). Self-employment is more common than nationally, particularly in 'agriculture', 'arts, entertainment and recreation, and other service activities' and 'construction'. Low wages and relatively high house prices mean that the affordability of housing is a key issue for the county – both to buy and rent, so there is consistently high demand for social housing.

Population and changing demographics

The **current (mid-2012) resident population** is 184,900, having grown – entirely due to migration – by six per cent (10,000 people) since 2001 (compared to eight per cent in England & Wales overall). This doesn't include 3,000 students living away from home during term-time who may well use local services when home. It also does not include approximately 3,000 temporary seasonal workers from Eastern Europe each year. Latest demographic trend-led projections suggest that, if recent trends were to continue, the population would reach 205,400 by 2031 – 11 per cent higher than in 2012. This would equate to 0.6 per cent growth per annum – slightly higher than observed during the last decade (0.5 per cent). Initial indications are that the current intention to build 16,500 new homes between 2011 and 2031 would more than satisfy this level of population growth. However, further work is planned to ascertain whether this would still supply enough labour to support realistic economic growth.

The county still has an older **age structure** than nationally, with 22 per cent of the population aged 65 years or above (40,800 people), compared to 17 per cent nationally. This includes 5,500 residents aged 85 and over. There is a similar proportion of under-16s as nationally (17 compared to 19 per cent). A spatial analysis of the proportion of under 20 year olds in the population areas across Herefordshire (see **figure 2**) shows that, with the exception of the area containing Lucton boarding school, the highest proportions of young people are found in areas of Leominster, Credenhill, south Hereford, and Ross-on-Wye. South Hereford has the highest concentration of young people overall.

Despite an overall net in-migration of 200-300 under 18s and their families each year, both from elsewhere in the UK and overseas, and rising numbers of births during the last decade, the total **number of children** living in Herefordshire has been falling consistently. This is due to these births and migrants not being enough to compensate for the high numbers of births seen in the 1980s and early 90s – children who were becoming adults during the 2000s. However, the 2011 census confirmed that increased

The population under 20 in the county has consistently fallen

immigration in the latter part of the last decade slowed the rate of this fall. There are currently (mid-2012) 31,500 under 16s (seven per cent fewer than in 2001), and 39,900 under 20s (four per cent fewer than in 2001). This overall decline does however mask the fact that number of under-fives has been rising since 2006.

Herefordshire has a lower proportion of **younger working age adults** (aged 16 to early forties) compared with England & Wales as a whole, but has a higher proportion of older working age adults (mid-forties to 64). There was a sharp increase in the number of 16 to 64 year olds during the middle of the last decade, largely due to international migration. However, since 2008 numbers have been gradually declining due to relatively lower migration levels and by the post-war 'baby-boomers' moving into retirement age.

Net **migration** increased from both elsewhere in the UK (net in-flow of 300 people) and overseas (1,000 people) in 2011-12, although remained lower than prior to the recession. As every year, this included net in-flows of most age-groups – the only notable exception being 800 18 to 20 year-olds moving to

other parts of the UK (a net 'loss' of 14 per cent of the population of this age-group each year). The people most likely to leave the county for somewhere else in the UK are 19 year-olds, whilst 22 year-olds are the most likely of all ages to move here – coinciding with starting and finishing university. Recent [qualitative research](#) confirms the assumption that young people leave the county for education and alternative employment opportunities to the relatively low-paid and low-skilled jobs available locally, but also because of a perceived lack of wider social and cultural activities. However, it also found that strong family connections were a reason for staying or returning.

19 year-olds are most likely to leave the county for other parts of the UK and 22 year-olds most likely to move here

After being responsible for a reversal of the declining trend in the number of young adults (16-34) during the last decade, **international migration** is still driving the growth in the county's population: on average 70 per cent of migrants are from overseas. Having fallen

Residents born outside the UK are more likely to be in employment and less likely to have no qualifications than those born in the UK

by five per cent from 2001, since 2005 the number of 16-34s has increased by 14 per cent (+4,500 people).

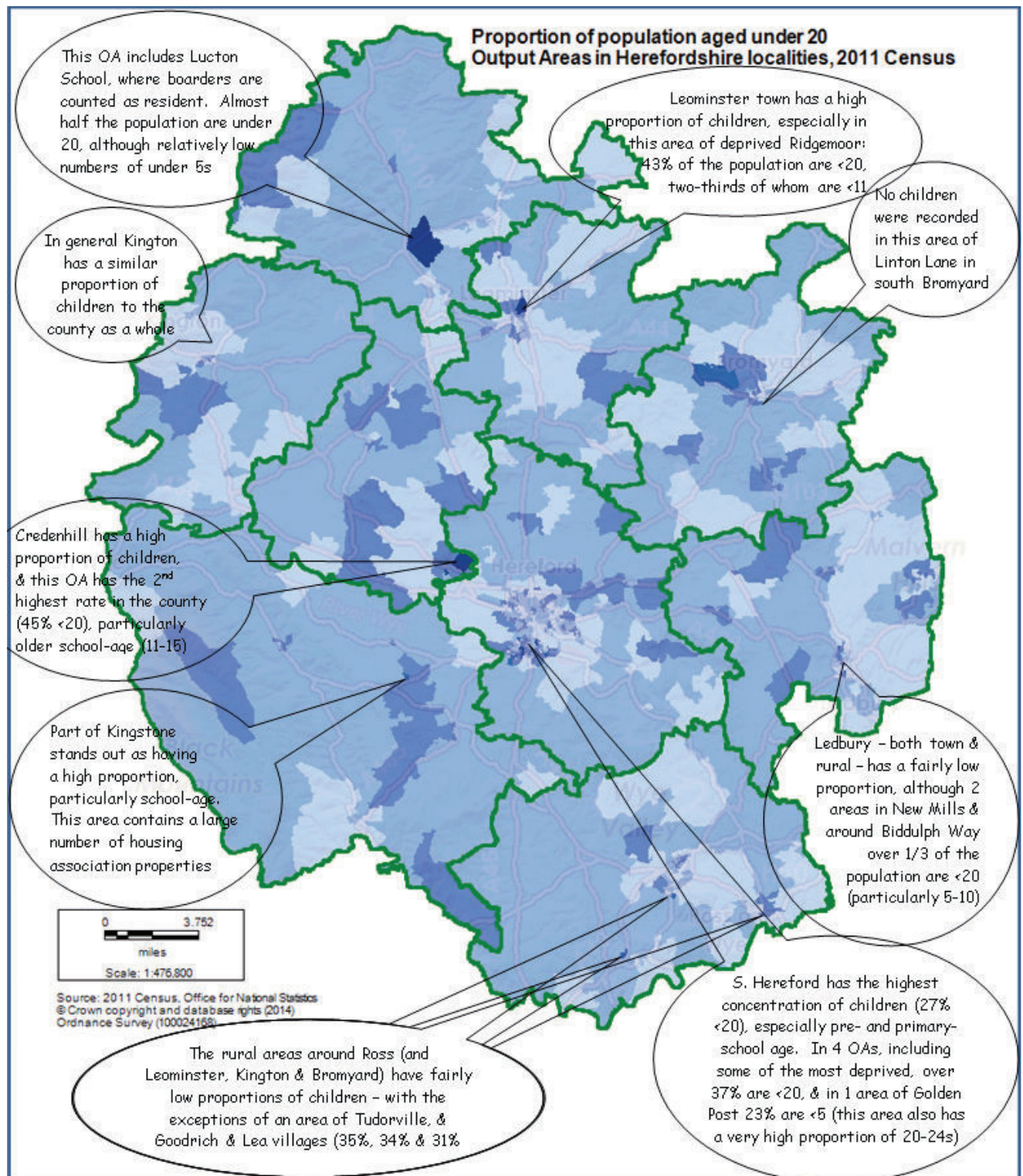
County residents not born in the UK are more likely to be in employment and are less likely to have no qualifications than county residents born in the UK.

In January this year, [Bulgarian and Romanian nationals](#) gained free employment rights in the UK - whereas before they were restricted to either self-employment or temporary jobs via, for example, the Seasonal Agricultural Workers Scheme. It is too early to assess what impact the changes have had on migration from these countries, but there has been no evidence of any increased demand on public services so far. There was concern in the agricultural

sector about the impact on the supply of seasonal labour, but from early responses to this year's farm survey this doesn't seem to have been realised yet.

More information on the ethnic make-up of Herefordshire's population (including Gypsy and Irish Travellers) was made available with the 2011 Census data and was described in last year's *Understanding Herefordshire* report and is available online.

Figure 2: Proportion of population aged under 20 by census output area in Herefordshire

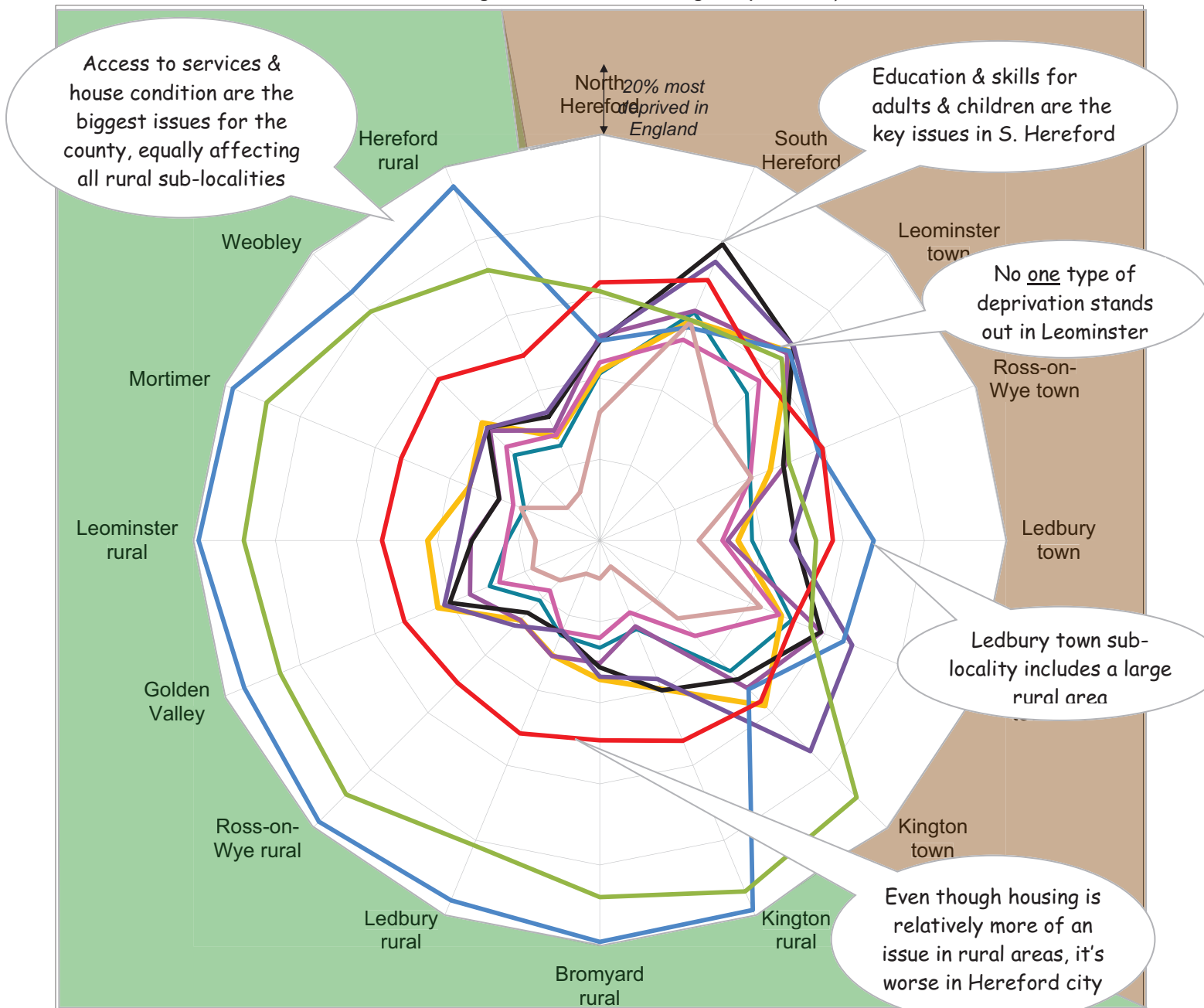


Overview of inequalities and deprivation



As a whole, Herefordshire has relatively low levels of overall, **multiple deprivation**. In general people are healthy, live longer compared with nationally, and have positive experiences of the things that affect their lives and well-being. However, some areas of south Hereford, Leominster and Ross are amongst the 25 per cent most deprived in England and have become more deprived relative to other areas. Different types of deprivation affect different areas – figure 3 shows how the issues vary around the county.

Figure 3: Deprivation in Herefordshire localities relative to all of England (a point nearer the outside of the chart indicates greater relative average deprivation)



Lines show different types of deprivation:

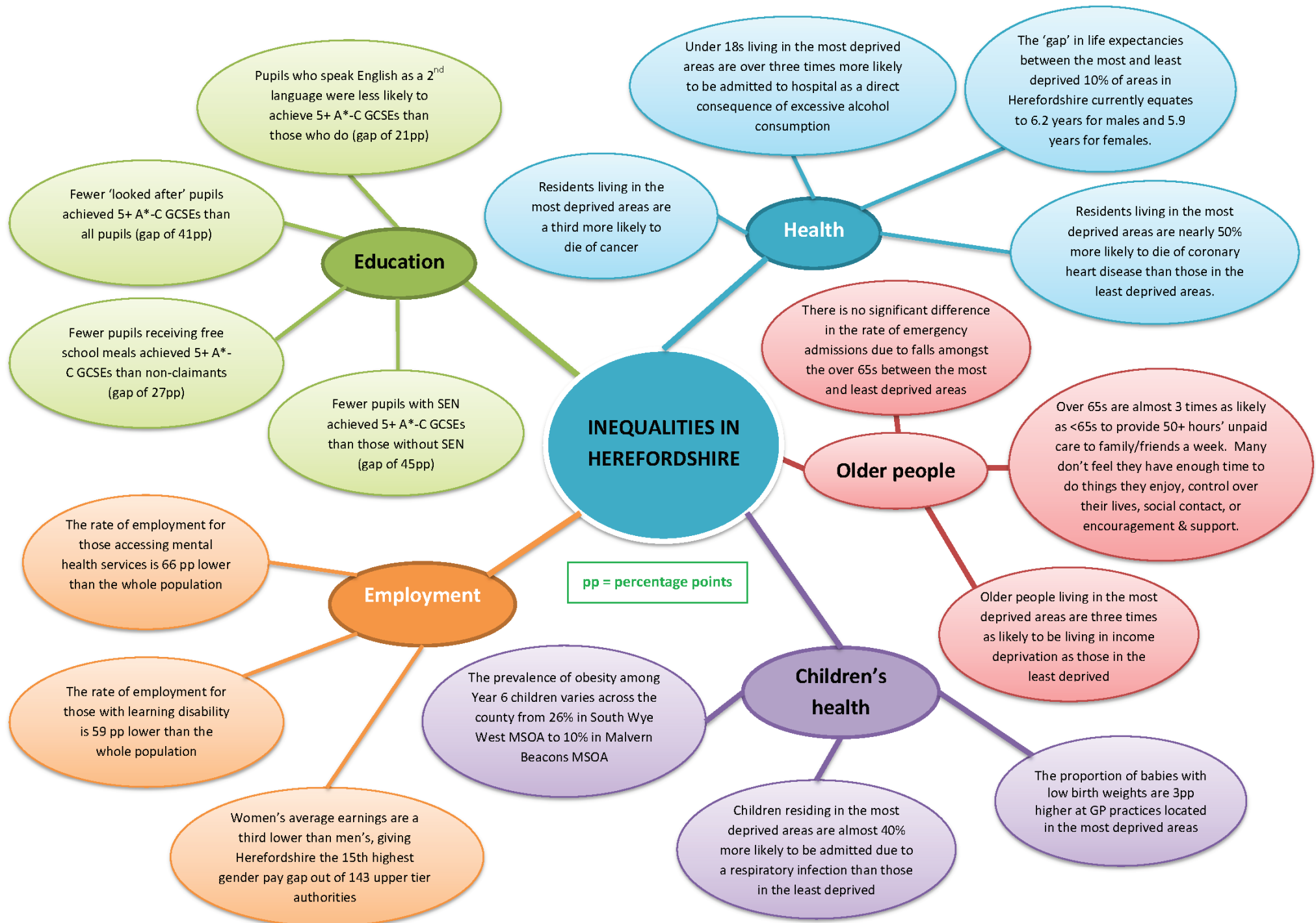
- | | |
|--------------------------------------|--|
| — Income deprived older people (60+) | — Income deprived children (<16) |
| — Out of work | — Health & disability |
| — Children's education | — Adult qualifications |
| — Access to services | — Housing affordability & overcrowding |
| — Crime | — House condition |



experiences. People with particular characteristics are also getting a raw deal in some aspects of their lives compared to their peers - for example the health and education outcomes of children looked after by the local authority; the employment of adults using secondary mental health services and those with learning disabilities. The diagram in **figure 4** highlights some of these poorer health and well-being outcomes.

In addition to specific inequalities, evidence indicates there are certain groups who require or make extensive use of a disproportionate number of services from different providers. For example, in a sample of 108 child protection cases in 2012, domestic abuse was present in 52 per cent of cases, requiring involvement from both social care services and the police. Further work is required to understand how individuals and families interact with the range of services in place to help, to enable early, effective multi-agency intervention – particularly better coordination and integration to help those in need, who often have to negotiate a complex system of organisations to get support.

Figure 4: Diagram showing inequalities in health and well-being outcomes in Herefordshire



Residents' views about life in Herefordshire

When they were last asked, in the [2012 Quality of life survey](#), most Herefordshire residents were satisfied with their local area as a place to live (91 per cent) and their own home (94 per cent). The majority (69 per cent) felt that people from different backgrounds get on well together – although this had fallen since 2008 and was more likely amongst rural residents. However, 20 per cent felt there was a big problem with people not treating each other with respect and consideration.

In the same survey, the top three **residents' priorities for the council** (from a list of six) were: create a successful economy, improve health and social care and raise standards for children and young people. Views on what's important and what needs improving to make a local area a good place to live prioritised: affordable decent housing, job prospects, road and pavement repairs and public transport; with some variation across localities. In qualitative research testing these and potential changes to public services ([Your Community, Your Say, 2012](#)) with residents, health services, public transport and policing were high priority, and public toilets, street lighting, cultural facilities and services and planting schemes were less important. Road and pavement repairs and public transport were identified as most in need of improvement. There were mixed views about the importance of maintaining public rights of way and street cleaning, although general consensus suggested that these services could be better delivered at a local level. However, both this and other consultations (e.g. the recent one about bus subsidies) have revealed less desire for communities to run services themselves should they wish, than to have a say in how they are run.

The **council's budget consultation** in late 2013 received over 700 responses from individuals and organisations. As in 2012 there was strong opposition to reductions in support to the voluntary and community sector, which was perceived as doing a good job and providing good value for money and essential services, particularly in preventing people needing intervention from the council. The importance of public transport in helping people remain independent was also stressed (see the transport section for more), as were the roles of libraries and culture & the arts. Two-thirds of relevant comments were opposed to triggering a referendum by increasing Council Tax by five per cent.

When residents were asked for their **views about public services** in 2012 there were higher [levels of satisfaction](#) compared to 2008 for the police (69 per cent), local dentist (80 per cent) and the way Herefordshire Council runs things (51 per cent). Satisfaction with GPs, local hospital and the fire and rescue service remained high (80 per cent+). However, only a little over a quarter of respondents agreed that the council provides

value for money, only slightly more than in 2008. Perceived inefficiencies, overpaid and ineffective management have been strong themes emerging from the last two annual budget consultations and the [Your Community, Your Say](#) engagement events.

Starting well: birth to age 5 years

There are currently 9,800 children aged five and under, four per cent more than in 2001. If the most recent demographic trends were to continue, the number would remain at a similar level until 2023, when it would start a slow decline – reaching 9,400 (-4 per cent) by 2031.

The [child health profile](#) for young children shows that for some aspects Herefordshire fares better than England:

- Significantly lower rate of women **smoking during pregnancy** at 11.2 per 100 maternities compared to 13.2 in England as a whole.
- Lower **infant mortality** rate in Herefordshire (4.1 deaths per 1000 live births) than regional and national rates and decreasing in line with national trends.
- Lower prevalence of **obesity** in reception year – i.e. aged 4-5 (8.6 per cent) than nationally (9.6 per cent) although this varies across the county with higher levels in areas of south Leominster and Ross-on-Wye and lower levels in Greater Ledbury and other areas of Ross-on-Wye.
- Significantly lower rate of **child poverty** (14 per cent) than nationally (21 per cent) but there are still approximately 4,400 children living in low income families.

However there are areas where there is a need to improve outcomes for young children, namely:

- **Immunisation rates** within the first year are comparable to national and regional coverage at 94 per cent, thereafter progressively lower within a child's second year with considerably lower rates than elsewhere for immunisation within the fifth year.
- Higher rates of **tooth decay** in children aged five years, ranking 13th out of 14 comparator local authorities.
- **Breast feeding** initiation rates are marginally lower than the average for England at 74 per cent, ranking 8th out of 15 comparators. Rates of breastfeeding at 6-8 weeks are similar to national levels at 47 per cent, which are considered to be relatively low anyway.

The biggest challenge for Herefordshire is to address the within county inequalities that are observed for some health outcomes – for example, GP practices located in the most deprived areas have higher proportions of low birth weights (almost nine per cent in Leominster, compared to a county average of seven).



There was an increase of nearly five percentage points in total **hospital admissions** of children (0-19 years) in 2012-13 with approximately 40 per cent being emergency admissions. There has been a sharp growth in the number of admissions of children aged under five (23 per cent) and 5-9 years (18 per cent) over the last two years. Viral infections (all sites) are the most common specific cause of hospital admissions amongst under fives (11 per cent of total admissions). Acute upper respiratory infections (including acute tonsillitis) account for a further 10 per cent.

In 2013, 55 per cent of children aged 5 in Herefordshire achieved a **'good level of development'** at the end of the Early Years Foundation Stage (from birth to aged 5), higher than that for England and the region (52 and 50 per cent respectively) and just within the top quartile¹ of all English local authorities. Both boys and girls in the county



55% of children aged 5 achieved a 'good level of development'

performed above the national average. Attainment inequalities still exist amongst particular groups, both compared to other children in Herefordshire and the same groups nationally: only 34 per cent of those on free school meals (36 per cent nationally); and 32 per cent of children who speak English as an additional language (EAL) (44 per cent nationally). Children with special educational needs also do less well than their peers locally. These inequalities persist through all key stages of education (see next section).

¹ The 25 per cent of authorities that have the highest proportions.

Developing well: realising children and young people's potential

There is an overall trend for lower numbers of children and young people in the county, although this masks differences for particular age groups: the numbers of 16-19 year olds rose by nine per cent from 2001, whilst there are currently almost 3,000 fewer school-age children than there were then (12 per cent fall). The number of 20-25 year-olds increased by 3,000 – more than a third - mainly due to the natural 'cohort effect' of there being more teenagers turning 20 than 25 year-olds turning 26 after 2004, but also due to immigration.

Considering the different age-groups, the number of primary school aged children is likely to rise by 2021 – although remain below 2001 levels. The number of secondary school age children is expected to remain about the same or fall slightly again. The population of late teens (16-19s) is higher than in 2001 but has been declining since 2008 and is likely to fall again as today's 7-10 year-olds grow up. A decline in the number of 20-25s is likely from the current high of 11,500, but this is the age group most dependent on trends in immigration, so one of the most difficult to predict.

The different trends (recent and future) for specific age groups highlight the different challenges for particular services for children. Maternity and early years' services have had to adapt to rising numbers, whilst overall there is a surplus of school places caused by falling numbers, which is not likely to be reversed in the near future.

Education

There is a mixed picture of educational outcomes for children attending state maintained schools in Herefordshire. Achievement is similar to the national picture in the early years of primary school, but not as good in later years of compulsory education. Results in the last academic year (2012-13) were as follows:

- The percentage of children reaching the desired thresholds for reading (89 per cent), writing (84 per cent) and maths (90 per cent) at **Key Stage 1** (2nd and 3rd years of primary school) were similar to the national rates, but no better than the average (median) of all English local authorities. Local rates fluctuate each year, but are all better than they were in 2010-11.
- 70 per cent of children reached the desired level for English, maths and reading at **Key Stage 2** (end of primary school), five percentage points lower than the national rate; with boys in Herefordshire achieving three percentage points below their peers nationally and girls six percentage points below. Local rates have improved slightly since 2010-11, but the county is one of the lowest performing among comparator areas, and when considering the different elements separately is amongst the lowest quartile nationally in all but reading.

- In 2013, 56 per cent of Herefordshire pupils achieved **5+ A*-C GCSEs** (or equivalent) including English and maths. Although national rates continue to improve, the local rate has fallen slightly since 2011. In 2012-13 it was lower than 8 out of 10 comparator authorities (statistical neighbours), and was nearly five percentage points below the England rate, when in 2006-07 it was nearly six percentage points *higher* (52 per cent vs. 46 per cent). Over this six-year period, local GCSE attainment has moved from the top quartile of local authorities to the bottom.
- Herefordshire has a larger gap than nationally between students who speak **English as an additional language (EAL)** students and non-EAL learners across nearly all educational outcomes. Only 35 per cent achieved 5+ A*-C GCSEs in 2013 – the lowest in England. The increasing numbers of EAL pupils has a direct resource implication for schools, necessitating specialised language staff to ensure that these youngsters progress to their full potential. Evidence suggests that EAL pupils tend to struggle in the early years, however once they have an understanding of the English language, make accelerated progress compared to their English-speaking colleagues.
- The gaps in attainment seen in the early years' development for children eligible for free school meals and with special educational needs also persist at Key Stage 2 and GCSE, with lower proportions achieving compared to other pupils in Herefordshire and compared to the same groups nationally (see figure 4)
- Overall, students in **Key Stage 5 ('A' levels and level 3 qualifications)** perform well with a higher percentage achieving at least two substantial level 3 qualifications than pupils nationally. In 2013 Herefordshire was the highest performing area amongst statistical neighbours for this measure and is consistently in the top quartile nationally.

56% of pupils achieved 5+ A*-C GCSEs inc. English and Maths - 5 percentage points below the national rate



Herefordshire was the highest performing of its statistical comparators at post-compulsory education (e.g. A-level)

The challenge for Herefordshire in tackling the issues in primary and secondary level educational attainment raised above is that, despite these overall results, many schools are rated as good or outstanding by Ofsted. According to the chief inspector's report for 2013, 72 per cent of primary and 89 per cent of secondary pupils in Herefordshire attended good or outstanding schools. As at April 2014, these figures stood at 84 per cent and 89 per cent respectively – putting Herefordshire in the 1st (top) quartile for primary and 2nd for secondary out of all English local authorities.

The percentage of young people who are **not in education, employment and training** (so-called 'NEET') fell from 7.7 per cent in 2011 to 6.2 per cent in 2012, bringing it in line with the regional and national figures. The latest figure is similar (6.7 per cent in January 2014), but it should be noted that this could have been affected by recent work to reduce the percentage of young people whose status was 'not known' from 10.1 per cent to 3.5.

Child health

Hospital admissions for children aged 5-9 have increased by 18 per cent over the last two years but have remained static for those aged 10+ years over the same period. Rates of admission from the most deprived areas of the county are significantly high relative to all other areas; people from the 25 per cent most deprived areas accounted for 35 per cent of total admissions. Children residing in the most deprived areas are almost 40 per cent more likely to be admitted due to a respiratory infection than those living in the least deprived areas. Herefordshire currently has a significantly high rate of hospital admissions in national terms due to unintentional and deliberate injuries in young people aged 0-14 years (118.1 per 10,000 population in 2012-13) and one of the highest rates within our comparator group.



Almost 15 per cent of hospital admissions of young people aged 15-19 years are pregnancy-related (including medical abortion procedures). Local teenage conception rates are consistently lower than national and regional rates. The latest was 28 per 1,000 girls aged 15-17 years across the three-year period 2009-11, which had fallen by over 25 per cent since the period 1998-2000 - in line with other areas. However Herefordshire has a high rate of chlamydial infection amongst young people relative to most other West Midlands authorities. Concern has been raised via **Healthwatch Herefordshire** about the impact that reductions in sexual health services might have on young people's ability to access confidential advice.

The most frequent **cause of death** for children aged 5-16 and those aged 17-19 between 2001 and 2012 was transport accidents (20 out of 58 deaths of 5-16s and 20 out of 40 deaths of 17-19s), although the overall rate of children killed or seriously injured in road traffic accidents was lower than the England average. Overall, child mortality rates (aged 1-17) are slightly higher than nationally but this is not statistically significant. The second most common cause of death for children and young people aged 5-19 years was intentional self-harm,

Children from the most deprived areas are 40% more likely to be admitted to hospital due to respiratory illness than the least deprived

though this equated to fewer than 10 deaths. The rates of hospital admissions for self-harm amongst under 17s are on a par with the rate for England.

Herefordshire has a significantly lower prevalence of **obesity** among Year 6 pupils (16.5 per cent) than nationally (19.0 per cent). This prevalence varies across the county from 25.7 per cent in South Wye West to 9.7 per cent in the Malvern Beacons area. South

Wye West has a significantly high rate relative to the county overall.

Young people from the most deprived areas are over 3 times more likely to be admitted to hospital due to binge drinking than the least deprived areas

Whilst **alcohol misuse** can present health problems for all age groups, the risks are far more dangerous in young people as their bodies are still growing and alcohol can adversely affect their development.

Research has shown that alcohol may leave young people vulnerable to long term damage leading to conditions such as cancer of the mouth and throat,

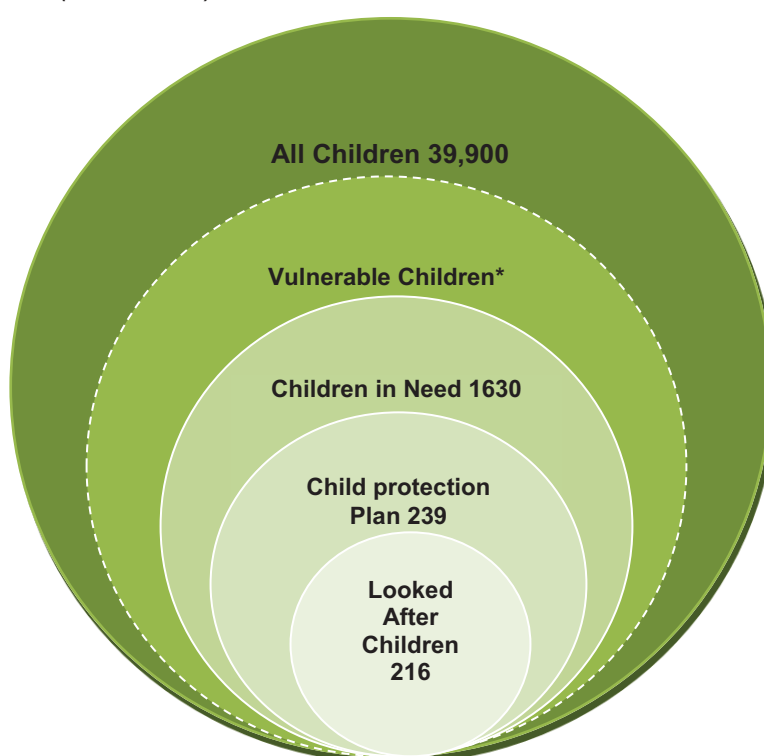
sexual and mental health issues, liver cirrhosis and heart disease. Alcohol attributable hospital admissions for under 18s in Herefordshire have shown a decreasing trend between 2010/11 and 2012/13; however they are still significantly higher than the England average and compare poorly against other areas (ranked 262 of 317 local authorities for which data has been published). Furthermore a young person is over three times more likely to be admitted due to binge drinking if they live in the most deprived areas of the county than if they live in the least deprived areas.



Children in need

The broader concept of 'a child in need' (CIN) introduced by the Children Act 1989 is that a child is in need of statutory support if they are unlikely to achieve a reasonable standard of health or development without the provision of services by a local authority; likely to be significantly impaired, or further impaired, without these services; or if he/she is a disabled child. Herefordshire has the highest rate compared to its statistical neighbours and higher than the national rate of children becoming in need, children subject to child protection plans and children becoming looked after. This rate has been increasing over the past five years; consequently the numbers of children in these categories have also increased. The numbers are shown in figure 5 below.

Figure 5: Diagram showing numbers of children in need and subsets within them in Herefordshire (June 2013)



*No single definition and due to different circumstances, therefore not measurable

The most common initial reason for a child becoming in need or looked after is abuse and neglect, accounting for 68 per cent of all looked after children cases reviewed in 2012. Domestic violence abuse is the most prevalent type of abuse and neglect for both children in need and looked after children accounting for 30 per cent and 68 per cent of all cases respectively. There is no single database in the county that allows those children exposed to domestic violence abuse to be identified. West Mercia Women's Aid and West Mercia Police estimate that around 300-400

Neglect and abuse accounts for 68% of the initial reasons for children being in need or looked after

children are exposed to domestic violence per month (*where some of these are likely to be the same children*).

Outcomes for **looked after children** are very poor in Herefordshire compared to their peers nationally and in comparator areas. At all key stages of education looked after children perform worse than their peers.



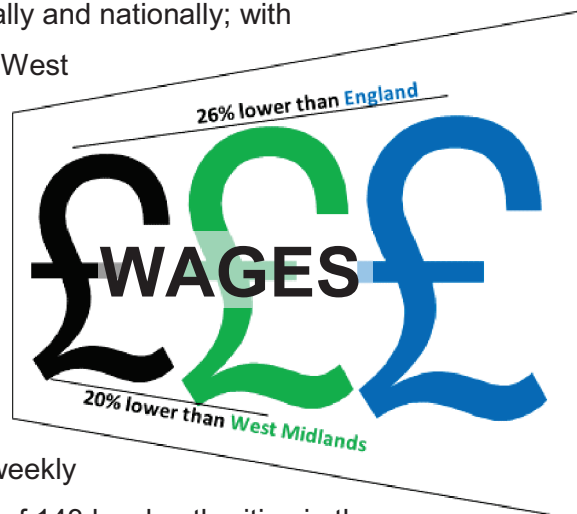
In addition to the above, the Children's Integrated Needs Assessment (2014) includes analyses of profiles of vulnerable children as defined by legislations and policies and these included homeless children, children exposed to domestic violence abuse, disabled children, young carers, young offenders, Gypsy Roma Travellers and care leavers. Key findings of these were:

- The county's homelessness rate is the second highest compared to statistical neighbours, with over half of households labelled homeless having dependent children (equating to a total of 201 in the first three quarters of 2013-14)
- Based on data modelling, Herefordshire has approximately 1,000-1,800 children experiencing some form of disability. Five per cent of children in need are as a result of their disability. There is no mandatory database recording disabled children in Herefordshire
- About 300 young carers are registered with Herefordshire Carers' Support. The majority are aged between 11-15 years and over half look after their mothers
- Just over 100 people aged between 10-17 entered the youth justice system for the first time
- There are currently 250 Gypsy, Roma Travellers aged under 20 known to the local authority. Educational attainment is noted to be improving in Herefordshire for this group.

Working well: economic development

Economic development

Herefordshire's economic output is low compared to regionally and nationally; with persistently low wages - the lowest average earnings in the West Midlands and in fact the second lowest earnings in Great Britain in 2013, after Blaenau Gwent. There is currently no robust evidence to explain why wages in Herefordshire do not seem to be increasing in line with regional and national trends. Possible explanations are the types of employment by industry sector in the county (high proportions in low value sectors), a high rate of self-employment and a wider gender pay gap (average female weekly earnings are a third lower than male's – the 15th widest gap of 143 local authorities in the country).



Increased housing provision and population growth is expected to mean increased demand for **jobs** by 2031 – uncertainty over economic conditions makes it difficult to predict how many jobs there will be to meet this demand, although regeneration projects in Hereford City have the potential to create thousands of new jobs. In 2012 the number of business closures was still higher than start-ups, meaning that the number of businesses operating in the county continued to decline. Herefordshire still has a greater number of businesses per head of population than across England but a lack of recovery in business start-ups locally post-recession means this difference is getting smaller.

Transport has a key role to play in terms of supporting economic growth in Herefordshire through the provision and maintenance of transport infrastructure and services which provide access for businesses and services in the county. Transport modelling has shown that without a transport package comprising a relief road and complementary sustainable transport measures, planned growth will result in increasing congestion in Hereford City. If the congestion is not managed through this package, development and growth in areas such as the Hereford Enterprise Zone will be limited because of problems accessing the site. The additional capacity provided by a western relief road will provide the opportunity to introduce more sustainable transport measures on the transport network. This will include further provision for cycle routes and improved bus access.

Monitoring of traffic flows has shown a slight reduction of three per cent in Hereford between 2008-09 and 2012-13 and four per cent in the rural areas over the same period. This is reflected in national trends and is likely to be related to the economic

downturn. We are undertaking further monitoring to clarify what role the council's [Destination Hereford](#) project may have played in reducing traffic flows. The transport modelling which has underpinned assessment of the Core Strategy has been updated to take into account these recent trends to ensure that the proposals remain valid.

The labour market and social inclusion

The overall [employment rate](#) increased over the last decade and was in the top twenty per cent nationally in 2011, although this hides a reduction since 2008. People accessing secondary mental health services were considerably less likely than the population as a whole to be in employment – their rate of employment was 66 percentage points lower. The picture was similar for those with a learning disability (59 percentage points lower). The last decade has seen an increase of 1,200 more working age residents (16-64) who are self-employed (+7 per cent) - in 2011 the county [self-employment](#) rate (15 per cent) was in the top five per cent nationally. There was a disproportionate increase in the number of people in the county working part-time (up to 30 hours) over the last decade, increasing by 23 per cent compared to just 6 per cent for full-time (3,900 and 2,600 more people respectively). In 2011 the rate of part-time working (23 per cent) was in the top ten per cent nationally. Nationally the proportion of people that are underemployed i.e. those wanting more hours, has increased considerably since 2008 for both people working full-time and part-time. Both the increase in part-time working and underemployment (reported nationally) can be attributed to the recession. The increase in part-time working is forecast to continue and may be partly increased by incentives under [Universal Credit](#).

Part-time working increased by 23% in the last decade compared to 6% for full-time

The recession has had less of an effect on unemployment levels than might have been expected given its length and depth. The number claiming Jobseekers Allowance decreased over the last year – possibly affected by changes to the sanction regime i.e. benefit being removed for non-compliance. Unemployment remains low (1.5 per cent in April 2014) compared with the West Midlands (3.4 per cent) and England (2.7 per cent). In Herefordshire twice as many people claim an out-of-work benefit due to poor health than because they are unemployed and actively seeking work.

Around a fifth of households in Herefordshire live in [poverty](#)² (14,500 households), a similar proportion to nationally and regionally. [Income deprivation](#) mostly occurs in the

² A household is considered to be in poverty if its net income (after housing costs and taxes) is less than 60% of the national average (median).



urban areas of Herefordshire, including Hereford City, Leominster and Ross-on-Wye, but also to a lesser extent the market towns of Kington and Bromyard. Smaller pockets also occur in more rural areas. Rural households are also likely to face additional costs associated with transport and heating the home, which have increased at a higher rate than inflation – in 2013 minimum income requirements were estimated nationally to be at least 10 per cent higher for residents of villages than for the population as a whole. Pensioner couples had the greatest difference with income requirements being 25 per cent higher. Across the UK an increasing proportion of children live in poverty, although Herefordshire typically has lower rates of child poverty than nationally (see Starting Well section).

The link between poverty and households being out-of-work is shown by the areas with the highest rates of poverty having the highest rates of claiming for out-of-work benefits. These same areas are those where most households will be affected by the various [changes to the welfare](#) system. Some households in these areas will be subject to a whole raft of changes including the implementation of universal credit, changes to housing benefit, reductions in support for Council Tax and changes to disability benefits. It is not just those on out-of-work or disability benefits that will be affected by changes to welfare. Those in work will also see changes to tax credit entitlements. In all, changes to tax and welfare payments over the coming years will result in more people living in poverty with those at the bottom end of the income scale being most affected. Overall the economic impact of welfare changes in Herefordshire is estimated to be an annual loss of £43 million – approximately one per cent of total economic output. Per head of population (£385 per year) this is less than the national average (£448). It is difficult to define exactly which households in the county will be mostly affected, but they are likely to be those at the lower end of the income distribution who are eligible for housing and council tax benefit, those claiming incapacity and disability benefits, lone parents, couples with no children and those with low literacy and low financial literacy.

The effect of welfare changes is now starting to be seen in an increase in need for support locally; in particular the use of sanctions and delays in benefit processing has created an increased demand for 'crisis' support e.g. help with food and utilities. The criteria for the [local welfare provision scheme](#) (LWP) introduced by Herefordshire Council in April 2013 has not replicated the crisis loans previously offered by the Department for Work and Pensions (DWP). The scheme does not bypass DWP sanctions or 'top-up' benefits when the DWP can provide benefit advances for those in need (true in a significant number of LWP cases) meaning support delivered through LWP has been limited. Those seeking support are frequently referred directly to food banks by social workers, housing associations, Citizens' Advice Bureaux and others and are generally

provided support without a more holistic assessment of their need. Hereford City food bank and the Citizens' Advice Bureau have both seen an increase in demand for their services over the last year, a reflection of the increase in demand and the provision available. The number of food parcels given out by the Hereford City food bank in the first three months of 2014 was over double the number given out in the same period of 2013 – around two fifths of these were reported as being related to benefit issues. Work between Herefordshire Council and third sector providers is ongoing to ensure that provision is joined up so those in greatest need get the necessary support. Herefordshire Council is currently reviewing the Local Welfare Scheme, in consultation with third sector providers and others, to ensure those in greatest need get the necessary support. Looking at food aid specifically, national research suggests that those in greatest need of support do not always turn to food aid for a number of reasons including perceptions and availability of information about provision and feeling that it is degrading or shameful.

Qualifications and skills

The 2011 Census showed that qualification rates were similar to those across England. In contradiction, the most recent data from the Annual Population Survey shows Herefordshire to have a greater proportion of residents without qualifications. Looking in more detail at the census data there are some noticeable differences by age: generally speaking younger county residents are less well qualified than older residents when compared to England as a whole.

The proportions of residents (aged 16-64) with no qualifications and those with up to level 2 (i.e. 5+ GCSEs A*-C) decreased from 2001, whilst the proportions with level 3 (i.e. 2+ A-levels or equivalent) and 4 (degree or higher) and above has increased – a trend that was also seen nationally. The most extreme changes were at either end of the qualification spectrum.

Analysis of qualification rates by country of birth shows that generally speaking county residents born outside the UK have higher qualification rates than those born in the UK. For example the proportion qualified at level 4 or above was highest for those born in the Americas or Caribbean (49 per cent compared to 27 per cent of the UK-born population). With the exception of those from Ireland, residents born anywhere outside the UK had lower proportions without qualifications than those residents born in the UK.

Herefordshire has a similar rate of enrolment on higher education courses (36 per cent) as across the UK, and around 40 per cent of graduates return to work in the county - a further two per cent find work elsewhere in the Marches. Enrolment rates are




considerably lower in the most deprived areas of Herefordshire: 14 per cent in Belmont and 16 per cent in St Martin's and Hinton ward.

In 2013, 14 per cent of employers in the county had vacancies, twice as many as in 2011 (six per cent) and similar to the proportion across England (15 per cent) and the other Marches Local Enterprise Partnership (LEP) areas (Shropshire 12 per cent and Telford and Wrekin 13 per cent). The most common occupation of vacancies was elementary staff (18 per cent of all vacancies), followed by professionals (13 per cent), administrative/clerical staff (13 per cent) and caring, leisure and other services staff (12 per cent).

23 per cent of vacancies in the county were reported as being 'hard-to-fill', the vast majority of which because of skills shortages. Across England 29 per cent of vacancies were hard-to-fill.

Nine per cent of employers in the county reported that employees did not have the required skills to carry out their role - a lower rate than across England (15 per cent), Shropshire (14 per cent) and Telford and Wrekin (18 per cent). 'Technical or practical skills or job specific skills', 'planning and organisation skills' and 'team working skills' were the most common skills that needed improving.

Relatively few employers in the county recruited people straight from education - 22 per cent did so in the last 2-3 years compared to 27 per cent across England, 26 per cent in Shropshire and 31 per cent in Telford and Wrekin – Herefordshire had the 4th lowest rate across England. The proportion of young people that were reported as being poorly prepared for work was highest for those recruited at 17-18 years old from school with around a third of employers reporting this.



22% of employers recruited straight from education – the 4th lowest rate across England

Ageing well: people aged 65 years and over

Herefordshire's 39,400 residents aged 65 and over are scattered across the county, although those aged 65-84 are slightly more likely to live in rural villages, hamlets and isolated dwellings than the population as a whole (47 per cent of 65-84s; 43 per cent of all people). The very elderly (85+) are more likely to be living in rural town and fringe areas (Bromyard, Kington, Ledbury, Credenhill, Clehonger): 18 per cent compared to 11 per cent of the total population.

Many older people in Herefordshire are active and well, and many are an asset to the community – reducing the burden on public services by providing large amounts of informal care to friends and family and volunteering for third sector organisations. Rates of limiting long-term illness amongst those aged 65-84 are lower than nationally, and people turning 65 in the county can expect to live longer, and in good health and without a disability, than those elsewhere. Nevertheless, the natural ageing of the population, as the post-war 'baby-boomers' become very elderly, will have continuing implications on the need for care and support since poor health and limiting conditions increase with age.

Future levels of need for traditional social care are unclear, but older people and their carers will need to be enabled to support themselves. In particular, an estimated 3,000 people with dementia could almost double in 20 years. In 2013-14, 35 per cent of these had been diagnosed – higher than the 33 per cent the year before, but still notably lower than the 48 per cent England average for 2012-13. Improved diagnosis rates could lead to increased demand for social care of this group in the population.


Herefordshire supports a smaller proportion of older people in social care than the national average, possibly due to residents being healthier and more able to self-fund than elsewhere: 74 per cent of those receiving nursing care pay for their own care compared with 48 per cent nationally, as do 68 per cent receiving residential and dementia care compared to 45 per cent nationally.

A national study on older people and loneliness showed that older people had a slightly higher rate of those 'feeling lonely often', even higher for those aged 80 and over. Those who report feeling lonely 'sometimes' or 'often' are much more likely to report a lower level of satisfaction with their lives overall. People who had been widowed, separated or divorced, or those who were in poor health were more likely to report feeling lonely. There was also a strong association found between reported feelings of loneliness and reported limitations in performing daily activities. Limitations in daily activities together with other changes in circumstances such as loss of partner or losing touch with friends as age

increases are likely to contribute to the increase in reported feelings of loneliness in the oldest age groups.

While most people in Herefordshire (60 per cent) had contact with family, friends or neighbours most days of the week, for one in twenty the contact is once a month or less and a similar proportion (five per cent) felt lonely most or all the time (regardless of age or where they live in the county). Those who live alone are most likely to experience this kind of isolation; currently 28 per cent of households comprise one person – half of whom are over 65. The highest proportions of lone pensioner households are found in Hereford and the market towns.

In 2012-13 Herefordshire had a much lower rate of emergency hospital admissions for falls in people aged 65 and over (1,428 per 100,000) than England or regionally (2,011 and 1,951 respectively). This also applies to emergency hospital admissions for hip fractures in people aged 65 and over in Herefordshire. Excess winter deaths for those aged 85 and over in Herefordshire are similar to national figures for the 3 year period 2009 to 2012.



Herefordshire
has a lower rate
of hospital
admissions for
falls for over 65s

From interview studies, over 60 per cent of people would prefer to die at home when the time comes. However it is also known that patients' preferences can change over time as their illness progresses. Therefore both determining and ensuring a patient's preferred place of death where possible is an important component of care at the end of life. Monitoring actual place of death figures for Herefordshire residents is therefore important but should be interpreted alongside these other less quantifiable measures. Figures from 2004 to 2012 show that Herefordshire has a hospital death rate of around 48 per cent (34 per cent of deaths occur at Hereford County Hospital specifically) – significantly lower than the national figure of 55 per cent. Deaths at a person's usual dwelling (home or care home) were relatively high at 45 per cent in 2012. There is also a steady rate of nine per cent of deaths occurring in a hospice, which is also relatively high compared to other hospices in the West Midlands due to St Michael's Hospice's open policy of admitting patients who identify it as their preferred place of dying irrespective of diagnosis.

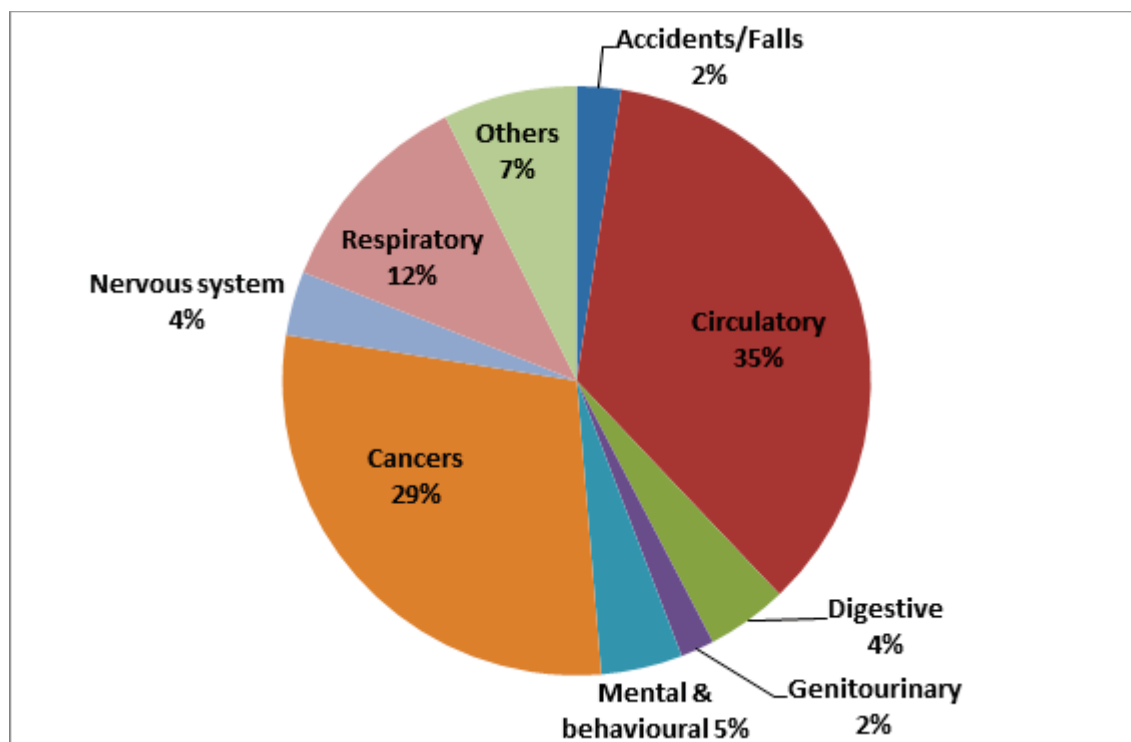
Being well

This is an overview of the healthy life expectancy, ill-health (morbidity) and premature mortality of Herefordshire's population included in the public health outcomes framework (see the [public health outcomes framework tool](#) for more detail and data). The health of people living in Herefordshire is generally better than that of the England average; with higher life expectancies at birth and lower inequalities in local health outcomes. However, even within this context the effects of deprivation produce demonstrable inequalities – residents living in the most deprived areas generally have a shorter average life expectancy at birth and spend a greater part of that life expectancy with a disability when compared with residents of less deprived areas (see figure 4 earlier in the document). Smoking related mortality rates are over 40 per cent higher amongst people living in the most deprived quartile than in the county overall. Adults (35+ years) residing in the most deprived areas are a third more likely to be admitted to hospital as a consequence of their smoking than the population of Herefordshire overall.



Herefordshire's mortality rate is consistently lower than that of England and Wales (by around nine per cent in 2012) with approximately 1,900 deaths of county residents a year. Three disease groups account for almost 75 per cent of all mortality in the county: circulatory diseases (such as coronary heart disease and stroke), neoplasms (cancers) and respiratory diseases. Mortality rates are significantly lower in Herefordshire than nationally for cancers in general and lung cancer specifically. However Herefordshire experiences significantly higher mortality from strokes compared with England generally. The chart in **figure 6** shows the main underlying causes of death for residents in Herefordshire.

Figure 6: Underlying cause of death in Herefordshire (2009-13 mortality data)



Note: Digestive diseases include intestinal disorders and alcohol-related conditions such as chronic liver disease and cirrhosis. Prominent among 'other' causes of mortality are deaths before or within a month of birth (peri- and neonatal), intentional self-harm, senility, diabetes and infectious diseases such as septicaemia.

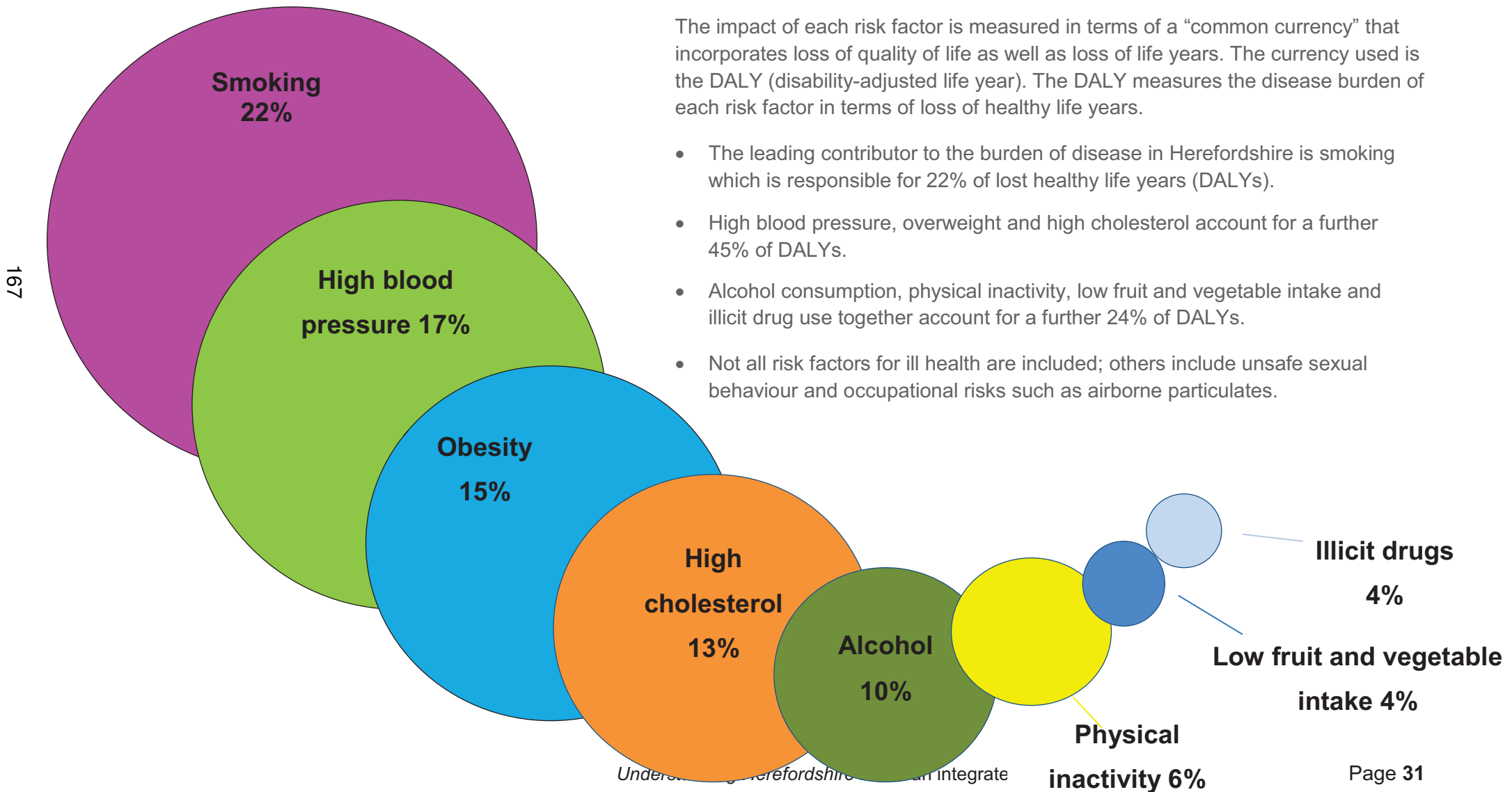
Almost a third of mortality in Herefordshire during the period 2008-12 was 'premature' (deaths under the age of 75 years), with approximately 350 people dying each year from preventable causes. The main risk factors contributing to early death and the burden of ill health are shown in the 'caterpillar' diagram in **figure 7**.

There were approximately 43,450 hospital admissions (excluding transfer admissions) per annum among Herefordshire residents across the five years 2008/09 – 2012/13.

Maternity-related admissions account for around 22 per cent of all non-elective admissions. Pneumonia and abdominal/non-specific chest pain are the most common causes of emergency admission. Breast cancer and cataract are the most common causes of elective admission. Rates of elective and non-elective admission are significantly higher among the most deprived population quartile of the county. There were around 46,800 accident and emergency attendances of Herefordshire residents at Wye Valley NHS Trust over the last four quarters for which data is available, leading to approximately 11,200 hospital admissions.

Figure 7: Risk factors contributing to the burden of ill-health Herefordshire 2009-13

Source: ONS Mortality Data, 2009-13; The World Health Report 2002, WHO



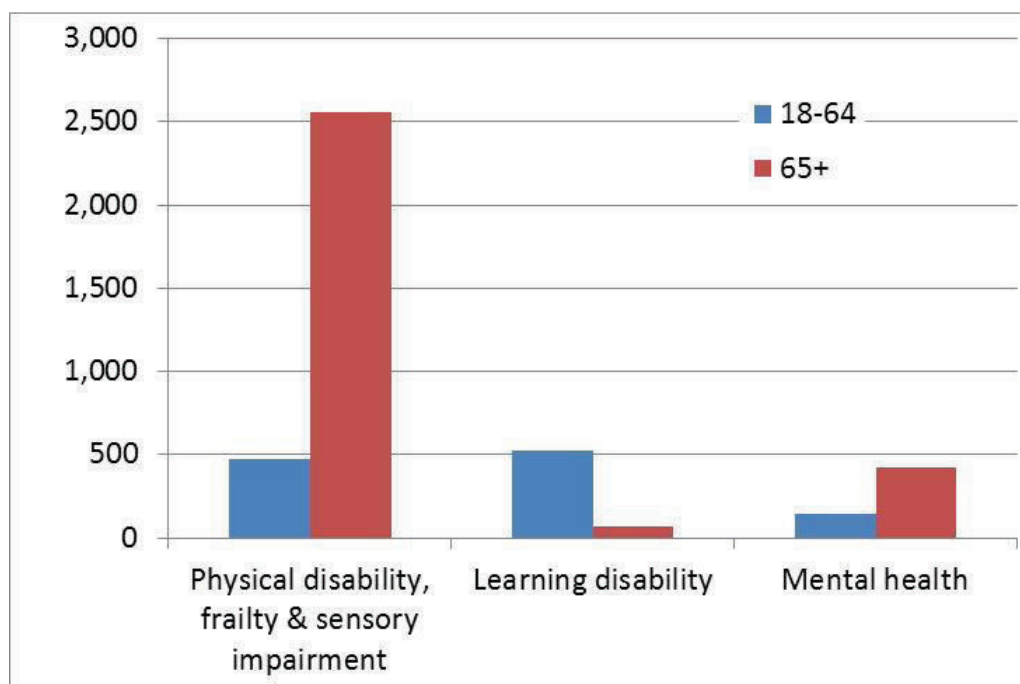
Living well: communities and protecting the vulnerable

Vulnerability depends on a person's circumstances – for example someone may be vulnerable if in receipt of social care or a health problem or disability which affects their ability to live independently. These circumstances may not be long-term, for example they could have been a victim of crime.

Adult social care

Adult social care and support in Herefordshire is provided by the council working with organisations like private care homes, home care agencies and other organisations to deliver services on its behalf. Adult social care is provided to people with needs defined as 'critical or substantial'. In 2013-14 the local authority funded adult social care for 4,200 people aged 18 and over. 72 per cent received this care mainly because of a physical disability, frailty or sensory impairment, 14 per cent for a learning disability, 14 per cent for mental health and less than half a per cent for substance misuse and the general category of 'vulnerable people'. Nearly three quarters of adult social care clients are aged 65 and over, however most clients with a learning disability are aged 18 to 64 years as shown in the chart below.

Figure 8: Number of people who received social care by primary client type and age (2013-14)



Note: excludes the primary client type 'vulnerable people' & 'substance misuse' (< 0.5%)

The remote and rural location of Herefordshire creates difficulties in recruiting and retaining social work staff – likely to be exacerbated with increased demands in 2014-15 and 2015-16. This is encountered across the wider social care workforce resulting in care cost and quality challenges. Despite this 46 per cent of **social care users** have as much social contact as they would like according to the 2013-14 [adult social care survey](#) which was similar to rates for England and comparator councils (43 and 44 per cent respectively). However, a much lower proportion of adult **carers** (who provide unpaid care) report this – just 28 per cent said they have as much social contact as they'd like in 2012-13, much lower than nationally and regionally (41 and 40 per cent respectively). Most people receiving social care in Herefordshire are happy with the service they receive (65 per cent) which is similar to nationally and comparators, with 86 per cent saying in 2013-14 that the social care services they receive have made them feel safe and secure). Herefordshire has lower than national average rates of delayed transfer to care from hospital to social care and is in the lowest quartile nationally (March 2014).

Recent research based on national prevalence rates estimates that there are 2,000 people in the county with [autism](#), 90 per cent of whom are male. People with autism have a wide spectrum of need with many requiring no support at all. The number of adults with autism, who also have a learning disability, is estimated to be between 600 and 900. Information about need amongst children is collected locally. As at January 2013, 124 children were 'statemented' as having autism as their primary category of need, and a further 43 had autism as a secondary need. Further work is needed to understand needs amongst the adult population.

Social capital – volunteering and caring

Herefordshire has high levels of [volunteering](#) with 34 per cent of adults reporting that they had given unpaid help to a group, club or organisation at least once a month in 2012 compared to 29 per cent in 2008 and 23 per cent in England overall in 2008 ([Quality of life survey](#)). Those living in the most rural parts of the county were more likely to have volunteered and those living in the most deprived areas of the county the least likely to do so. In the latest survey there was no evidence to suggest that volunteering varies by age, by whether or not volunteers are disabled, or whether they have children or not.

The 2011 Census recorded that 21,000 residents (11 per cent) were providers of at least an hour a week of [unpaid care](#) to family members, friends, neighbours or others because of long-term ill-health or disability or problems related to old age – an increase of over 3,000 and one percentage point since 2001. This included 6,700 who were providing 20 hours or more. There is some uncertainty around the true number of carers, as local surveys have found higher rates – from 19 per cent of over 16s in the [Herefordshire](#)

Health and Well-being Survey 2011 to 34 per cent of over 18s in the *Quality of Life Survey 2012*. The difference is largest amongst those providing (and reporting) lower amounts of care.

Under the age of 65, women are more likely to be carers – in 2011 those aged 50-64 were the most likely to provide 1-19 and 20-49 hours of care per week (25 per cent and 18 per cent respectively). Over 65s were the most likely to be providing 50+ hours, with no difference in likelihood between genders (5 per cent of both men and women), although in absolute numbers this equates to 970 women and 850 men.

Just over 4,000 carers are currently registered with Herefordshire Carers' Support, including 300 young carers and 750 parents caring for a child with a physical or mental disability. The majority (70 per cent) of registered carers whose age is known are aged 41-80, and most (52 per cent) care for someone over 60. The cared for exhibit a variety of conditions: 56 per cent have physical disabilities, 21 per cent learning disabilities and 23 per cent a mental illness. The single biggest reason for providing care is some form of dementia, but this is still only identified for just over 300 carers.

High proportions of carers who were receiving support from Herefordshire Council in 2012 – almost three-quarters of whom were providing 50+ hours a week - didn't feel they had enough time to do things they enjoy (89 per cent), control over their lives (80 per cent), social contact (72 per cent), or encouragement and support (66 per cent).

Safer communities

The majority of Herefordshire residents **feel very or completely safe** (53 per cent) and Herefordshire generally has a **lower rate of crime** per head of population than across England and Wales (49 per 1,000 compared to 64 per 1,000). This is reflected in the individual crime types with only three crime types out of 17 ('sexual offences', 'miscellaneous crimes against society' and 'non-domestic burglary') having more offences committed per head of population than across England and Wales. The last three years have seen some convergence, with crime rates in Herefordshire decreasing more slowly than across England and Wales. Crime is **concentrated in Hereford City and the market towns**, particularly Hereford City Centre. This is true for all crime types except 'burglary other' where the highest rate was in rural areas, particularly the Golden Valley. Based on the volume and **cost per crime**, 'violent crimes with injury' and 'sexual offences' appear to cost the county the most in terms of preventing crime, the impact on victims and in response to the crime.

The number of sexual offences in the county has increased considerably in the last two years, although this may be due to reporting of 'non-recent offences' with the recent

national attention on such crimes. The number of offences compared to other crime types is low, but the cost of these crimes to society (particularly the physical and emotional costs for victims) means that the number is not insignificant.

The '**misuse**' of alcohol in the county impacts a number of areas, particularly for the police and health services. Alcohol is linked to a large proportion of **violent crime** and is particularly related to the night time economy. It is also implicated in domestic abuse.

The health impacts of alcohol disproportionately affect deprived areas of the county (see 'Being Well' section). The numbers of victims of violent crimes with injury and alcohol-related assaults reporting to A&E have decreased over the last few years. In 2013 there were significant reductions in both the number of alcohol-related attendances at A&E (thirty per cent reduction) and violence against the person offences (five per cent reduction).



Alcohol related attendances at A&E dropped by 30% in the last year

The number of **domestic violence** and abuse (DVA) offences and incidents is fairly comparable to other areas of the West Mercia police force. However, there has been some increase in both DVA offences and incidents in the last two years, a fact which is reflected in violence against the person offences. Domestic violence and abuse was highlighted as a concern in *Understanding Herefordshire 2013*. The collection of information by agencies in the county has been improved in the last year as a result of recommendations in the **Domestic Abuse Needs Assessment**. There are however still some gaps in our understanding of the breadth of domestic abuse and how victims interact with the spectrum of public services in the county.

The number of **antisocial behaviour** (ASB) crimes and incidents in the county has seen a continual decrease in the last three years. The number of ASB incidents recorded by the police, however, is still quite large (7,900 in 2012-13 – 15 per cent of all incidents). In 2012-13 14 per cent of people were fearful of antisocial behaviour in their area. Residents of the most deprived areas were most likely to think ASB was an issue. There is a need to further understand whether ASB is decreasing universally across the county or whether certain hot spots are bucking this trend.

The number of **drug offences** committed in the county has increased at a far greater rate than any other type of crime, although rates remain below those nationally. Drug related admissions to hospital saw a considerable increase in 2012-13 and evidence suggests that drug related mortality is increasing. The number of problematic drugs users (per head of population) is similar to that nationally. The rate of drug users in the county who successfully completed drug treatment was half the national rate for both opiate and non-opiate users - 4 per cent and 19 per cent in Herefordshire compared to 8 per cent and 40

per cent across England. Both rates were lower for Herefordshire in 2012 than in the previous two years.

The number of people **re-offending** over the last three years has been consistently higher than would be expected given the characteristics of the cohort, although not statistically significant.

Herefordshire continues to have a significantly higher rate of first time entrants (aged 10 to 17) to the **youth justice system** compared to the West Mercia rate. More detailed analysis is required to ascertain the reasons for this but higher detection rates and lower rate of community resolutions appear to offer some answers. The use of community resolution is also thought to influence performance throughout the youth justice system.

In a continuation of the general trend in the county over recent years, the number of people **killed or seriously injured (KSI) on Herefordshire's roads** has continued to decrease. During 2013 numbers of KSI casualties reduced to some of the lowest recorded – the last quarter (October-December) was an exception being a third higher than the same period in the previous five years. The 61 casualties recorded in 2013 included 5 fatalities and 56 serious casualties resulting from 54 collisions. Child killed or seriously injured casualties (which make up part of the overall figure) also reduced by 40 per cent over our 2005-09 baseline to a total of 7 during 2013.

Over the last ten years Hereford and Worcester Fire and Rescue Service have seen a considerable decrease in the number of fires that they attend (-30 per cent) as well as a decrease in the number of false alarms (-11 per cent). The Fire and Rescue Service also recorded a decrease in 'special service' incidents, which includes road traffic collisions, flooding, people and animal rescues and spills/leaks (-20 per cent). This longer term trend hides an increase of fires attended in the last two years (+16 per cent between 2009-10 and 2011-12). The areas of greatest risk are centred on Hereford City. Nationally increased fire risk tends to correspond to areas that are more deprived. This seems to be the case within Herefordshire as well to some extent.

Living well: the place aspect of living

Access to services

Providing services to a scattered population across a large geographic area is a challenge. The 2012 Quality of life survey found that some residents in Herefordshire find it difficult to access services: one in five found it difficult to use a **post office** (getting there and back); one in four found it difficult to see their **GP** (suitable appointments); just under one in three found it difficult to see an **NHS dentist** (mainly registering with one) and one in four found it difficult to access **public transport** (lack of services at suitable time). A consultation on bus service subsidy reduction in spring 2014 found that most people showed a preference for reducing services on Sundays and evening services on weekdays and Saturdays. Also notable was the large majority of people who said they wouldn't be interested in volunteering for a community transport scheme where this could provide an alternative for public buses. Most who responded to the survey were bus users – when asked what they would use an alternative to the bus most said there wasn't one or that they would use the car.

The majority of county residents (83 per cent) in 2012 had **access to broadband at home**; half found it adequate but 44 per cent found it too slow for their needs. Of the 17 per cent without broadband, a quarter wanted it but didn't have a computer or the service

83% of residents
had access to
broadband at home

was unavailable or not affordable; although more than half did not want it. Analysis of Mosaic data to show likely preferred ways of obtaining information suggests that the county has a very sizeable population of people who are unlikely to use the internet, for reasons not purely related to lack of broadband service in remote areas. Access to a good

broadband service is a particular issue for residents and businesses in rural parts of the county and is being addressed through the Fastershire project, which will deliver a minimum service of 2Mbps to all and over 30Mbps to around 90% of premises by the end of 2016. There are no guarantees that all rural business parks will benefit from >30Mbps services and an assessment is underway to identify risks to delivery for these sites.


Housing

Housing is a fundamental requirement for good health and wellbeing. Inequalities in a range of health issues can be tracked to the quality of housing, examples include the effects on the general quality of living and mental/general health, people rough sleeping when their housing needs are not met

Herefordshire has the
least affordable housing
(in comparison to
earnings) in the West
Midlands

and terminal illness or death due to inadequate living conditions.

In Herefordshire, the difficulties in acquiring housing are compounded by having the worst **affordability** level within the West Midlands region; with houses at the lower end of the market costing around 8.6 times the annual earnings of the lowest earners. This puts greater pressure on the affordable housing options that are available across the county and with a high demand against limited supply, there is a substantial shortfall. The [Local Housing Market Assessment 2013](#) identified that to balance the housing market over the longer term (2011-31) an average of 35 per cent of new homes built would be a viable level of affordable housing. The report recommended a range of tenures to cater for a range of housing needs and a range of circumstances, particularly for those that can afford to pay more than social rents but still cannot access the market. In 2013-14 an additional 116 affordable homes were delivered, incorporating standards such as 'lifetime homes' to enable properties to be adapted to meet the occupants changing needs over time.



171 empty properties were brought back into use in 2013-2014

Efficient use of existing properties is also fundamental and in 2013-14 171 **empty properties** were brought back into use, of which 55 were classed as 'long-term empty' (more than six months).

A priority for Herefordshire is to provide a range of choices, advice and support for residents; **enabling vulnerable people to live independently** and remain in their homes as long as possible (for example through schemes such as the 'You At Home' handyman service). Of the new homes delivered, the needs of all vulnerable groups, particularly older persons, those with learning and physical disabilities and mental health issues will need to be addressed. Further work is being undertaken to identify and address specific needs.

A study of the housing and [support needs of older people in Herefordshire](#) in 2012 recognised the current level of home ownership (nearly 80 per cent) and equity in the older people's market and the potential to use new housing developments suitable for older people as a driver to rebalance the housing market. There is a need for a much more diversified housing market that provides a range of housing choices for older people, including two-bedroomed properties to purchase that are attractive to those who are currently under-occupying, mixed tenure extra care housing, more specialist housing provision for people with dementia and learning disabilities and a growth in the level of sheltered housing for sale and shared ownership. It is also recommended to enhance the provision of technologies such as telecare and 'floating' support to allow people to remain independently in their own homes.

A separate accommodation and needs assessment for Gypsies and Travellers is near completion to update the 2008 assessment which identified the need for 83 pitches between 2008 and 2012 and a further 26 pitches by 2017. To date 49 pitches have been delivered or identified against this figure. In addition, funding was successfully acquired in 2013 to update and refurbish 53 council-owned pitches.

In 2013 the housing solutions team worked with 1,130 households at risk of homelessness, of which 756 (67 per cent) were prevented from becoming homeless.

The remaining 374 households applied as homeless, of which 248 were accepted as statutory homeless. The number accepted as homeless was a slight increase on the numbers in 2012 and 2011 (both 245), and remains much higher than previously (171 in 2010 and 187 in 2009). The rate of homelessness (3.2 per 1,000 households in 2012-13) was notably higher than nationally (2.4). Fewer homelessness cases were due to parents/other or relatives/friends no longer willing to accommodate the applicant (37 per cent in 2013 compared to 39 per cent in 2012) but more were due to the termination of an assured short-hold tenancy (26 per cent in 2013 compared to 17 per cent in 2012). Domestic abuse accounted for a smaller proportion in 2013 (13 per cent) than in 2012 (15 per cent).

Higher rate of homelessness (3.2 per 1,000 households) than nationally (2.4)

The introduction of an Allocations Policy in 2014 will support recent legislative changes and ensure that affordable housing is allocated to those in greatest need, Making a homeless application will no longer be a direct route into affordable housing. Resources will be freed up to focus on those who most need them by a new online advice tool that will empower other residents to make their own housing, training and employment decisions.

The last decade has seen a large increase in the number of **concealed families**, i.e. those that live in a household containing more than one family (including grown-up children who have a spouse, partner or child living in the household; elderly parents living with their family; or unrelated families sharing a home). Concealed families can be used as an indicator of housing demand for planning purposes, as this group potentially includes those interested in future household formation. In 2011 there were almost 850 concealed families, an increase of 87 per cent on 2001 compared with 70 per cent nationally; whereas unconcealed families increased by five per cent in the county.

This increase could be related to a combination of the affordability of housing and the availability of finance since the credit crunch. There may also be some connection to increased migration following the expansion of the European Union, since the 2011

Census shows that a relatively large proportion of people in the white non-British ethnic group live in some form of shared housing. The most common type of concealed family was couples with no children, accounting for 49 per cent of concealed families. The 'heads' of just over half of the concealed families were aged under 34, mostly either lone parents with dependent children or couples with no children. Of all family types, lone parents with dependent children were most likely to be concealed (five per cent of this family type were concealed).

Energy efficiency in all residential dwellings has improved to above the national average, but although the standard of insulation has improved this is counterbalanced by increases in domestic fuel prices. This is reflected in an increase in the percentage of households experiencing fuel poverty in the country (from 21 per cent in 2006 to 24 per cent in 2011). A new measure based on just those on low income who experience high fuel costs shows Herefordshire to have one of the highest rates of fuel poverty nationally (15 per cent of households – in the top 10 per cent of local authorities). The causes of fuel poverty (low income, poor energy efficiency and energy prices) have been linked to living at low temperatures, which in turn has been found to lead to a range of negative health outcomes.

Volatility in **energy prices** poses a challenge for households and businesses. Although both appear to have taken greater advantage of renewable energy and energy efficiency schemes locally than nationally, and homes are on average more efficient, there are still considerable opportunities for improvement. For example in 2011 just over half of all houses had below the recommended level of loft insulation. Furthermore, half of households in the county were assessed as being suitable for solar photovoltaics, but only three per cent had had them installed by the end of 2013 and the rate of installation in 2013 was a third of what it was in 2012. Take up of domestic energy efficiency measures under the new Green Deal initiative is very low – just below 900 households *nationally* have had measures installed. More homes (385 in Herefordshire) were treated under the Energy Company Obligation, designed to help the most vulnerable and hard-to-treat homes, although this represented a lower rate than nationally (five per 1,000 households locally compared to 21 across Great Britain).

Environment and transport

The county's **natural and historic environment** is important for residents, businesses and tourism. Access to local green space and nature areas improves public health and well-being and can be a useful tool for education. The proportion of wildlife and geological [sites in positive management](#) and favourable condition has improved

considerably over the last five years, but the latest data shows a reversal of this trend (52 per cent in 2012-13) as a result of no funding for activity in that year.

Emissions of CO₂ are greater in Herefordshire (8.0 tonnes of CO₂ per head) than across the UK (6.9)

The amount of **household waste** produced in Herefordshire has fallen by 17 per cent since 2002-3, however the proportion of waste landfilled (57 per cent in 2011-12) remains relatively high compared with other unitary councils where the average proportion was 35 per cent. Whilst Herefordshire has a recycling rate that is close to that nationally more goes to landfill because less is diverted from landfill to energy from waste plants or to composting. The development of a new energy from waste plant means that in future a smaller proportion will go to landfill.

Generally speaking the county has low levels of **air pollution**, although there are still **air quality management areas** in Hereford, Leominster and Pencreig. Emissions of carbon dioxide decreased in 2011 (in line with the national trend), but emissions per head of population in the county (8.0 tonnes of CO₂) remained above those nationally (6.9). Water quality in parts of the rivers Wye and Lugg is such that measures are required to ensure that protected species are not adversely affected in the long term, in particular while enabling development to take place. A **nutrient management plan** has been developed to address the issue.

There are a lack of **transport options** for many rural communities and high car ownership levels. The last decade has seen a 15 per cent increase in household car ownership, although this is not reflected in traffic flows of recent years, with volumes in Hereford City and wider county having decreased. The national census undertaken in 2001 and 2011 reveals that Herefordshire residents' **choice of transport to get to work** has remained largely the same in the ten years. The proportion of people working from home in Herefordshire increased over the decade from 15 per cent in 2001 to 17 per cent in 2011. Of those who did travel to work there has been no change in the proportion who travelled by car (58 per cent) or on foot (12 per cent) between 2001 and 2011 - however there has been a decrease in those who travel by bus/coach (3 per cent in 2001 compared to 2 per cent in 2011). The proportion of residents who cycle to work was 4 per cent in both years. Herefordshire has one of the highest rates of cycling compared to similar rural authorities (ranked sixth out of 48) and Hereford City ranks highly against urban districts of a similar size (ranked fifth out of 59).

There are opportunities through the council's **Destination Hereford** project to increase the number of people walking, cycling, car sharing and using public transport through its behavioural change campaign. Car-sharing using the 'Park and Share' schemes which

currently provide 34 dedicated sites across the county (providing 324 spaces) provide another alternative (currently 57 users). There are also potential economies of scale through the integration of transport journeys for health, social services and education, particularly for dispersed populations. Despite road traffic being forecasted to increase in the future, more efficient vehicles are expected to reduce average driving costs and emissions. The council has installed ten electric vehicle charging points around the county to encourage the use of electric vehicles in the future.

Recommendations for filling the gap in our evidence base

This report and the underlying evidence should be used as a basis for business planning and intelligent commissioning. Recommendations for filling the gap and improving our evidence base are as follows:

- **Mental health needs assessment (2014-15):** to identify present and future needs for mental health and well-being services including engagement with key partners to understand how these needs may be met. To include an understanding of the prevalence of mental health conditions and wider well-being needs of the population in the county and a literature review of clinical effectiveness of interventions to meet needs. To generate recommendations to support future planning and commissioning.
- **Residents' survey** to measure perceived quality of life, satisfaction with public services, volunteering, unpaid care, access to services including broadband at home.
- **A joint community needs assessment** by the local authority and key partners in the public, independent and voluntary sectors to identify the strengths and resources available in the community to meet the needs of children and families. A focus on the capabilities of the community – citizens, agencies and organisations can provide a framework for developing and identifying services, gaps in provision and early intervention solutions to building communities that support and nurture children and families. In the long term, all partners can develop a community strategy underpinned by an asset based approach to building social capital so that children and families may access wider support networks and reduce their dependency on public services.

For further information, please contact Herefordshire Council's strategic intelligence team on 01432 261 944 or e-mail

researchteam@herefordshire.gov.uk



MEETING:	CABINET
MEETING DATE:	12 JUNE 2014
TITLE OF REPORT:	REVIEW OF REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY
REPORT BY:	SOLICITOR TO THE COUNCIL

Classification

Open

Key Decision

This is not a key decision.

Wards Affected

County-wide

Purpose

The purpose of this report is to seek approval of the Regulation of Investigatory Powers Act 2000 (RIPA) policy which has been reviewed and updated to reflect legislative changes under the Protection of Freedoms Act 2012.

RIPA provides a legal framework for a local authority to conduct covert surveillance techniques. The legislation ensures that any surveillance activity conducted by the council is legal, proportionate and necessary. The recent legislative changes provide further protection to individuals to ensure that covert surveillance techniques are only used if they are judicially approved and are required to detect or prevent serious crime.

The report is to be presented to Regulatory Committee on 5 June 2014, any comments from the committee will be reported verbally to Cabinet.

Recommendation

THAT: Cabinet note the current legal position with regard to the Protection of Freedoms Act 2012 and approve the revised policy.

Alternative Options

1. Not approving the revised policy would lead to failure to follow legislative provision.

Reasons for Recommendations

2. The council policy on RIPA has been updated to reflect the legislative changes identified below and is included as Appendix 1.

Key Considerations

3. The Regulation of Investigatory Powers Act 2000 (RIPA) provides the framework under which authorised regulators are able to carry out surveillance activities and access communications data which would otherwise not be legal because of the impact on human rights. RIPA regulates councils in a manner that is compatible with the European Convention of Human Rights and Fundamental Freedoms, which is incorporated into domestic law by the Human Rights Act 1998.
4. Herefordshire Council will, on occasion, need to use covert surveillance in order to carry out its enforcement functions effectively. Examples of enforcement activities which may require the use of RIPA include trading standards enforcement activities against rogue traders and loan sharks, community and fire safety, fraud investigations and child protection.
5. RIPA provides safeguards to ensure that where councils undertake directed surveillance, use Covert Human Intelligence Sources (CHIS) or access communications data, their usage is always recorded and fully transparent.
6. Some local authorities have been criticised in the past for using surveillance powers in low level cases such as school admissions issues or bin collections. On 1 November 2012 legislative changes were introduced governing how local authorities use RIPA. Amendments in the Protection of Freedoms Act 2012 mean that local authority authorisations under RIPA can only be given effect once an order approving the authorisation has been granted by a Justice of the Peace (JP).
7. In addition a local authority can only grant authorisation under RIPA for the use of directed surveillance where the local authority is investigating particular types of criminal offences. These are criminal offences that could attract a custodial sentence of six months or more, or relate to knife, tobacco or alcohol sales to children. In recent years the council has only used RIPA for these types of activities.
8. Local authorities will no longer be able to use directed surveillance in some cases where it was previously authorised. But this does not mean that it will not be possible to investigate these areas with a view to stopping offending behaviour. The statutory RIPA Code of Practice on covert surveillance makes it clear that routine patrols, observation at trouble 'hotspots', immediate response to events and overt use of CCTV are all techniques which do not require RIPA authorisation.
9. RIPA applications must still go through the current authorisation process and be authorised by one of the specified authorising officers. The authorised RIPA application must then be presented to the Magistrate for judicial approval. The primary function of local government enforcement work is to protect the public, the environment and groups such as consumers and workers. Carrying out regulatory functions and enforcement in an equitable, practical and consistent manner helps to promote a thriving national and local economy, and can help prevent and detect crime and disorder.

Community Impact

10. Local authorities have a wide range of functions and are responsible for enforcing 1,000 separate Acts of Parliament and secondary legislation. Regulatory functions include consumer protection, animal health and welfare, fire safety and child protection. Effective and efficient enforcement protects the most vulnerable in our communities and acts as an enabler for economic progress.

Equality and Human Rights

11. RIPA sets out a regulatory framework for the use of covert surveillance techniques by public authorities. If such activities are conducted by Council officers then RIPA regulates them in a manner which is compatible with the European Convention on Human Rights (ECHR), particularly Article 8 (the right to respect for private and family life).

Financial Implications

12. There are no financial or value for money implications as a result to the change in policy due to legislative changes in the Protection of Freedoms Act 2012.

Legal Implications

13. Compliance with RIPA and its provisions ensures that regulatory officers have the necessary permissions to operate, and that the activity is legal, necessary and proportionate.
14. The proposed policy helps safeguard the council in its use of RIPA and when followed will ensure we comply with the law. Should the council fail to approve the policy or a similar revised legally compliant policy, we would be at real risk of legal challenge in our subsequent use of RIPA.

Risk Management

15. Failure to follow the legislative provision could result in legal challenge and would seriously damage the council's ability to deliver its statutory roles in regulation.

Consultees

Trading standards
Legal
Children's commissioning
Parking and CCTV
Management board

Appendices

Appendix 1 - Updated RIPA Policy

Background Papers

- None identified.



The Regulation of Investigatory Powers Act 2000

GENERAL STATEMENT OF POLICY

This policy document explains how Herefordshire Council will comply with the Regulation of Investigatory Powers Act 2000 ('RIPA') in relation to directed surveillance, use of covert human intelligence sources and the acquisition of communications data. This Policy is supplementary to the legislation, the [statutory code of practice](#) and the [Home Office guidance to local authorities in England and Wales on the judicial approval process for RIPA and the crime threshold for directed surveillances](#).

1.0 BACKGROUND

- 1.1 The primary function of central and local government regulation and enforcement is to protect the individual, the environment, and a variety of groups such as consumers and workers. At the same time, carrying out regulatory functions in an equitable, practical and consistent manner helps to promote a thriving national and local economy, and to prevent and detect crime and disorder.
- 1.2 The Regulation of Investigatory Powers Act 2000 (RIPA) came into effect in September 2000. RIPA sets out a regulatory framework for the use of covert surveillance techniques by public authorities. If such activities are conducted by Council officers then RIPA regulates them in a manner which is compatible with the European Convention on Human Rights (ECHR), particularly Article 8 (the right to respect for private and family life).
- 1.3 Sections 37 and 38 of the Protection of Freedoms Act 2012 (the Act) came into force on 1 November 2012. Under the Act, local authority authorisations and notices for the use of particular covert techniques (direct surveillance, covert human intelligence sources (CHIS) and the acquisition of communications data) can only be given effect once an order approving the authorisation or notice has been granted by a Justice of the Peace (JP).
- 1.4 In addition amendments to the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 ("the 2010 Order") mean that a local authority can now only seek approval for an authorisation under RIPA for the use of directed surveillance where the local authority is investigating particular types of criminal offences. These are criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco.
- 1.5 Herefordshire Council will on occasion need to use covert surveillance in order to carry out its enforcement functions effectively. Examples of enforcement activities which may require the use of RIPA include trading standards, community and fire safety, fraud investigations and child protection.
- 1.6 The Council takes seriously its responsibilities as a regulatory authority and will at all times act in accordance with the law, ensuring that any regulatory and enforcement action it takes is lawful, necessary and proportionate.

2.0 SCOPE AND DEFINITIONS

2.1 This policy applies to all Herefordshire Council services and services provided on their behalf.

2.2 The main purpose of RIPA is to ensure that the relevant investigatory powers are used in accordance with human rights. These powers are:

- interception of communications
- acquisition of communications data (e.g. billing data)
- intrusive surveillance (on residential premises/in private vehicles)
- directed surveillance in the course of specific operations
- use of covert human intelligence sources (informants etc)
- access to encrypted data

2.3 By working in conjunction with other, pre-existing legislation, the Act ensures the following points are clearly covered:

- purposes to which relevant powers may be used
- which authorities can use the powers
- authorisation of the use of the powers
- the use that can be made of material gained
- independent judicial oversight
- a means of redress for the individual where powers are breached

2.4 Local authorities use three investigatory techniques that can be authorised under RIPA. These techniques are:

- **Directed surveillance** - surveillance which is covert but not intrusive, and which is undertaken for the purposes of a specific investigation or a specific operation, in such a manner as is likely to result in obtaining private information about a person – whether or not the target of the investigation/operation and conducted otherwise than by way of an immediate response to events or circumstances, the nature of which are such that it would not be reasonably practicable for an authorisation.
- A **covert human intelligence source (CHIS)** - undercover officers, public informants and people who make test purchases.
- **Communications data (CD)** - is the 'who', 'when' and 'where' of a communication, but not the 'what' (i.e. the content of what was said or written). RIPA groups CD into 3 parts:
 - 'traffic data' (which includes information about where the communications are made or received);
 - 'service use information' (such as the type of communication, time sent and its duration); and
 - 'subscriber information' (which includes billing information such as the name, address and bank details of the subscriber of telephone or internet services).

2.5 The Council must be satisfied that there is an identifiable offence before authorising any covert surveillance. In addition the key tests in any application for authorisation are:

- Necessity
- Proportionality and
- Risk of collateral intrusion

3.0 DIRECTED SURVEILLANCE

3.1 Directed surveillance is defined in Section 26(2) of RIPA as surveillance which is covert, but not intrusive, and undertaken:

- for the purposes of a specific investigation or specific operation;
- in such a manner as it is likely to result in the obtaining of **private information** (Section 13) about the person (whether or not one specifically identified for the purposes of the investigation or operation); and
- otherwise than by way of an immediate response to events or circumstances, the nature of which is such that it would not be reasonably practical for an authorisation under Part II of RIPA to be sought for the carrying out of the surveillance

3.2 The Council can only use directed surveillance to investigate a crime where the offence being investigated meets one of the following conditions:

- The offence is punishable, whether on summary conviction or on indictment to a maximum term of at least 6 months of imprisonment, or
- Section 146, 147 or 147A of the Licensing Act 2003 or
- Section 7 of the Childrens and Young Persons Act 1933

3.3 The crime threshold applies only to the authorisation of **directed surveillance** by local authorities under RIPA, not to the authorisation of local authority use of CHIS or their acquisition of CD.

3.4 No officer of the council will undertake intrusive surveillance. Intrusive surveillance is covert surveillance that is carried out in relation to anything taking place on residential premises or in any private vehicle and which involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.

3.5 Surveillance operations will only be carried out by officers who have received appropriate training in human rights and the Act.

3.6 No officer within the Council will undertake directed surveillance without prior or emergency authorisation.

3.7 Authorisation will only be given by the Solicitor to the Council in his/her position as the Monitoring Officer or, in his/her absence, by Director Economies, Communities and Corporate.

3.8 The use of directed surveillance under RIPA will not be authorised to investigate matters that do not involve criminal offences or to investigate low-level offences that do not meet the threshold test.

4.0 COVERT HUMAN INTELLIGENCE SOURCE (CHIS)

4.1 A CHIS is defined by section 26(8) of RIPA as a person who establishes or maintains a personal or other relationship with another person for the covert purpose of facilitating the doing of anything falling within the following points;

- covertly uses such a relationship to obtain information or to provide access to any information to another person: or
- covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship and

4.2 Authorisations for CHIS will only be given to officers who have undergone appropriate training in human rights and the Act.

4.3 The authorisation for the conduct and use of CHIS may include:

- someone employed or engaged by the Council to hide their true identity or motivation and covertly use a relationship to obtain information and disclose it to the local authority (an undercover officer); or
- a member of the public who provides a tip-off to a local authority and is asked to go back and obtain further information by establishing or continuing a relationship whilst hiding their true motivation (an informant).

4.4 Vulnerable individuals (a person who is in need of community care services by reason of mental or other disability, age or illness and who is or may be unable to take care or protect himself against significant harm or exploitation) may be authorised to act as a CHIS **only in the most exceptional circumstances**. Authorisation must be given by the Chief Executive or in his/her absence the Director Adults Wellbeing and he/she will only do so after taking advice from the Solicitor to the Council.

4.5 Authorisation will only be given for the use of a covert human intelligence source, when the activity is necessary:

- to prevent or detect crime,
- in the interests of public safety,
- for the economic well-being of the UK,
- the purposes of national security
- for protecting public health.
- or is revenue related or specified by the Secretary of State.

5.0 COMMUNICATIONS DATA

5.1 The term 'communications data' embraces the 'who', 'when' and 'where' of a communication but not the content, not what was said or written. It is information about a communication - not the communication itself.

5.2 Under RIPA a local authority can only authorise the acquisition of the less intrusive types of communications data such as service use and subscriber information. Under **no circumstances** can local authorities be authorised to obtain traffic data under RIPA.

- 5.3 In the case of communications data the RIPA authorisation or notice will be scrutinised by a single point of contact (a 'SPoC'). The SPoC is either an accredited individual or a group of accredited individuals trained to facilitate lawful acquisition of communications data and effective co-operation between a public authority and Communication Service Providers (CSPs). An accredited SPoC promotes efficiency and good practice in ensuring only practical and lawful requests for CD are made
- 5.4 Under RIPA it is against the law for a business to intercept any electronic communication on its, or anyone else's, system. There are some exceptions to this:
- Interception is authorised under a warrant (this does not apply to local authorities)
 - where the interception takes place with consent
 - where the interception is connected with the operation of the communications service itself
- 5.5 Interception for business related workplace monitoring may be applicable in certain circumstances by the Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000. The regulations are designed to meet the legitimate needs of businesses to manage their information systems, making use of the capabilities of modern communications technology, but in a way that is consistent with high standards of privacy.
- 5.6 Interception of Council telecommunications will only be made in accordance with the Regulations, and following procedures agreed by the Solicitor to the Council. Interception may be carried out in the following circumstances:
- To establish the existence of facts or to ascertain compliance with regulatory or self-regulatory practices (e.g. to keep records of communications where the specific facts are important, such as being able to prove that a customer has been given certain advice).
 - To check the standards are being achieved or ought to be achieved (e.g. to check the quality of e-mail responses sent by members of staff to customer enquiries or for staff training).
 - To prevent or detect crime (e.g. to check that employees or others are not involved in defrauding the Council).
 - To investigate or detect unauthorised use of the telecommunications system. Note that interception that is targeted at personal communications that do not relate to the business is not allowed regardless of whether the use of the system for such communications is authorised.
 - To ensure the security of the system and its effective operation (e.g. to check for viruses or other threats to the system or to enable automated processes such as caching or load distribution).
- 5.7 The Council will make all reasonable efforts to inform potential users that interceptions may be made.

6.0 AUTHORISATION

- 6.1 At the start of an investigation, council officers will need to satisfy themselves that what they are investigating is a criminal offence. Directed surveillance is an invasive technique

and at the point it is decided whether or not to authorise its use, it must be clear that the threshold is met and that it is necessary and proportionate to use it.

- 6.2 The applicant will complete a written RIPA authorisation or notice form (Appendix 1) setting out for consideration by the authorising officer or, for communications data the designated person, why use of a particular technique is necessary and proportionate in their investigation. This authorising officer or designated person will consider the application, recording his/her considerations and countersign the form if he/she believes the statutory tests are met.
- 6.3 In cases where, through the use of surveillance, it is likely that knowledge of confidential information will be acquired, the use of surveillance is subject to a higher level of authorisation. The Chief Executive or in his/her absence Director Economy, Communities and Corporate will authorise surveillance activity in such circumstances, and will do so only after taking advice from the Solicitor to the Council.
- 6.4 “Confidential information” is defined for the purposes of RIPA as matters subject to legal privilege, confidential personal information or confidential journalistic material. Confidential material must not be copied or retained unless for a specific purpose – e.g. use as evidence in proceedings, and may only be disseminated following advice from the Solicitor to the Council.
- 6.5 After the form has been countersigned the local authority will seek judicial approval for their RIPA authorisation or notice. The Justice of the Peace (JP) will decide whether a local authority grant or renewal of an authorisation or notice to use RIPA should be approved and it will not come into effect unless and until it is approved by a JP.
- 6.6 The time limits for authorised applications are 3 months for directed surveillance and 12 months for a CHIS (one month if the CHIS is under 18). Authorisations and notices for communications data will be valid for a maximum of one month from the date the JP has approved the grant. This means that the conduct authorised should have been commenced or the notice served within that month.

7.0 RESPONSIBILITIES

7.1 Corporate Directors to:

- ensure all regulatory staff are aware of and trained in the Act
- provide procedures to be adopted in the application for, granting etc of, and recording of authorisation
- ensure copies of the Codes of Practice for Covert Surveillance, The Use of Covert Human Intelligence Sources, and Acquisition and Disclosure of Communications Data are available for public reference on the Council’s website.
- ensure that details of the complaints procedure involving the Investigatory Powers Tribunal are readily available for public reference purposes on the Council’s website.

7.2 Director Economy, Communities and Corporate to:

- Fulfil the role of senior responsible officer for RIPA and will be responsible for:
 - the integrity of processes for the management of CHIS

- compliance with Chapter II of Part I of RIPA (Acquisition and Disclosure of Communications Data)
- compliance with Part II of RIPA (Surveillance and Covert Human Intelligence Sources)
- oversight of the reporting of errors to the Surveillance and Communications Commissioners, identification of the cause(s) of errors and the implementation of processes to minimise repetition of errors
- engagement with the Commissioners' inspectors when they conduct their inspections
- oversight of the implementation of post-inspection action plans approved by the relevant Commissioner
- maintaining a log of all RIPA applications, authorisations etc including copies of all completed forms, and reviewing the quality of applications, authorisations etc.
- ensuring that all authorising officers are of an appropriate standard in light of any recommendations made by Inspectors' reports
- ensuring that Cabinet Members and members of the Audit & Assurance Committee have sufficient understanding of human rights and RIPA to be able to discharge their responsibilities under this policy

7.3 Solicitor to the Council to:

- act as the authorising officer or, for communications data, the designated person to consider applications, and issue, renew, cancel or refuse authorisations relating to investigations of Council employees, in accordance with the criteria set out in the Act and in the Office of Surveillance Commissioners Guidance for Inspections.
- maintain a record of all authorisations granted in the Council
- report to Audit & Assurance Committee annually so that the Committee can ensure that RIPA use is consistent with the policy and that the policy remains fit for purpose
- Hold copies of all authorisations, extensions to and cancellations of authorisations and carry out an annual review of authorisations.

7.4 Head of Trading Standards and Licensing to:

- ensure applications are complete and are made out on the appropriate *pro forma*, except in the case of emergency applications
- maintain a record of applications and authorisations, and provide copies to the Solicitor to the Council within 5 working days of the application, irrespective of whether the authorisation is granted, and copies of all cancelled authorisations within 5 working days of the cancellation.
- ensure all staff involved in surveillance operations have access to the relevant Codes of Practice

- review authorisations at least weekly and record the review on the authorisation and ensure that authorisations are cancelled as soon as they have either served their original purpose or no longer meet the criteria for issue, whichever is the earlier
- ensure that the forms and procedures detailed in the Trading Standards Investigations Manual are kept up to date and comply with RIPA and the draft Codes of Practice
- in the case of communications data, to act as a single point of contact (a 'SPoC').

7.6 All staff involved in surveillance operations to:

- be familiar with Act, the relevant Codes of Practice, and the Office of Surveillance Commissioners Guidance for Inspections
- ensure that the authorising officer is provided with all relevant information available to the investigation to enable an informed decision to be made
- advise the authorising officer as soon as practicable when an operation unexpectedly interferes with the privacy of an individual who is not the subject of the surveillance.
- cease the surveillance operation immediately if it no longer meets the authorisation criteria

Relevant Background Papers

Covert Surveillance Code of Practice and Covert Human Intelligence Sources Code of Practice issued by the Home Office:

Guidance to local authorities on the judicial approval process for RIPA and the crime threshold for directed surveillance:

The Regulation of Investigatory Powers Act (RIPA) 2000:

<http://www.opsi.gov.uk/acts/acts2000/20000023.htm>

**Application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance.
Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.**

Local authority:.....

Local authority department:.....

Offence under investigation:.....

Address of premises or identity of subject:

.....
.....

Covert technique requested: (tick one and specify details)

Communications Data

Covert Human Intelligence Source

Directed Surveillance

Summary of details

.....
.....
.....
.....
.....

Note: this application should be read in conjunction with the attached RIPA authorisation/RIPA application or notice.

Investigating Officer:.....

Authorising Officer/Designated Person:.....

Officer(s) appearing before JP:.....

Address of applicant department:.....

.....

Contact telephone number:.....

Contact email address (optional):.....

Local authority reference:.....

Number of pages:.....

Order made on an application for judicial approval for authorisation to obtain or disclose communications data, to use a covert human intelligence source or to conduct directed surveillance. Regulation of Investigatory Powers Act 2000 sections 23A, 23B, 32A, 32B.

Magistrates' court:.....

Having considered the application, I (tick one):

- am satisfied that there are reasonable grounds for believing that the requirements of the Act were satisfied and remain satisfied, and that the relevant conditions are satisfied and I therefore approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal of the authorisation/notice.
- refuse to approve the grant or renewal and quash the authorisation/notice.

Notes

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Reasons

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Signed:

Date:

Time:

Full name:

Address of magistrates' court: