

INTEGRATED ANNUAL OUTTURN REPORT 2004/05

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE, AND CORPORATE AND CUSTOMER SERVICES

CABINET

23RD JUNE, 2005

Wards Affected

None

Purpose

To consider the 2004/05 outturn information for Best Value Performance Indicators, the Capital Programme and Revenue Budget and to provide an update on strategic risks facing the Council. The integration of these key areas into a single report mirrors the structure and approach of the Corporate Plan adopted by Council in March, 2005 and is central to achieving an effective performance management system.

Key Decision

This is not a key decision.

Recommendations

- THAT (a) the Best Value Performance Indicators for 2004/05 be approved for publication subject to any detailed textual amendments required;**
- (b) the key areas of variance of performance from agreed targets be noted;**
- (c) the final Revenue Outturn be noted and the transfers to and from Reserves be approved;**
- (d) the Capital Programme Outturn be noted; and**
- (e) the current position in relation to key corporate risks be noted.**

Reasons

This report marks a significant change to the approach to corporate performance reporting, bringing together performance indicator, risk management and financial information into a single report to provide Cabinet with a coherent picture of the Council's performance. This report includes annual information for 2004/05 for formal Cabinet approval. Progress on performance for 2005-06 will also be reported in an integrated format at 4, 6, 8 and ten months.

Considerations

Key points from the Council's performance 2004/05

1. This overview highlights areas where performance is at a significant variance with the performance in the preceding year or targeted performance. It also highlights particular difficulties with or significant issues in relation to any BVPIs. The full suite of BVPIs is included in Appendix 1.

Corporate Health

2. The Council has met the level 1 Equality Standard for local government in respect to gender, race and disability. This demonstrates that it has clearly set out policies and commitments for tackling these diversity issues. This will provide a firm foundation for moving to level 2 and beyond.

LPSA 1 contained a stretched target for delivering e-enabled services and the target of all relevant services to be delivered electronically by 31st March 2004 was not met. By 31st March 2005 85% of services had been e-enabled and the Council will continue to work to meet its objectives in this important area.

Last year's staff sickness absence figures were qualified by District Audit, so an action plan has been in place for 2004/05 to improve their accuracy. This has uncovered a degree of under reporting primarily in schools. Consequently the outturn of 10.3% is disappointing being significantly above target and presenting a challenge to the Council in meeting the targets which have been set for the next three years.

The BVPI for payment of invoices within 30 days was also qualified last year and subject to an action plan. It remains below the target of 100% at 90.2%, although the Council is satisfied the information is now more robust.

Children's Services, including Schools

3. At GCSE level attainment on the standard 5 A-C passes has fallen in 2004 and is well below the tough targets agreed with DfES. GCSE attainment for looked after children has increased significantly however and this is an area which had been subject to external criticism prior to the Summer 2004 sitting. Key Stage 3 results, which are normally a good indicator of future Key Stage 4 performance, have all improved and achieved the targets with the exception of science. This mirrors the downward national trend for science results at this level. Improvements continue to be made at Key Stage 2 with a sharp rise in success in the English test.

Although there has been an improvement in absences in primary schools, the number of days absent in secondary schools has increased in 2004/05.

LPSA 2 indicators and targets are still being negotiated but it is intended that in the area of education they focus both on reducing school absences and achieving the wider attainment targets at GCSE.

Performance on Special Educational Need statements continues to be problematic being significantly below target and also qualified in 2003-04. Performance on alternative tuition for excluded children is also below target. It should be noted that this represents a relatively small number of children. The revised BVPI for 2005-06 will measure the proportion of excluded children receiving a higher input of tuition i.e. more than 21 hours or more and the outturns for this year suggest this may be challenging for the Council.

There has been a 20% improvement in reducing teenage pregnancies on 2003/04 which would place Herefordshire firmly in the national top quartile using previous

year's comparisons.

In addition to improvements in educational attainment for looked after children, the numbers of children being adopted is improving and has exceeded target and the proportion of those leaving care and going into further education; employment or training has increased, reaching a similar proportion to young people generally.

Health and Social Care – Adults

4. The outturns for the key BVPI's for independent living for older people i.e. the proportion of older people being helped to live at home and households receiving intensive home care were disappointing. Performance for both fell last year, missing the target and remaining well below the top quartile nationally.

The national change in criteria re: data which can be included has significantly affected the 2004/05 position. It is not a reduction in activity.

Performance on delivery of equipment appears to be improving although a qualification on this indicator means comparisons are hard to make between years.

In relation to the assessment of older clients, performance is below target for length of time from referral but exceeding target from the time when assessment is complete to provision of a service. The LPSA 2 will continue to focus on improving performance in relation to the independence of older people but clearly this remains a challenging agenda for the Council.

Housing and Homelessness

5. An ambitious target was set for 2004/05 for no families to be placed in bed and breakfast accommodation. Although performance was improved on 2003/04 the target was again not reached. The average stay in hostel accommodation also exceeded target and was a deterioration on the 2003-04 outturns.

The extent of homelessness in Herefordshire has now been separately reported to Cabinet and short and longer-term solutions will be scoped for a report to Cabinet in July.

Housing Benefit and Council Tax Benefit

6. One of the main outcomes of the Service Improvement Programme has been the efficiency gains within the Revenues and Benefits Service. Not only will costs be reduced but the key indicator for processing housing benefit applications shows a decrease in the average time for determining new applications of 21 days. However the target for processing changes to claimants' circumstances was not met and performance was below that for 2003-04, partly due to changes in methodology.

The number of housing benefit claimants visited also missed the target and has deteriorated since 2003-04.

Environmental Services

7. In the following areas within the Environment Directorate performance either exceeded targets and/or improved on previous year's performance:
 - Cleanliness standards in streets

- The percentage of new homes built on brown field sites
- People killed or seriously or injured on the county's roads
- Condition of non-principal roads
- Waste recycling and the percentage of waste land filled
- Best practice standards for environmental health and trading standards

Areas where performance was worse than expected include temporary road closures, due primarily to the Folly Lane works, bus journeys which have fallen by 500,000 in a year which is disappointing when considering a key transport strategy is to promote the use of public transport and planning.

The turnaround of planning applications has been affected by a number of factors, not least the difficulty the Council has encountered in recruiting planning officers, Although the efficiency of the service compares well in terms of the number of planning applications handled by each officer, the key performance measurements of applications determined within defined timescales are all below target and worse than 2003-04.

It is expected that LPSA 2 once agreed will stretch performance further in street cleanliness and road safety.

It should be noted that the above improvements in the key BVPIs cover a wide and substantial range of the Directorate's business. This resulted in a service category increase from 1 to 3 in the CPA refreshed scores at December 2004.

Culture and Related Services

8. Many of the culture indicators are measured via the Best Value satisfaction survey, the next one being scheduled for Autumn 2006. Of indicators reported for 2004/05, the number of library visits have improved and exceeded the target while visits to museums has gone down and missed the target.

Visits by organised school groups has also reduced dramatically and missed target but this is due to the *Museum on the Move* facility only being available in one out of three years, 2004/05 not being one of them. Targets have now been amended accordingly for future years.

Community Safety and Well-being

9. The outturns for community safety and well being are generally good with targets being met, exceeded and/or improved performance since 2003-4. Two areas of concern are the increase in violent offences committed in a public place or while under the influence, both of which are worse than last year and miss their targets.

Performance on BVPI's 2004-5 conclusion

10. Overall performance is on target and improving slightly. Although 128 BVPI's are reported, not all are suitable for year on year comparisons either because they are new, the definitions have been changed or comparisons are not relevant e.g. BVPI 1 requiring a yes/no response on whether the Council has a community strategy. For those indicators which can be compared 52.8% improved between 2003-04 and 2004-5, 42.7% deteriorated and 4.5% stayed the same. The quartile information for

indicators will not be available for some time but in previous years this has been good for many of the Council's BVPI's. There are clearly, however, some significant areas of under performance which will require detailed attention and improvement planning to bring back on course for 2005-06.

Summary Of Financial Performance

11. Where possible linkages are being made between service and financial performance. This is important in being able to understand the impact of financial resources in terms of outcomes. In this way the alignment of resources to priorities and areas of comparatively poor performance can be monitored.

Revenue Outturn

12. Appendices 2 and 3 sets out in detail the Council's revenue performance for the year. It shows a net underspend within the programme areas of £3.7 million. This can be misleading in the sense that this figure is made up of significant overspends in addition to underspends.

Service Underspends

13. Some major examples of service underspends are:
 - £2 million in Children Services including Standards Fund, which is accounted for on a school year basis, and a job evaluation supplement for 2005/06;
 - £1.4 million in the Environment programme area including the anticipated significant under spend through delays in waste minimisation schemes and the PFI contract, and within the Planning service which has been reflected within the 2005/06 budget.
 - £900,000 in ICT which will be used in the current year and was is earmarked for re-investment in line with the key corporate priority to drive service improvement through ICT.

There are performance issues raised here and there is a link between the comparatively poor performance on planning application turnaround times and the service underspend. An action plan is seeking to redress performance in this area and more effectively use the Planning Delivery grant.

In addition to the above underspends the corporate budget for the financing of capital expenditure and day-to-day cash management has also shown a significant surplus for the year. On one hand this demonstrates good performance in optimising the use of the Council's cash resources through borrowing and lending, but it also shows the impact slippages in the capital programme have on the revenue budget.

Service Overspends

14. Service overspends do not result from poor financial management rather than from trying to contain largely unavoidable spending pressures within approved budgets. Separate reports have been received by Cabinet on some of the major overspends and have they have also been highlighted in previous monitoring reports.

Some of the more significant examples have been:

- £2 million in Learning Disabilities (£1.5 million), which has been highlighted in

a detailed Cabinet report on 19th May, 2005 and Looked After Children (£0.5 million). Both have robust action plans to address the budget deficits with service consequences.

- £300,000 in highways maintenance.
- £225,000 in Parks and Countryside, the final position was partly mitigated by the application of commuted sums, however this action is not sustainable in the long-term.

Two key Looked After Children indicators are the stability of placements which has improved in 2004/05 and the proportion of children in family settings which has also improved. The latter is a direct result of the policy to bring children back in from expensive out of county placements.

Capital Outturn

15. The capital outturn position is detailed in Appendix 4. The headline figure is a net underspend against the approved capital programme of £1.7 million. Despite this no conditional funding has been lost, however this report has already referred to the impact this has on the revenue budget for capital financing.

A summary of the major slippages on the capital programme is as follows:

- Investment programmes for Kingstone; Fairfield and Weobly Sports Hall;
- Construction delays for the replacement swimming pool for North Herefordshire;
- Delays in external funding confirmation for the Ross Creative Learning Centre Project and the Rotherwas Business Centre;

In relation to corporate performance it is particularly important that the improvements within the Rotherwas Industrial Estate are progressed as this is a key strand within the Economic Development Strategy and the potential Local Area Agreement.

Conversely there has been significant accelerated expenditure on the Roman road scheme as the contractor has made more progress than anticipated due to the mild winter. This overspend will be dealt with from within the overall capital budget for the current financial year.

Councils Final Accounts and Statement of Accounts

16. The Councils Final Accounts were closed broadly in accordance with the timetable set. Preparation of the full Statement of Accounts is going well and the document will be available for approval by the Statutory Accounts Committee on 11th July, 2005. The external audit will with a start date of early July be completed much earlier this year. Both the closure of the accounts and the completion of the external audit are expected to be completed well within the statutory deadlines and to the required standards.

Risk Management

17. A separate and detailed report on risk management as at 31st March, 2005 was considered by Cabinet in April, 2005. This report includes an update on corporate and cross-cutting risks only. Service risks have been updated following the adoption

of Directorate and Service Plans and will be reported on with the first progress report on the Annual Operating Plan in August.

Children Act

18. The Council sees the Children Act as a positive opportunity to develop a holistic approach to the needs of children and young people. The Council has appointed a Director of Children's Service and a Cabinet member for Children's Services has been established. A Children's Change Team has been set up to drive the necessary activities required by the Every Child Matters agenda. The timing of the Joint Area Review for September/October has increased the demands placed on the Change Team who have been occupied with preparation in particular collating the self assessment that must be submitted by 13th June. The priority of the Change Team re Joint Area Review activity will have impacted on the timescales for other work, although much of this will be valuable input into the wider change programme and the Children and Young People's plan for Herefordshire. This area remains a key corporate risk for the Council.

Corporate Budget Position

19. The budget for 2005/06 has been set with a significant level of savings to be realised. The challenge for the Council is to minimise the impact this level of savings will have on services and the approach the Council takes on the Efficiency Agenda will be key to its success in this respect.

An additional challenge to the Council will be to manage the key service pressures highlighted within the financial outturn for 2004/05, specifically within the Social Care area. The Council produced the Forward looking Annual Efficiency Statement on 15th April and this has a significant emphasis on cash releasing savings. This, together with the service reductions identified through the budget scrutiny exercises carried out in the Autumn, are anticipated to meet the budget gap in 2005/06. The Cabinet report on Social Care on 19th May highlighted some of the actions which have been put in place to contain expenditure within this area. This includes a directive to all managers that all spending decisions on all non-staffing budgets and care placements/service budgets must be on an emergency health and safety basis, and an emergency risk basis for users and carers. The underlying base budget position is also being addressed through a rigorous action plan through new commissioning arrangements and securing general efficiencies. This area remains a key corporate risk for the Council.

Business Continuity Management

20. The Council is currently considering its response to the Civil Contingencies Bill. As part of this it is developing its approach to business continuity management. Work is underway to produce a corporate business continuity plan incorporating individual service continuity arrangements. The plan will build on the work undertaken for ICT in the summer of 2004 and be broadened to take account of other areas such as property and human resources. This is expected to be completed by the required deadline of November 2005. Failure to recognise and plan for disruption to any Council service or function has clear reputational and operational risks. This remains a key corporate risk for the Council.

Comprehensive Performance Assessment and Joint Area Review

21. The Council is currently preparing for its Comprehensive Performance Assessment taking place in September/October. This will be undertaken in parallel with the Joint

Area Review of all services for Children and Young people. Both processes are new and more challenging than the previous regimes for CPA and OFSTED. The Audit Commission, in particular, has been explicit that the new approach “raises the bar” and that to achieve a “good” category would be a significant improvement on our position in 2002. It is the Council’s intention, therefore, to seek to maintain its good status, though it is recognised there is a risk to the Council’s reputation should this not be achieved.

The first deadlines to be met are to submit the self-assessments, one for each process with close and direct links. At the time of writing the report, the Council is well placed to meet these. External advice and challenge has been sought on the self-assessment documents and the Council’s level of preparedness for the inspections. This has highlighted a number of areas that require further attention. Actions and designated personnel have now been identified to ensure progress in these areas.

The CPA/JAR preparation continues to be managed as a joint project led by the Director of Policy and Community, as overall Executive with the Director of Children’s Services as Corporate Sponsor and is managed within a PRINCE2 environment, with a supporting group of Senior Suppliers. External challenge to the self-assessment documents has been used to assure their quality and they are on target to be submitted within the required timescale. This remains a key corporate risk for the Council.

Herefordshire Jarvis Arrangements

22. Herefordshire Jarvis Services partnering arrangements continue to present a risk to the Council particularly given the difficulties Jarvis as the holding company is facing. However there are increasingly positive outcomes from the Partnership in service delivery terms.

There is an ongoing dialogue within the HJS Partnership Board on current service arrangements and the national situation is being closely monitored. A contingency plan has been drawn up in the event of a restructuring of the holding company’s business. Joint working between Council and HJS staff is operating much better and beginning to impact on service outcomes. Nonetheless, this remains a key corporate risk for the Council.

LPSA

23. The main risk from LPSA1 is not achieving the stretched targets to maximise the Performance Reward Grant (PRG), which in turn will be funding a significant part of the second LPSA. It is intended that LPSA2 would be negotiated by the end of June and this deadline has been extended from the end of March 2005. Failure to negotiate a successful LPSA will adversely affect the Council’s reputation for partnership working and being clear about the outcomes it would like to achieve over the medium term and translating these into a meaningful agreement with the government.

Cabinet received a report on LPSA progress on 19th May. This outlined the likely, but prudent level, of PRG for LPSA 1 and reported on progress being made on negotiating LPSA 2. The Council is being fast tracked by the ODPM in reaching an agreement although there is still much work to do on the detailed stretched targets. The Council is continuing to adopt a risk-based approach to the targets by seeking to strike the right balance between securing major performance outcomes but also maximising future PRG. Work is underway to ensure the Council work is completed

to meet the negotiation deadline for the end of June. Experience has shown that slippage can and may occur from Central Government's side. This remains a key corporate risk for the Council.

Adult Care Services

24. The Green paper on adult services has now been published. A restructure of the senior management arrangements has been agreed and has commenced. This will establish a Director of Adult and Community Services to support a broad and inclusive approach for all adults, recognising both the needs of and contribution to the community of our residents. It may be some months until a successful candidate takes up post and in the meantime managerial capacity will inevitably be stretched as the adult agenda runs in parallel with the children's. This remains a key corporate risk for the Council.

Recruitment and retention of employees including the impact of Job Evaluation

25. Current turnover has remained static at just over 9%. The Pay and Workforce Strategy presented to Cabinet on 9th June, 2005 includes the development of an approach to pay and rewards.

The adoption of a Pay and Workforce Strategy marks the next phase of the Council's approach to the modernisation of Human Resources management. Issues of recruitment and retention are an integral aspect of this. Promotion and communication of the positive benefits of this for the Council's workforce is an important aspect of its implementation. This remains a key corporate risk for the Council.

26. **Corporate capacity to deliver the range of changes that the Council has embarked on**

The Council is going through a period of extensive change at a time when it is also facing a Corporate Assessment and Joint Area Review. This is challenging the corporate capacity of the organisation. Programme management is an essential tool for supporting this, as well as clear leadership. The senior management restructuring is designed to take account of and improve corporate capacity. This is a new key corporate risk for the Council.

Alternative Options

None

Risk Management

The Council is required to publish end of year BVPI outturns by 30th June and to ensure the closure of accounts and completion of the external audit are completed to statutory deadlines. Failure to do this carries a reputational risk for the Council in relation to its corporate governance role.

Consultees

Relevant internal officers have been consulted. No external consultation was felt appropriate.

Background Papers

None