

FINANCIAL STRATEGY UPDATE

Report By: DIRECTOR OF RESOURCES

Wards Affected

County-wide

Purpose

1. To update Strategic Monitoring Committee on the Medium-Term Financial Management Strategy (MTFMS), with particular reference to emerging areas of pressure for the 2007/08 budget. The report also outlines remedies to meet these areas of risk. The report sets out already approved Invest to Save and Invest to Mitigate proposals, Directorate base budgets and capital investment proposals. It therefore provides the context for the draft Annual Operating Plan 2007/08, which is to be discussed elsewhere on the agenda.
2. The report covers four separate but linked areas:

Section 1 – Update of the Medium Term Financial Management Strategy

Section 2 – Directorate Base Budgets for 2007/08

Section 3 – Invest to Save/Invest to Mitigate Proposals

Section 4 – Capital Spending Proposals

Financial Implications

3. These are covered in the report and flow from the parameters of the MTFMS.

Background

4. The Medium-Term Financial Management Strategy (MTFMS) provides the financial framework for making sure cash resources follow corporate priorities. On 16th October 2006 Strategic Monitoring Committee (SMC) received the draft Corporate Plan for 2007/10 and associated strategic budget proposals. The Cabinet approved these documents on 26th October 2006.
5. Herefordshire's financial position is shaped by national policy. This context leads to the inevitable conclusion that local government's proportion of public spending will contract as the Government's priorities are in areas, such as health, that lie outside of its remit. In addition, any resources to honour a commitment to increase Education funding will be passported to schools via the Dedicated Schools Grant (DSG).
6. The Government's Comprehensive Spending Review 2007 will cover the national three-year spending plans to take effect from 2008/09. The outlook continues to look

bleak, with a nil growth forecast for local government. This will be coupled with continued tight control on Council Tax increases, and an expectation that growth in priority services will be secured through greater efficiency, including that to be secured by closer joint working and service provision with other public bodies. Indications are that Government will be looking to secure at least 3% efficiency savings from local government.

7. The financial guidelines used to develop the proposals reviewed by SMC and Cabinet in October reflected the available evidence about future national funding. They have therefore enabled us to integrate our three-year corporate, service and financial planning, and to align them with the Government's move to three-year financial settlements. As a result, the guidelines were tough but manageable, especially given a context that has seen the Council deliver overall underspends on the revenue account in recent years. They led to undertakings from the executive to deliver significantly increased outputs and outcomes within base budgets. Moreover, they made it possible to concentrate discretionary additional investment on spend-to-save and spend-to-mitigate proposals that will enable the Council to deliver greatly improved and more efficient services to vulnerable children and young people as well as to older people and adults with learning disabilities.
8. A key element of Herefordshire's new approach to financial management is ensuring clarity and transparency around all financial policy and resources, including the use of general and specific reserves. This approach ensures known financial risks not allowed for in base budget are covered. In addition the Council has a number of key policies being delivered to support service redesign and enhancement. It is appropriate that our financial management ensures these can still be delivered even if the timing of delivery changes.
9. The likely financial position for 2007/08 was already outlined by central Government because this is the second year of a two-year settlement. Even so, the recent provisional announcement produces a very tight set of financial circumstances for the Council. The overall position for Formula Grant for Herefordshire based on a year on year assessment is a cash increase of only 2.4%. This must fund all inflation, service development and increased demand across the Council.
10. In view of the medium-term financial outlook described above, it is essential that decisions in respect of 2007/08 are sustainable in subsequent years.

Section 1 – Update of the Medium Term Financial Management Strategy

Herefordshire Connects

11. As already indicated, the new approach to financial management places even greater emphasis on risk management when planning the Council's finances. The MTFMS agreed by Cabinet on 26th October 2006, outlined the Council's ambitious programme of change to improve services and deliver the financial capacity needed to release investment for key priorities in the future.
12. As the Council's strategic transformation programme, Herefordshire Connects is key to ensuring resources are released. The procurement process is underway and the programme will address service improvements, whilst recognising future financial constraints. It requires substantial investment in staff and support systems but will deliver net overall savings for reinvestment. The outline financial appraisal promised

the likelihood of significant financial savings from 2007/08 onwards. The delivery of Herefordshire Connects assumes even greater importance as it closely aligns with the tight, 3 year settlement starting from 2008/09 that is expected as part of the Comprehensive Spending Review 2007.

13. The summary financial position for Herefordshire Connects contained within the MTFMS is as follows:

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Revenue Costs		1,866	(506)	(280)
Revenue Savings	(5,800)	(4,800)	(800)	(350)
Capital Financings Costs	1,336	1,086	(82)	(82)

14. The above indicates the key role that savings produced by Herefordshire Connects will make to the Council's overall financial position. Over the four financial years from 2007/08 revenue savings total £11.75m but the profile is not even, with the majority of savings being made in the first two years. Within those two years the key year is 2007/08, with an estimated £5.8m to be saved. To help meet any possible delays the Council has already set aside £1.5m in the MTFMS approved on 26th October 2006. The level of importance attached to this project means that it is prudent to produce financial plans that include alternative options for the £5.8m savings in 2007/08. By doing so, the Council can still deliver a balanced budget and meet policy commitments even if the projects suffers slippage. It is anticipated the £1.5m already set aside will help bridge the gap.
15. The capital financing costs for Herefordshire Connects are outlined in the above table but, for project delivery purposes, it is appropriate that these are not adjusted. The project's scale and timing means that capital commitments are assumed to be needed in the years outlined in the MTFMS approved by Cabinet on 26th October 2006.

Other Potential Financial "Hotspots"

16. The MTFMS is the financial context for ensuring we can deliver service improvement within a stable environment. As a framework document the MTFMS needs to be flexible so that it can adapt to changes in the local government financial environment. It also needs to indicate potential remedies to ensure our aspirations and policies remain both affordable and sustainable in the event that unavoidable additional pressures require funding.
17. Since the MTFMS was agreed by Cabinet, some areas affecting our finances need to be reflected in our updated financial plans. One such area is the proposed Council Tax base for 2007/08. The number of dwellings used to generate Council Tax for the forthcoming year is based on known housing developments. It now appears that these have not progressed as quickly as expected, meaning that the MTFMS requires adjustment. Historically, Herefordshire has seen an in-year surplus of Council Tax, which has been used to help offset the subsequent year's Tax requirement. It is also prudent to reduce future surpluses until it is evident that the

overall surplus returns to its previous level. The Unitary Development Plan confirms new housing will be required but the timing of any developments affects levels of Council Tax income.

18. The Accommodation Strategy is included in the current MTFMS with a capital financing cost requirement of £146k in 2007/08. The requirement increases to £254k and £492k for 2008/09 and 2009/10 respectively before realising a saving of £133k in 2010/11. The recent developments around the strategy (with a requirement to revisit the current proposals) means that the project will slip. As a result the £146k will now become a requirement in 2008/09 with a consequent one-year movement of expenditure for these years included in the current MTFMS. As a result £146k can make a one-off contribution to meeting other adjustments in 2007/08.
19. The Council has developed an ambitious improvement plan for the next 3-year period as outlined in the draft Corporate Plan for 2007-2010. Three parts of the organisation have been identified as requiring additional capacity: Corporate and Customer Services Directorate; Resources Directorate and Human Resources. This is estimated to cost £400k and covers such areas as strategic asset management.
20. Another area requiring adjustment is around the Customer Services Strategy. This sets out very clearly the Council's aspirations for customer contact and handling. The document is a key part for the delivery of the improvement agenda and sets out the areas where the Council is failing to meet its aspirations. It also covers the role of customer satisfaction (an increasingly important part in the post CPA inspection regime) and the technology and process changes required to fulfil customer expectations. As a result the fundamental principles on which the Customer Service Division was established are as follows:
 - That the question should be "what can be delivered through the front line, not what cannot"; and
 - At the point of delivery staff are designated as customer services advisors, not attached to any particular service area.
21. In terms of the staffing complement required, the only resource available for this is to transfer staff and related budgets from existing service areas into the Customer Service Division. Over the next two years services will, therefore, progressively transfer into the Customer Service Division. However, it is evident it will be necessary to resource at a level close to its final staffing complement as soon as possible. Experience from other authorities in the West Midlands suggests that significant additional demand will be stimulated by the new customer-facing services and contact centre. For example, Coventry, anticipated increased demand of 30%, but it was in fact 78%.
22. There is therefore both a short-term and a medium-term resourcing issue. The short-term relates to the period between now and the end of the current financial year; work undertaken by Resources and Corporate & Customer Services indicates that this can be absorbed.
23. The overall medium-term funding shortfall, which will exist during 2007/08 and 2008/09 is £1.06m with £500k of the total required in 2007/08. In the longer term savings from the new services will eliminate this but these are currently being confirmed.

24. In addition the position around ICT has been the subject of review by Resources and Corporate and Customer Services. In 2006/07 a possible trading account income shortfall may be offset by emerging underspends in other ICT budgets. The position will be confirmed over the coming weeks.

Financial Resources to Meet Potential “Hotspots”

25. The above indicates that, should the Herefordshire Connects project suffer slippage, there may be a need to cover up to £5.8m currently identified as revenue savings from the project in 2007/08. In addition, the other changes to the MTFMS identified since October 2006 total £1.4m. The following outlines possible remedies to meet this potential shortfall:
- i) The MTFMS already includes a £1.5m reserve to meet any Herefordshire Connects slippage.
 - ii) The MTFMS includes an additional £1.7m for the Social Care contingency fund. This is a one-off being funded from reserves to meet the possible £3.4m overspend outlined in July 2006. The revised position, (including the estimated Children’s and Young People Directorate’s projected overspend) is projected overspending of £1.7m in 2006/07. This total can be met from a combination of the existing 2006/07 contingency of £1.3m and some of the £1.7m additional amount already identified as an increase in specific reserves. This means that, out of the £3.0m total Social Care contingency fund, the balance of £1.3m can be used to support any slippage in Herefordshire Connects.
 - iii) The Local Authority Business Growth Incentives (LABGI) Scheme rewards authorities that continue to encourage business growth, with the grant based upon the authority’s increase in rateable value over the previous calendar year. The three-year scheme is now in its second year. Predictions of grant increase are difficult because increases in rateable value are not consistent. The national allocation is £1bn over three years, with Herefordshire receiving £621k in 2005/06. The Government remains committed to spending £1bn over the three years but recently announced “... that should business growth be significantly above or below forecast, payments might have to be scaled up or down accordingly”. The outcome is that 2006/07 LABGI grants are likely to be scaled to a total spend of no more than £400m. For Herefordshire this means a 20% reduction may occur in allocation. The Government will announce details of reductions and indications of likely grant amounts in February 2007, but it is reasonable to estimate at this stage that approximately £1m will be received for both 2006 and 2007 giving a total contribution of £2m to the funding shortfall. A note of caution exists around the LABGI grant because Government made 3 attempts to get the 2005/06 distribution right and may change it again if some councils are successful in lobbying for changes in their allocations.
 - iv) The Council has an income budget of £720k for “cash transactions”. This represents interest on the significant amount of cash it holds and invests for varying periods of time. The amount of cash we hold can go up and down depending on the timing of payments and receipts; it is significantly affected by the capital programme. If projects are delayed, financial benefit is gained from holding on to funding longer. The past performance of this budget indicates that the income target can be increased by £500k to help fund any

savings “gap” because of any slippage delays in the Herefordshire Connects project.

- v) The Medium Term Financial Management Strategy created a budget management specific Reserve of £1.1m. This sets aside money in 2006/07 to fund Directorate budgets (excluding Schools and Social Care) that are 1% over spent at outturn compared to their base budget. As the 2006/07 financial year closes there is a reduced probability that this funding will be needed and so can make a £1.1m contribution to the funding of any shortfall.
- vi) The preliminary work undertaken on procurement and efficiency issues indicates that savings are available to help meet a balanced budget position. The precise scale is not yet known, but it is clear that a minimum level of £300k should be available in 2007/08. This covers areas such as more effective use of existing suppliers and looking for alternative cost saving options in areas such as car leasing.
- vii) The Council’s balance sheet reflects its relationship with the outside world and in particular its assets and liabilities. Discussions with our investment advisors indicate that some adjustments can be made to provide additional income and savings around “cash transactions”. This is not about ensuring we more accurately budget for investment income. It is reasonable to anticipate that this process will provide an additional £300k per annum and possibly significantly more.
- viii) The overall position of possible funding sources to meet any slippage in the Herefordshire Connects programme and consequent reduced savings in 2007/08 is as follows:

	£m
a. Use of existing Herefordshire Connects reserve	1.5
b. Transfer of part of Social Care Contingency reserve	1.3
c. LABGI grant increase 2006 and 2007	2.0
d. Increased cash transactions income	0.5
e. Transfer of budget management reserve	1.1
f. Procurement and efficiency	0.25
g. Balance sheet review	0.3
h. Accommodation capital financing cost	0.15
TOTAL	<u>£7.1m</u>

The above will provide “cover” of £7.1m against any possibility that the savings of £5.8m assumed from Herefordshire Connects slip into the following year. It also helps bridge the gap as a result of the other revenue changes, totalling £1.4m, previously outlined.

- ix) The overall position on emerging pressures as well as coverage for Herefordshire Connects in 2007/08 is as follows;

	£m
a. Cover for Herefordshire Connects savings in current MTFMS	5.8
b. Reduced level of Council Tax Income compared to estimate	0.5
c. Customer Service Division shortfall	0.5
d. Corporate Capacity	0.4
TOTAL	<u>£7.2m</u>

Section 2 – Directorate Base Budgets for 2007/08

26. The MTFMS includes clear financial planning assumptions to help maintain the Council's finances on a secure footing. These budget assumptions include the following increases for 2007/08:

Employees	2.0%
Employer's pension contributions (additional on basic pay)	0.6%
Other Expenditure	0.0%
Income (excluding Planning, Car Parking and Investment Property)	2.5%

27. The implication of the approach is that Directorates will have to meet inflationary commitments through greater efficiency and strong budget management.
28. The total for pay inflation allowed for in the MTFMS is £1.196m. Income inflation is £797k, giving a net increase of £399k. This, along with the application of the other budget assumptions outlined above, gives the following inflated base budgets:

	Base Budget 2006/07 £	Inflated Base 2007/08 £
Financing Transactions	8,529,990	8,529,990
Social Care Contingency	1,302,000	1,302,000
Corporate & Customer Services	7,545,769	7,627,530
Environment	24,361,460	24,427,430
HR	1,379,140	1,401,360

Resources	5,711,992	5,817,090
Central Services	3,020,505	3,040,720
Children Services – Education	11,311,800	11,311,800
Children Services - Social Care	10,717,892	10,814,360
Adult & Community Services	44,404,452	44,459,620
TOTAL	118,285,000	118,731,900

29. In addition to the inflated base budget, there are a number of more minor base budget issues that need addressing if strategic priorities are to be achieved. The MTFMS outlined the issues and how they would be tackled

- **Queenswood Park** – restore £25k base budget reduction in anticipation of a Cabinet decision to reverse its policy to introduce charges for parking: the shortfall will be met from balances in 2006/07 but will be included in the Medium-Term Financial Resource Model from 2007/08 onwards (reducing the General Fund balance for the year by a corresponding amount).
- **Procurement & Efficiency Review** – increase the staffing budget by £55k a year, starting from 2007/08, to reflect the full-year cost of the new Key Manager post: the shortfall in 2006/07 will be met from balances.
- **Herefordshire Matters** – correct base budget omission by adding £50k to base budget from 2007/08 onwards to support future publications: the shortfall in 2006/07 will be met from balances.
- **Chief Executive’s Development Fund** – add £150k to base budget from 2007/08 onwards: the shortfall in 2006/07 will be met from balances.
- **Housing Benefit & Council Tax Benefit (HB/CTB) Administration Subsidy** – reduce anticipated grant income by £150k a year, starting in 2007/08, to reflect the 5% real terms reduction announced by the Department of Work and Pensions.
- **Service Level Agreements** – set aside £100k from 2007/08 onwards for allocation in the event that budget pressures are identified by the proposed review of support services to ensure we have sufficient capacity in key priority areas, such as performance management, and to improve recharging mechanisms. Any pressure in 2006/07 will be met from balances.
- **Whitecross PFI Scheme** – shortfall on amount included in Financial Resource Model for 2006/07 of £380k to be met from balances; and
- **Edgar Street Grid (Herefordshire) Ltd** – increase base budget provision by £225k a year from 2007/08 for 3 years to take total up to £350k, so funding is in place for Herefordshire to contribute 50% of the running costs to support the approved business plan.

30. In summary, the proposals above are as follows:

	£000s
Queenswood Park	25
Procurement & Efficient Review Manager	55
Herefordshire Matters	50
Chief Executive's Development Fund	150
HB/CTB Administration Subsidy	150
Service Level Agreements (up to)	100
Whitecross PFI Scheme	380
ESG (Herefordshire) Ltd	225
TOTAL BASE BUDGET CHANGES	<u>1,135</u>

31. The Three Year Proposals report to Cabinet on 26th October included a series of spending pressures faced by Directorates. The current financial framework is clear that Directorates must fund pressures within their budget allocation but it is clear that some significant issues have been highlighted.

Section 3 – Invest to Save/Invest to Mitigate Proposals

32. Cabinet on 26th October 2006 received a report on three-year strategic investment proposals to support the draft Corporate Plan 2007-10. The Corporate Plan was approved in draft to provide the basis for the initial preparation of directorate and service plans for 2007-10 and the Annual Operating Plan 2007/08.

33. The report confirmed that the 2007/08 budget would be framed within the context of these three-year strategic decisions, whilst having regard to the final financial settlement from Government. The report confirmed that the MTFMS had capacity for increased spending over the years of the Corporate Plan as follows:

2007/08	£3.6m
2008/09	£3.9m
2009/10	£4.6m

34. It should be noted that the 2007/08 figure of £3.6m is after allowing for £1.5m to provide additional financial capacity in 2008/09 and a further £1.5m to cover delays in the Herefordshire Connects benefits realisation programme. Any additional growth will have to be managed within the overall resources available. There will also be a £1m Invest to Save fund available. It is important to confirm that whilst there is a total of £3m available for Invest to Save initiatives, £1.928m has already been earmarked for the Herefordshire Connects programme.

35. The Council's financial management strategy indicates that the balance of £1.072m available for Invest to Save initiatives will be allocated to projects that support the Council's corporate priorities and complement projects within the business transformation programme. The type of investment covered by Invest to Save can either reduce future expenditure (spend to save), or mitigate the costs of inescapable future demands (spend to mitigate). Any spend to mitigate proposal must demonstrate how existing performance standards will be at least maintained or even improved.
36. The proposals that were brought forward for consideration were assessed against the Council's priorities. The report to Cabinet on 26th October 2006 said "On the basis of earlier decisions by Cabinet and Council, as reflected in the draft Corporate Plan, it is suggested that the Council's uppermost priorities are:
- to ensure that its arrangements for safeguarding children continue to be at least adequate;
 - to maximise the independence, well-being and choice of vulnerable adults, in particular through meeting the growing need for social care with more efficient and effective services;
 - to deliver major improvements in the infrastructure necessary for a successful and sustainable economy; and
 - to deliver improved and more efficient services to customers more generally through the Herefordshire Connects programme and good performance management across the Council."
37. Although these are the Council's top priorities, there is also a requirement to maintain or, in some cases, improve a range of other services. This can arise from statute, from minimum thresholds for some services laid down by Government or the inspectorates, or from binding existing contracts.
38. The proposals that came forward (and were agreed in principle) are outlined in Appendix 1. The total expenditure requirement has been calculated in two ways. The first is on the basis that current charging policies for Social Care remain and the other calculation assumes a revised policy is implemented that increases level of charges to those who can afford to pay. The overall total of expenditure requirement for proposals using the different assumptions is as follows:

Proposed investment in Invest to Save/Invest to Mitigate initiatives	2007/08 £000	2008/09 £000	2009/10 £000
Using Current Charging Policies	3,447	2,915	2,565
Using New Charging Policies	2,464	325	2,246

39. The table excludes any of the cashable savings that may occur. These will be assessed to ensure that they are not double-counted as part of the Herefordshire Connects benefits realisation programme already included in the MTFMS.

Section 4 – Capital Spending Proposals

40. The capital proposals are linked directly to the Council's priorities as expressed in the approved Corporate Plan 2007-10 and further explained in the report to Cabinet on 26th October. The majority of proposals appear to meet the priority agreed for investment in essential infrastructure for a successful economy.
41. In order to fund capital projects the Council is increasingly dependent upon unsupported Prudential Borrowing. Whilst other sources of funding include grant, capital receipts, and DRF supported capital expenditure (revenue), Prudential Borrowing is now the major source of funding.
42. The funding position for capital expenditure in 2007/08 is very tight. The position was outlined in the MTFMS, which confirmed that the Council only has £4.1m of unallocated useable capital receipts. This is one of the smallest balances in recent years. For 2007/08 the potential capacity in the revenue account to absorb revenue implications of further borrowing is also limited as outlined earlier in this report, leaving a diminished capacity for new projects, unless efficiency savings can match the additional borrowing costs. The continuing work around asset disposals may give further capacity in the future especially given recent successes and possible future sales. However, it is not prudent to commit such funds to capital proposals before they are actually received.
43. As part of the annual capital strategy new project proposals were requested. This two stage process sees high level proposals assessed in the first stage with successful proposals going to the second more detailed stage. Appendix 1 indicates the proposals that were brought forward at Stage 1. In summary 7 of these potential schemes have been grouped together as requesting Prudential Borrowing funding with one other (Smallholdings capital expenditure) seeking funding from other sources. It should be noted that the Rotherwas Access Road is not included because funding from developers contributions will be sufficient to bridge the funding gap on the project. However the Council will incur financing costs as the developer contributions will be received after the Rotherwas Access Road is complete.
44. The proposals currently do not fully reflect emerging work around capital projects in market towns and Hereford City. In Ledbury a number of complicating factors has led to a piece of work being commissioned around a possible library development. A similar issue faces Hereford City and a £35k proposal has been made to progress options on service provision affected by the Edgar Street Grid development.
45. Appendix 3 gives more detail including phasing of indicative costs on the following potential capital schemes:
 - Stretton Sugwas Closed Landfill Site (2 projects).
 - Strangford Closed Landfill Site.
 - Leominster Closed Landfill Site (2008/09).
 - Ross Info and Library.
 - Herefordshire CCTV.

- Hereford Centre (including Library).
46. In addition the following is viewed as an additional bid because it seeks funding from specific capital receipts:
- Smallholdings Capital Works.
47. The revised capital programme budget monitoring forecast for 2006/07 indicates that there is significant slippage. The revised forecast outturn as at 30th November totals £51.8m, representing a decrease of £8m from the September forecast. The main reason for this decrease is a slippage in spending on corporate accommodation (£3.5m) and Herefordshire Connects (£4.5m). As a result, the expected use of Prudential Borrowing in 2006/07 has decreased by £7.9m and will decrease capital financing costs to be funded from the revenue budget. However, the position on funding other projects is not improved because resource is not being released.

Alternative options

48. The Three Year Proposals report asked Directorates to identify options for Invest to Save. Cabinet on 26th October, following consideration by Strategic Monitoring Committee, took the strategic decisions about future proposals and the 2007-10 Corporate Plan. Therefore this report covers the final adjustments. No further alternative options are identified but emerging issues and remedies have been covered.

Risk Management

49. The MTFMS includes references to corporate risks (business and financial) and the management actions in place to mitigate them.

Consultees

50. As the report is heavily influenced by the MTFMS, it is appropriate to confirm that the initial draft document was subject to consultation with:
- Corporate Management Board.
 - Senior Management Team.
 - Leadership Forum.
 - Strategic Monitoring Committee.
 - Strategic Partnership Board.
 - Community Forum meetings in October; and
 - Unison.

RECOMMENDATION

THAT Strategic Monitoring Committee comments on the contents of the report prior to its consideration by Cabinet

BACKGROUND PAPERS

- Medium Term Financial Management Strategy
- Three Year Proposals and Corporate Plan 2007/10 approved by Cabinet on 26 October 2006
- The draft Annual Operating Plan 2007/08

i) Spend to Save Proposals

Proposals under this section are those that require non-recurrent budget provision. Proposals that came forward aim to improve services for vulnerable children and older people.

- **Safeguarding and assessment – commissioning professional foster support for children.**

To purchase professional foster care within Herefordshire to halve the number of children, from 14 to 17, in 2008/09 who will be placed in independent foster care outside the county.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
135	100	50	Cashable 0	Cashable 200	Cashable 200
			Non cash 682	Non cash 426	Non cash 0

- **Community Development Workers for adult social care [This was to be subsumed in the overall programme of improvements to adult social care – and now should be, since those were approved by Cabinet in December]**

Population projections indicate an increase in numbers and in the proportion of older people in the population as a whole. A needs analysis carried out in 2006, indicates that, by 2011, there will be a 42.9% increase in the number of people aged 85 and over in Herefordshire. These significant demographic changes will place increasing pressure on health and social care to develop new models of care. The Community Development Workers will work within the community with local organisations to develop and promote a range of low-level support services. The workers will explore opportunities for the use of community facilities such as libraries, clubs, pubs, leisure facilities. These services would reduce the need for admission to hospital and residential care and intensive domiciliary packages.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/9 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
45	46	47	109	127	182

- **Independent Living Fund (ILF) worker (Adult Social Care)**

The ILF is a Government funded charity, which provides funding to severely disabled people to enable them to live independently. Individuals have to be in receipt of high rate Disability Living Allowance and receive care services from the LA of a weekly value of over £210. Any amount provided by ILF reduces the LA financial commitment by the equivalent amount. The maximum provided by ILF is £475 per

week. Currently not all eligible service users are accessing ILF and alterations in care arrangements are not routinely reported to ILF. Employment of a specialist worker would maximise income against ILF by:

- increasing the number of people applying for and receiving ILF contribution;
- ensuring that any increases in care packages are shared by ILF;
- ensuring notification to ILF of decreases in care packages is timely.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
25	25	25	35	35	35

ii) Spend to Mitigate Proposals

Proposals under this section will need recurrent budget provision. As with the previous proposals these are to improve services for vulnerable children and older people. The most significant and largest programme to ensure the Council can meet unavoidable future demand from older people and adults with learning difficulties.

• **Modernised, high performing social care and community services for older people**

Following a major review of older people's future social care needs in Herefordshire it has been confirmed that needs are increasing because of year-on-year increases in numbers of older people. Without changes being made it would cost nearly twice as much extra a year to provide relatively poor services than it would to provide high-quality, more efficient services to the larger number of people who will need them. The proposal also identifies the need for parallel investment to increase voluntary sector led community services. The investment in the overall proposal will substantially reduce the level of increased funding required if current patterns of service delivery continue. The proposal is also linked to a review leading to increased charges for those who can afford to pay. The following indicates two levels of investment required, one has an increase in charges and the other (higher) one assumes current charging policies remain.

	Expenditure Required		
	2007/08 £000	2008/09 £000	2009/10 £000
Cost to the Council:			
Additional costs if no increases in charges	2,040	1,894	1,894
Cumulative position	2,040	3,934	5,828
Additional costs with increase in charges	1,189	(245)	1,769
Cumulative position	1,189	944	2,713

Cumulative net cost of not increasing charges	851	2,990	3,115
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- **Modernised, high performing social care and community services for adults with learning difficulties (AWLD)**

A major review of AWLD's future social care needs has been undertaken. With increasing life expectancy there has been an effect on the level of needs to be met. If no changes are made to the current approach and levels of charges to those who can afford to pay it would cost over five times as much extra a year to provide relatively poor services than it would to provide high-quality, more efficient services. As with the previous proposal a parallel investment is needed, but this time in general community services. The following information indicates two levels of investment required, one has an increase in charges and the other (higher) one assumes current charging policies remain.

	Expenditure Required		
	2007/08 £000	2008/09 £000	2009/10 £000
Cost to the Council:			
Additional costs if no increases in charges	601	576	576
Cumulative position	601	1,177	1,753
Additional costs with increase in charges	469	125	562
Cumulative position	469	594	1,156
Cumulative net cost of not increasing charges	132	583	597

- **Integrated services and inclusion for young people**

This proposal intends to enable better outcomes for young people with disabilities who are leaving school and require ongoing support. The JAR said that present arrangements were deficient: this is therefore part of the JAR Improvement Plan. It provides for co-coordinating resources and creates more options for those young people thus reducing their support needs. The proposal requires the following investment and produces some non cashable benefits:

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
18	20	20	Cashable 0	Cashable 0	Cashable 0
			Non cash 15	Non cash 10	Non cash 5

- **Commissioning and Improvement in services for Children and Young People**

This investment is required to establish a Data & Performance Unit within the directorate, as a prerequisite to gaining improved service and higher standards, including through more effective scrutiny.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
100	0	0	Cashable 0	Cashable 0	Cashable 0
			Non cash 0	Non cash 1,190	Non cash 238

- **Safeguarding and Assessment for children**

To fund additional social workers to bring provision in line with recommended standards, thereby ensuring improvements in quality of provision and reducing reputational risk. Number of assessments to be increased from 220 per 10,000 to 350 per 10,000 leading to a reduction of children on looked after register. Cashable saving from reduced need to use agency staff to carry out assessments.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
300	300	0	Cashable 0	Cashable 375	Cashable 185
			Non cash 408	Non cash 408	Non cash 0

- **Integrated services and inclusion – increasing family support**

Increased family support to address issues at an early stage before they escalate into crises which require expensive intervention. 10% reduction in number of children having to be looked after. Additionally, proposal would help looked after children to lose fewer days' schooling, as well as achieving a 2% increase in the proportion of those gaining 1 or more GCSEs.

Expenditure Required			Expected Income/Benefits		
2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
228	0	0	Cashable 0	Cashable 117.5	Cashable 59
			Non cash 187	Non cash 277	Non cash 0

FINANCIAL PROFILE OF SPEND TO SAVE AND SPEND TO MITIGATE PROPOSALS

	Expenditure Required			Expected Income/Benefits		
	2007/08 £000	2008/09 £000	2009/10 £000	2007/08 £000	2008/09 £000	2009/10 £000
i) Spend to Save	135	100	50	0	200	200
Safeguarding and assessment – commissioning professional foster support for children.						
Independent Living Fund (ILF) worker	25	25	25	25	25	25
ii) Spend to Mitigate						
Modernised, high performing Social Care and Community Services for older people						
• Additional costs if no increases in charges	2,040	1,894	1,894	-	-	-
• Additional costs with increases in charges	1,189	(245)	1,769	-	-	-
Modernised, high performing social care and community services for adults with learning difficulties						
• Additional costs if no increases in charges	601	576	576	-	-	-
• Additional costs with increases in charges	469	125	562	-	-	-
Integrated Services and inclusion for young people	18	20	20	0	0	0
Commissioning and Improvement in services for Children and Young People	100	0	0	0	0	0
Safeguarding and Assessment for children	300	300	0	0	375	185
Integrated services and inclusion –	228	0	0	0	117.5	59

increasing family support						
Total without increases in charges	3,447	2,915	2,565			
Total with increases in charges	2,464	325	2,426			
Total Income				35	727.5	479

APPENDIX 3

2007/8 POTENTIAL CAPITAL SCHEMES

Bid	Indicative Costs (£'000)					Life (Years)	Estimated Capital financing costs (£)			
	2007-8	2008-9	2009-10	Future Years	Total		2007-8	2008-9	2009-10	Future Years
	£'000	£'000	£'000	£'000	£'000		£	£	£	£
Stretton Sugwas Closed Landfill Site - Replacing gas wells & pipe work of gas extraction system.	70	40	40	40	190	10	3,150	11,635	16,940	22,065
Strangford Closed Landfill Site - Installation of leachate wells & gas monitoring boreholes to detect and monitor any adverse env effects	18				18	10	810	2,529	2,448	2,367
Leominster Closed Landfill Site - Additional to original restoration bid as a requirement under the Waste Management Licence. The detailed scheme is to be developed. There would be expected annual revenue costs of around £100,000.		1,600			1,600	25	-	72,000	133,120	130,240
Stretton Sugwas Closed Landfill Site - New gas flare needed to replace poorly designed current flare. This bid has specific legal and environmental requirements.	70				70	10	3,150	9,835	9,520	9,205
Ross Info & Library - Extension & Refurbishment. This bid involves the relocation from rented property to a single owned accommodation site. Costs are currently estimated and subject to a more detailed bid to be based on current service requirements.	800				800	25	36,000	66,560	65,120	63,680
Herefordshire CCTV - New links to ensure images are of highest standard to reduce crime and disorder. Possibility of funding from West Mercia Constabulary.	90	50			140	10	4,050	14,895	19,265	18,635
Hereford Centre (including Library) - Consultancy on service provision, financial appraisal with funding opportunities. Feasibility work.	35				35	25	1,575	2,912	2,849	2,786
	1,083	1,690	40	40	2,853		48,735	180,366	249,262	248,978
Smallholdings Capital Works – To be funded through capital receipts	947				947					