

Meeting:	Cabinet
Meeting date:	16 June 2016
Title of report:	End of year corporate budget and performance report 2015/16
Report by:	Economy and corporate services

Classification

Open

Key decision

This is not a key decision.

Wards affected

Countywide

Purpose

To inform cabinet of the revenue and capital outturn for 2015/16, including the treasury management outturn report, debts written off and invite cabinet members to consider performance in the year.

Recommendation(s)

THAT:

- (a) the final outturn for 2015/16 be noted;**
- (b) the movements in reserves set out at paragraphs 66-68 be approved;**
- (c) debts written off in the period be noted;**
- (d) the treasury management outturn report be recommended to Council for approval; and**
- (e) performance for 2015/16 is considered.**

Alternative options

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

Reasons for recommendations

- 2 Ahead of the commencement of the external audit, cabinet note the outturn for the 2015/16 financial year. The unaudited 2015/16 accounts are available for review at www.herefordshire.gov.uk/council-finances
- 3 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 cabinet's satisfaction.

Key considerations

- 4 Council approved the corporate plan 2013-15 in November 2012, framed around the 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 2015/16 was approved by cabinet in March 2015.
- 5 Progress is measured through a number of 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. The databooks, which are available on the council's website (at <https://www.herefordshire.gov.uk/government-citizens-and-rights/performance-and-risk/performance-reports>), contain the latest performance outturns available. Where monitoring information is only available annually, these measures will be reported at the point they become available.
- 6 Given the level of financial savings required within Herefordshire, we look at everything we do and prioritise accordingly. Whilst some services are statutory and have to be delivered, there are others that we do not have to provide, even though they are valued highly by the community. In order to help maintain some of these important local services we have had to identify different ways of delivering them. We have also identified cross-cutting themes all across the organisation.
- 7 As regards enabling residents to be independent and lead fulfilling lives, we have increasingly been focussing upon prevention and early support. The development of community connections and bridging the gaps between voluntary, professional and statutory services has been key to this with examples including Golden Valley Supportive Communities and Leominster Community Connections. We have also worked with families, schools and the community to build resilience so that families are able to help themselves and stop problems from escalating.
- 8 Whilst parts of the county have different needs and their capacity to respond varies, we recognise the advantages of working with those local communities who want to take ownership of certain services and do more for themselves. This has been evident through the development of community libraries throughout the county.
- 9 We have continued to build upon the benefits of public health functions becoming the responsibility of the council, ensuring that services become more outcome focused. This has also extended to other areas through improved educational outcomes and the percentage and the proportion of the county's young people who were recorded as being in full time education and training. Significant refurbishment works have taken place at leisure centres across the county in order to modernise and improve facilities which will enable local people to be more physically active.

- 10 Positive progress has been made with regard to maintaining a successful economy. We have continued to focus on growth to support our local economy. Key to this is the adoption by Council of the Local Development Framework Core Strategy which forms the basis for future planning in the county. The Enterprise Zone has continued to contribute to the local economy with the creation of new businesses and jobs. Other important aspects being infrastructure which includes the Fastershire broadband project and our two-year £40m investment programme in the roads.
- 11 Key to all of the above is the work we are doing in developing a more integrated approach with those who provide services on our behalf. This includes the unified contract for care homes providers, Herefordshire intensive placement support service and public realm services provided by Balfour Beatty Living Places.
- 12 Careful management of council budgets has enabled us to protect council services, whilst safeguarding our vulnerable children and alleviating the rising costs of adult social care for the county's higher than average ageing population.
- 13 In February 2016, Council adopted the new corporate plan, annual budget and medium term financial strategy. These cover the 2016-20 period of the council's administration and set out the council's key priorities for the next four years: enabling residents to live safe, healthy and independent lives; keeping children and young people safe and giving them a great start in life; supporting the growth of our economy; and securing better services, quality of life and value for money. These key documents explain the financial challenges faced by the council and how adopting new approaches can help us to meet them. As before, we will continually review our performance throughout the year.

Revenue outturn

- 14 The 2015/16 outturn is an underspend of £250k which has been added to the general reserve balance which now totals £7.3m, 5% of the council's 2016/17 net budget.
- 15 The outturn is consistent with reporting throughout the year with actions being taken in year to bring forward savings in economy, communities and corporate (ECC) and addressing issues in children's wellbeing (CWB). The net directorate overspend of £677k was mitigated by the £700k corporate contingency that wasn't required during the year.
- 16 The 2016/17 budget includes a further savings target of £10.9m which will require continued close monitoring with challenges increasing as more savings are required.

Service	Net budget £000	Outturn before year end account movements £000	Outturn over /(under) £000
Adults and wellbeing (AWB)	54,245	54,223	(22)
Children's wellbeing (CWB)	23,978	26,029	2,051
Economy, communities and corporate (ECC)	50,510	49,158	(1,352)
Directorate total	128,733	129,410	677
Corporate	803	425	(378)
Other budgets and reserves	12,457	11,908	(549)
Outturn	141,993	141,743	(250)

- 17 A more detailed analysis of the revenue outturn is provided in appendix A.
- 18 Appendix E provides an overview of performance during 2015/16. 70% of measures show a positive direction of travel compared to last year (69% at quarter 3), whilst 26% are behind last year's performance (29% at quarter 3). A summary of performance and the challenges faced within each directorate is included below in paragraphs 19-59.

Adults and wellbeing

- 19 AWB delivered a minor under-spend of £22k against budget. Client groups overspent by £1m due to higher than anticipated expenditure on direct payments in excess of the compensating reduction in domiciliary care spend that would normally be expected.
- 20 This overspend was mitigated by an underspend in staffing expenditure. This position isn't sustainable in the long term as vacancies will need to be filled in order to deliver the assessments and reviews that are required in order to comply with Care Act requirements and deliver the Medium Term Financial Strategy (MTFS) savings plans for 2016/17 onwards.
- 21 As part of the budget setting processes for 2016/17 the client budgets have been 're-based' to reflect the actual spend patterns in 2015/16. This growth pressure has been offset by the savings that have also been built into the budget.
- 22 For 2016/17 evidence suggests that the scope to control expenditure through unit prices is limited. The focus will therefore need to be on addressing demand in the context of significant demographic pressures.

What is going well?

- 23 The community development programme will develop community connections – bridging the gaps between voluntary, professional and statutory services, in order to meet needs differently. This will improve the quality of life and hence reduce demand on adult social care. An initial location within the county has been identified for piloting and developing the community offer. Recruitment to the project is now underway, and the team are working with the design council as part of a national programme in public sector service design to support different ways of thinking.
- 24 Towards the end of April 2016, the upgrade from Frameworki to the MOSAICWORK social care case management system successfully went live. This involved significant amounts of preparatory work; ensuring that the system was in a position to go live on schedule, data cleansing exercises and training of around 500 core users. We received positive feedback from the software vendor on the approach taken by the project team (including AWB, CWB and Hoople staff) and the initial response from the operational staff using the system was positive. This system now provides the platform to improve processes, practices and implement mobile working. This will facilitate improvements in the service experienced by members of the public, while releasing efficiency savings.
- 25 In the final quarter of 2015/16, a new quality assurance framework was implemented. This provides a basis by which the council monitors local care and support services and ensures that they meet the needs of individual citizens in a safe manner. The key principles of the framework reflect an approach that is person-centred, intelligent, supportive and proportionate. As part of the framework, new quality standards, reflecting what good practice looks like, will be set and communicated, and all stakeholders will be required to work collaboratively to make sure this is delivered across the full range of care settings.

- 26 The wellbeing information and signposting for Herefordshire (WISH) website was launched on 2 February 2016. WISH provides access to a range of information and signposting to services and activities to meet needs around care, support and wellbeing. The WISH hub also opened in Hereford city on the same date, offering a face to face and telephone option. 'Pop up' sessions are also being delivered right across the county, enabling people to access the service. To the end of March, there had been approximately 3,000 hits to the website and over 300 people had visited the WISH hub. The WISH hub and web portal is part of a key strategy to focus efforts on maintaining wellbeing and hence to reduce and delay the need for formal care, enabling people to self-help through improved awareness of wellbeing activities and approaches.

Challenges

- 27 During the last quarter we continued to review clients in receipt of long term support. By the end of the year 63% of these clients had been reviewed/re-assessed. Whilst this is some way behind our annual target, due to a number of pressures which impacted on the capacity to delivery reviews during the year, it does demonstrate an improvement on 2014/15. Focus on reviews continues to be a key priority for operational services in 2016/17, with those clients not reviewed in the last year being priority during the first two quarters.
- 28 Adapting to recent changes that impact upon the workforce and its practice remains a significant challenge for AWB. Cultural change therefore remains a key priority across the directorate for the immediate future.
- 29 In May, we will deliver the findings of our review into making safeguarding personal. The review collates the recommendations from the west midlands association of directors of adult social services (ADASS) peer review, reviews our implementation of the new practice and process, and benchmarks against national best practice. The report will include an action plan to address areas of improvement.
- 30 Following the publication of national institute for health and care excellence (NICE) guidelines in best practice around transitioning to adulthood for children with disabilities, we are reviewing this area with an experienced facilitator from NICE to understand the issues and ensure early planning for young people and their families to support the transition. Following the workshop, further work will be undertaken to develop a 0-25 service to ensure the alignment of services across CWB and AWB.
- 31 The redesign of the home care service is currently in development and being scoped as the help to live at home service. The intention is to commence the tender process in September 2016 with mobilisation from January 2017 and the new model fully implemented from July 2017. The model will be more focussed on a reablement methodology, with the goal of supporting people to regain their physical dependence wherever possible. Work has already began on modelling the current service and anticipated demand levels.

Children's wellbeing

- 32 CWB had a £2.1m overspend against budget. The total overspend in safeguarding of £3m was forecast early in the financial year. This was part mitigated in the directorate by maximising one-off grant income and ensuring all other savings were achieved at or above target.
- 33 The spend in safeguarding has been in placement costs. The total number of children in safeguarding reached an all-time high of over 300. The 2016/17 budget includes an additional £1m funding for residential and fostering budgets to reflect increased

demand on these services. Action taken during 2015/16 to find alternatives to independent agency fostering and residential placements had an impact on reducing costs. Priority activity in 2016/17 will focus on alternative housing options for older teenagers; approaches to working families to help more children stay within their family, improving outcomes and in turn helping to manage costs.

- 34 The cost of agency staff in the fieldwork teams was £1.3m above budget, spend was agreed in order to cover vacancies and to manage increased caseloads. The success of the recruitment and retention strategy, and a decision to reduce agency spend to the permanent staff equivalent costs, has reduced the number of agency staff from 60 to 26. The result of these two actions means that the current forecast for safeguarding staffing costs in 2016/17 will be contained within budget. Filling vacancies and the use of newly qualified social workers will ensure caseloads are not affected. The positive trend of effective application of the safeguarding children board levels of need guidance is also leading to a reduction in the activity levels in safeguarding services.

What is going well?

- 35 The percentage and number of young people not in education, training or employment (NEET) is better than targeted for this quarter. 271 young people were NEET, which represents 4.8% and is below the 5% target. The project to support learners with a social, emotional and mental health (SEMH) issue; to transition from the pupil referral unit and special school into post 16 education, training or employment started in the summer 2015 and has been successful. Of the 20 students that started, 82.4% (17 students) were successful and prevented from becoming NEET. There has also been focused support from the traveller learning mentor and the gypsy romany and traveller team; a number of those supported have entered employment and post 16 learning. Of the 45 learners supported 23 remain in employment or training (51%).
- 36 Provision for post 19 learners with learning difficulties at new horizons in Hereford is continuing its success into the second year. Herefordshire now has 20 out of 41 learners in local provision, reducing the reliance on out of county provision that has traditionally been used which places young people away from their family and local friendship and community groups.
- 37 Adult community learning is subject to an Ofsted inspection, the council remains responsible for the quality of this provision. Ofsted inspected the team and the provision in January 2016 and the service was awarded an overall grade of 2 'Good'; with partnership working being judged as 'outstanding'.
- 38 Education health and care plan timescales are improving and are now running at 78%. The department for education has noted that this is one of the higher figures nationally.
- 39 The families' first programme actively worked with 247 in the last quarter. The number of 'families identified as needing support' is 426 with the difference representing the number that have been identified but not being worked with yet. The increase in the pattern of those families identified as needing support between December and March (260 to 426) is due to the increased activity in the last quarter between families first and family support. This identifies families that meet the troubled families criteria. In addition, a performance framework is being established and an intelligence function for families first and early help to meet national and local requirements. This includes a clear outcomes plan so that the children and young people's partnership can monitor effectiveness of turning families around. The outcomes plan will support the drive for improved front line practice, alongside a

workforce development and training programme that will be developed. This will provide staff with the skills in working with families with challenges and delivering evidence based programmes.

- 40 The framework transformation project has successfully migrated to MOSAIC and through the project we now have a much better understanding on how the whole system is operating than we had previously. This has enabled an improved focus on understanding and targeting performance improvement areas to be taken forward.
- 41 The number of initial assessments completed in timescale has been on an upward trajectory since September 2015 and, although there was a dip in performance in the period December 2015 and January 2016, the team are now achieving 95% of initial assessments in timescale. Currently, the multi-agency safeguarding hub and children in need teams are reviewing their structures and resources to consider how they can be most effective, especially with the introduction of the single assessment to be introduced in late autumn 2016.
- 42 Since the introduction of controls for all strategy meeting requests (service manager to authorise all requests), the number of strategy meetings convened has significantly reduced. This is slowly increasing the number of strategy meetings that result in a section 47 investigation. This is reassuring as the figures suggest that the direction of travel is correct and that strategy meetings where convened are appropriate and are no longer case management meetings or professional meetings.

Challenges

- 43 During the final quarter of the year numbers of looked after children have remained close to 300. This is significantly higher than we would expect when comparing Herefordshire to our statistical neighbours. Our rate per ten thousand children is 83 whilst our statistical neighbour average is 50 per ten thousand; which would mean a population of 180. Work is underway to understand the factors behind this sustained rise in our looked after population, which is not supported by any identifiable demographic elements. We will remodel our practice to support a planned reduction in looked after children numbers during the next three years down to our statistical neighbour average.
- 44 At the end of the year there were 231 children subject to a plan, this is a reduction of more than 40 during March. This downward trend continues and is as a direct result of a three-pronged approach which has included greater scrutiny being applied in multi agency safeguarding hub (MASH) in convening strategy meetings; the interim implementation of a conference chair focussing solely on initial child protection conferences and providing a higher level of challenge and scrutiny to social work teams; and a more robust consideration of threshold at review conferences with chairs providing a steer where necessary to the multi-agency decision-making group. This approach has seen immediate results in reducing the child protection cohort. Despite this reduction in the number of child protection plans during March, this still represents a 20% increase during the year.
- 45 The performance at all key stages for vulnerable groups and particularly those eligible for free school meals remains an area of focus for individual schools and the local authority. The gap between these groups and their peers remains too great. Specific work to address this is being co-ordinated through the Herefordshire school improvement partnership.
- 46 There is a mixed picture of Ofsted judgements and educational performance with inspections reporting in the last quarter for primary schools and included Brockhampton primary who were judged to be inadequate and most recently Canon

Pyon who were judged to be outstanding. In addition the only secondary school to have a new Ofsted inspection reported in the last quarter was Aylestone School and business enterprise, who were judged to be requiring improvement.

Economy, communities and corporate

- 47 ECC underspent its budget by £1.4m, achieved in some parts by bringing forward savings planned for 2016/17. The main underspends were within public and community transport (£389k), transport strategy (£145k), waste disposal (£205k) and management restructure savings (£460k).
- 48 The public and community transport underspend arose as a result of income from parental contributions exceeding forecasts, and costs of concessionary travel being lower than expectations. The waste disposal and management restructure underspends had been forecast earlier in the year, arising from early delivery of savings initiatives which resulted in these budgets being reduced for 2016/17 as per the existing MTFS proposals.

What is going well?

- 49 Delivery of the Hereford city centre link road project is progressing according to plan with phase three demolition works due to commence in April.
- 50 The reduction in household residual waste sent to landfill and kerbside recycling performance continues to improve. New measures are being developed to tackle increased general waste deposited at household recycling centres which is offsetting increased kerbside recycling. This work will continue with new initiatives for 2016/17.
- 51 The core strategy was adopted during 2015/16 by Council with further work now underway with regards to drafting development plan documents (DPD's) necessary to support core strategy policy delivery.
- 52 The local transport plan (LTP) has been adopted by Council. The LTP sets out the county's long term transport strategy to achieve transport objectives and provide the infrastructure necessary to deliver the new jobs and homes required in the core strategy.
- 53 We completed our two-year £20m investment programme in the roads, receiving national recognition for having the most improved network out of 77 other local authorities.

Challenges

- 54 Throughout the year we have continued to take appropriate steps towards resolving the long standing disputes with our previous public realm partner. Mediation between the two parties commenced in October 2015 and is ongoing.
- 55 The south wye transport package scheme experienced delays during the year due to the need to reconsult on the planning application.
- 56 The number of people killed or seriously injured in road traffic collisions in Herefordshire remains an ongoing challenge. The number of those killed or seriously injured has increased in year, although the three year average has reduced slightly.
- 57 Due to the complexity of delivering fibre broadband to Herefordshire because of its rural and sparse nature BT have not completed milestone areas to deadline, although they are on back on track for completion by the contract end date of December 2016.

The main priority going forward is to commence procurement of a contractor/s to deliver remaining phases of the broadband strategy.

58 Hereford library was closed in September, due to the discovery of trace levels of asbestos in the building as a result of planned building work due to take place at the site. A temporary library has been located at Hereford town hall and extra hours at Belmont library. The asbestos has been removed and it was agreed by Cabinet to relocate back into the broad street site which is due in January 2017 after "make good" works are complete, and Hereford library users group work on a larger scale development.

59 Although considerable activity has taken place for services to be delivered digitally, there is much more that can be done. This includes an overhaul of our website with increased functionality and improved navigation. Investment is needed to carry out this overhaul. A specification will be produced that meets the different aspirations of the services which will be future proofed in terms of customer use and expectations. A tender has been issued to procure a refreshed website and responses are expected in early May.

Corporate, other budgets and reserves

60 The corporate other budgets and reserves underspent by £0.9m in 2015/16. This is the unallocated corporate contingency budget of £0.7m and a surplus of £0.2m on investment income. Corporate contingency has been used to mitigate the directorate overspend. Surplus investment income was generated from a higher dividend than budgeted from west mercia energy due to lower energy market costs.

Capital outturn

61 £77m of capital spend was funded in 2015/16, including:

- Road network investment and improvements - £23m
- EnviRecover, energy from waste plant loan to be operational in 2017 - £17.4m
- Fastershire, continued investment in the rural broadband network throughout Herefordshire and Gloucestershire - £10.3m
- Hereford enterprise zone site investment - £5.1m
- Improvements to Hereford, Ross-on-Wye, Bromyard and Leominster leisure centres - £3.3m

62 A more detailed analysis of the capital outturn is provided in appendix B.

Treasury Management

63 Treasury management overspent by £0.1m. Appendix C provides more details and includes a detailed analysis in line with the CIPFA code of practice on treasury management. The council has complied with its prudential indicators for 2015/16 approved by Council on 6 February 2015 as part of the treasury management strategy statement.

Pension deficit

64 The estimated pension deficit on Herefordshire's fund as at 31 March 2016 is £204m, a decrease of £7m from 31 March 2015. The shortfall represents the difference between the estimated value of obligations and the assets held in the pension fund. The council ensures that funding is set aside by the time the benefits become payable with revised contribution rates bringing the fund into balance over a period of

21 years. Although the benefits will not actually be payable until employees retire, the council has a commitment to make the payments and this needs to be disclosed at the time the employees earn their future entitlement. At the moment the council has included £7m pa in its revenue budget to repay the deficit, this includes £2m in relation to schools, and is agreed with the pensions fund's actuaries. During 2016/17 a full actuarial review will be undertaken based on values at 31 March 2016.

Pension fund	As at 31 March 15 £m	As at 31 March 16 £m
Present value of obligations	500.0	486.0
Fair value of assets	(288.6)	(281.7)
Deficit	211.4	204.3

Medium term financial strategy (MTFS)

- 65 The current MTFS 2016/17 – 2019/20 was approved by Council in February 2016 and details saving requirements over the planning period of £28m.

Reserves

- 66 The prudential general reserve balance at 31 March 2016 is £7.3m, after taking account of the £0.3m 2015/16 underspend. This represents 5% of 2016/17 net budget, providing resilience for the budget challenges ahead.
- 67 The general fund balance is expected to increase by £4.5m in 2016/17 to give an estimated total general fund reserve of £11.8m as at 31 March 2017. The increase is due to the additional rural and transitional grant funding received in the final 2016/17 funding settlement from government confirmed after the budget for 2016/17 was approved by Council in February 2016. This one off grant funding will be used to provide increased resilience in the MTFS supporting rural service delivery.
- 68 As at the 31 March 2016, in addition to the general fund, the council held £19.1m of earmarked reserves plus £9.4m school balances, a total of £28.5m, an increase of £1.8m from 31 March 2015. Earmarked reserves include unused grants of £4.3m carried forward into 2016/17, the largest being the dedicated schools grant of £1.6m. A summary of usable reserves is provided below:

Balance as at:	General fund	Other specific	Total council reserves	Schools	Total earmarked	Total
	£m	£m	£m	£m	£m	£m
31 March 2015	7.1	20.5	27.6	6.2	26.7	33.8
31 March 2016	7.3	19.1	26.4	9.4	28.5	35.8
31 March 2017	11.8	18.0	29.8	7.2	25.2	37.0

Collection fund

- 69 Income collected from council taxpayers and business ratepayers 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.
- 70 Council tax income was as forecast in the budget, £84m with an in year collection rate of 97.9%. Business rates income was £23m as per the budget, with an in year collection rate of 98.5%. Uncollected council tax and business rate income at the year-end is collected in the following years.

Community impact

71 The recommendations within the report do not have a community impact.

Equality duty

72 There are no specific implications in this 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 Included within the report.

Legal implications

74 None.

Risk management

75 The council is required to close the 2015/16 accounts by 30 June 2016 which includes the approval of statutory statements by the chief finance officer. Failure to meet statutory deadlines carries a reputational risk for the council in relation to its corporate governance role. Successfully publishing the unaudited accounts on 9 June proves the council is capable of meeting the shorter timeframes applicable from 2017/18. The council ensures this by maintaining, communicating and sharing detailed plans and timetables.

76 The risks associated with any delivery plan objectives and projects are entered onto the relevant service or directorate risk register and escalated as appropriate. The corporate risk register is available on the council's website (<https://www.herefordshire.gov.uk/government-citizens-and-rights/performance-and-risk/performance-reports>) and an overview of the significant risks is included within background papers.

Consultees

77 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.

Appendices

Appendix A Revenue outturn

Appendix B Capital outturn

Appendix C Treasury management outturn

Appendix D Bad debts written off

Appendix E Scorecards: Adults and wellbeing

Children's wellbeing

Economy, communities and corporate

Organisation wide

Background papers

- [Adults and wellbeing databook](#)
- [Children's wellbeing databook](#)
- [Economy, communities and corporate databook](#)
- [Corporate risk register](#)