

Self-assessment proforma

May 2006



Value for money

Self-assessment proforma

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

What has been achieved to date?

5.1 The council currently achieves good value for money

What is the purpose of this section of the self-assessment?

This section provides the authority with an opportunity to demonstrate how it achieves good value for money including how current costs compare with others. Local fieldwork will focus on the extent to which the authority understands, compares and reviews its costs in relation to both performance and priority. This section will draw significantly on the evidence provided in the standardised VFM Profiles report.

Completing the self-assessment

Please provide short statements using the pro-forma which address the key line of enquiry and each of the audit focus questions:

- 5.1 How well does the council currently achieve good value for money?
- 5.1.1 How well do the council's overall and service costs compare with others?
- 5.1.2 How do external factors affect costs and how do adjusted costs compare?
- 5.1.3 To what extent are costs commensurate with service delivery, performance and the outcomes achieved?
- 5.1.4 To what extent do costs reflect policy decisions?

KLOE 5.1 How well does the council currently achieve good value for money?

Please provide brief details and evidence to support your assessment with focus on:

- how the council challenges value for money through services and corporately; and
- the relationship between local taxation, overall expenditure and costs; and the level and performance of services provided, taking account of local priorities.

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HOW THE COUNCIL CHALLENGES VALUE FOR MONEY THROUGH SERVICES AND CORPORATELY

Our baseline position in 2005

Value for Money is key to almost everything the Council does and is a constant message going throughout the Corporate Plan and all Service Plans. It is not something that is paid lip service to but is central to the Council's overall objective of providing good quality serviced as efficiently as possible.

The Council does not undertake formal Best Value reviews anymore but uses a variety of other tools to ensure VfM. The starting point is consultation with citizens as this focuses attention on local priorities. The value of a service cannot be measured without first deciding the broad level to which it is provided and the Council conducted extensive consultation during 2004. The outcomes of the consultation, together with a host of other factors helped shape the Corporate Plan and subsequently the Annual Operating Plan. The Chief Executive and Leader have clearly stated in the Corporate Plan the importance of delivering services as efficiently as possible.

Our position in 2006

Value for Money remains central to everything the Council does. Indeed it is now established as a fundamental part of our key corporate, service and financial strategies.

The Chief Executive and Leader's comments in last year's Corporate Plan covering 2005 – 2008 are now included in the updated Plan for 2006 – 2009 as our medium-term organisational priorities for achieving our service improvement objectives over the next 3 years.

Our organisational priorities maintain the focus on continuing to improve Value for Money. We will achieve this by organising ourselves to:

- consult fully before finalising service improvement plans;
- integrate our corporate, service and financial planning procedures so service improvement plans are set in the context of available resources and those resources are allocated in line with priorities; and
- make the most of all our assets – cash, people, ICT and property.

The draft Medium-Term Financial Strategy (MTFMS) supports the objectives and priorities set out in the Corporate Plan. It provides the financial context within which Directors and the Head of HR will develop 3-year service delivery proposals. It also sets out the Council's approach to Efficiency Review and Value for Money (section 7.7 of the MTFMS refers). We aim to achieve twice the current Gershon target of 1.25% cashable gains over the period covered by the MTFMS (2007 – 2010).

We will deliver this ambitious efficiency gain target through our other key corporate strategy - the Herefordshire Connects programme. This strategy will be described in more detail later in this VfM update.

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THE RELATIONSHIP BETWEEN LOCAL TAXATION, OVERALL EXPENDITURE AND COSTS; AND THE LEVEL AND PERFORMANCE OF SERVICES PROVIDED, TAKING ACCOUNT OF LOCAL PRIORITIES

Our baseline position in 2005

The Council's net expenditure per head is 8% lower than the average for unitary authorities. It is well within the lower quartile, and is 26th amongst unitaries for the amount of Council Tax it levies. It needs to be emphasised that the county is the most spare upper tier authorities the country. The cost of providing services in rural areas is addressed specifically in 5.1.2 but the low net expenditure figures is a key indicator of how well the county uses its resources given overall service performance. The current CPA overall service score is 3 out of 4.

Our position in 2006

The inspectors noted that our funding per head of population was 8% below the average in our 2005 CPA report. Updating the position for the 2006/07 settlement figures reveals that the gap in funding has widened. The figures are as follows:

- Formula Grant per head of population is £259 – 21% below the unitary authority average of £329;
- Formula Grant plus Dedicated Schools Grant per head of population is £698 – 19% below the unitary authority average of £862; and
- Dedicated Schools Grant per head of population is £439 – 18% below the unitary authority average of £533.

Herefordshire Council set a Council Tax level in 2006/07 at 1.1% below the unitary average and slightly below the median ranking position at 25th out of 49 unitary authorities.

Despite our low resource base, our Value for Money assessment in the 2005 CPA – *The Harder Test* was good at 3 (out of a possible 4). In overall terms, our CPA inspectors adjudged Herefordshire to have maintained services at the same level and to be improving adequately and 55% of our BVPIs stayed the same or improved in 2005/06. We felt this was a commendable achievement given the CPA test was harder and government funding was still comparatively poor.

We are not complacent though. We are determined to continue improving services and VfM despite our challenging financial position. The corporate and service plans we have developed since the 2005 CPA results were published, supported by our new financial management strategy, show how determined we are to provide even better services at even better value.

Despite our relative funding position, we continue to perform well in most services. Our housing service scored a maximum 4 in our CPA for 2005 despite it being a harder test and has continued to show strong improvement both in terms of service delivery and VfM in homelessness. We can also demonstrate strong improvement in services with our weakest 2005 CPA scores too. A Department for Education & Skills (DfES) review in May 2006 concluded that our safeguarding practice systems are now sound.

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5.1.1 How well do the council's overall and service costs compare with others?

Please provide brief details and evidence to support your assessment – key areas of focus:

- current level of overall costs and costs for key services;
- planned spending in relation to others; and
- level of overheads and how they are accounted for.

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CURRENT LEVEL OF OVERALL COSTS AND COSTS FOR KEY SERVICES

Our baseline position in 2005

The VfM profiles show that the Council is slightly lower quartile for expenditure on all services. This is broadly commensurate with its overall funding levels and demonstrates the challenges the Council has faced in providing high quality services in the face of constraints on both Council Tax and central government grant. The main spending block is Education and despite a comparatively high cost for LEA functions the expenditure on schools places the Council firmly in the lowest quartile for the nearest neighbour comparison.

Our position in 2006

The Audit Commission VfM toolkit profiles show that our overall spending on services remains just above bottom quartile.

Environmental Services

- Our spending on planning services is just above lower quartile compared to the nearest neighbours group.
- Our spending on street cleaning is the second lowest cost per head compared to the nearest neighbours group.
- Our spending on waste collection & recycling services is the seventh lowest compared to nearest neighbours and a below average cost per head.

Children's Services

- Our spending on schools per pupil is in the bottom quartile of the nearest neighbours group.
- Our spending on LEA central functions is in the top quartile of the nearest neighbours group.
- Our spending on children and young families (0-17) is just above the lowest quartile of nearest neighbours group.

Adult Social Care & Strategic Housing

- Our spending on people with learning difficulties is high compared to the nearest neighbours group.
- Our spending on older people is low compared to the nearest neighbours group.
- Our spending on homelessness is at the median level of the nearest neighbours group.

Revenues and Benefits

- Our spending on benefits administration is in line with the nearest neighbours group.
- Our spending on Council Tax collection per chargeable dwelling compares favourably with the benchmarking club the Council belongs to.

Economic & Community Services

- Our overall spending on economic & community services is just above lower quartile
- Our spending on tourism services is in the upper quartile reflecting the level of priority afforded to this service in producing a sustainable community.
- Our spending on heritage services and sports & recreation services is in the middle two quartiles.
- Our spending on parks & open spaces and library services is in the lower quartile.

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PLANNED SPENDING IN RELATION TO OTHERS

Our baseline position in 2005

The Medium Term Financial Strategy broadly looks to maintain Education expenditure and increase funding in high-pressure areas, particularly Adult Social Care. The comparative VfM profiles would not necessarily be used to significantly influence this Strategy but would be used, as a guide to identify where additional resource may well be required. They are in that sense commensurate with the current Strategy where budgets are being reduced in central and environmental services, both being in upper quartile of spend against near neighbours.

Our position in 2006

The new Dedicated Schools Grant means the government now makes the decision on the overall level of funding for schools rather than the Council. Schools received a higher percentage increase in funding than all other local government services in the 2006/07 local government finance settlement and will do so again in 2007/08. Given national policy priorities, we anticipate this pattern will continue and will be reflected in the Comprehensive Spending Review 2007 (CSR07) that will set government spending limits for the period 2008/09 through to 2010/11.

Section 6.5 of the MTFMS identifies the local spending pressures for the future. The key concern remains adult social care service budgets. The base budget funding position for these services in 2006/07 was enhanced with real terms growth for at least the 3rd successive year in a row. The children's social care budgets are of concern too. They were less over spent than anticipated in 2005/06 but are currently expected to over spend in 2006/07. A social care contingency fund of £1.3m was established for 2006/07 in the event that these budgets over spend. Research is being carried out into the impact that Herefordshire's ageing population and other factors will have on demand for social care services and the options for the patterns and levels of services needed to meet them. A report is anticipated in August that will help inform decisions on future base budget provision for these services.

The Homelessness budget has been in crisis but the position – both in terms of service and financial performance - is steadily improving since the service was taken back in-house from Herefordshire Housing. Although early days in the financial year, the current forecast is that this budget will not over spend this year and that it will manage with planned base budget reductions into the future. The Landlord Payments scheme has been particularly successful in keeping people out of expensive bed and breakfast accommodation.

Other budgets that showed signs of strain in 2005/06 included street cleansing, public toilets, winter road maintenance and administrative buildings. The MTFMS also highlights waste disposal as a future spending pressure as the date for agreeing changes to the original PFI contract continues to slip and waste tonnages continue to grow.

Spending pressures in Herefordshire show a very similar pattern to national spending pressures. Our Medium-Term Financial Resource Model (MTFRM) includes all the future cost pressures we are currently able to quantify including pay, waste disposal and transfers out of Formula Grant for Preserved Rights Grants. Our MTFMS ensures that our social care services are at the top of the priority list for re-investing cash released by our Herefordshire Connects programme.

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LEVEL OF OVERHEADS AND HOW THEY ARE ACCOUNTED FOR	
Our baseline position in 2005 The accounting policies for central overheads are detailed in the Statement of Accounts. The level of overheads is monitored where applicable through service reviews (such as property) but also on an ongoing basis through benchmarking exercises. The Treasurer's Department for example is a member of the CIPFA benchmarking club and information is analysed accordingly.	
Our position in 2006 Our updated policies on accounting for overheads can be found in our Statement of Accounts for 2005/06. We follow the Best Value Accounting Code of Practice (BVACOP) in accounting for overheads. Our spending on central services and other overheads is high compared to the nearest neighbours group. We investigated the reason for this following our 2005 VfM assessment. We discovered we were not completing the government's financial returns correctly and were overstating expenditure on overheads as a consequence. The Audit Commission VfM toolkit relies on these financial returns to create their database of comparative spending. This explains our apparent high level of spending. The financial returns will be completed correctly in future.	Reference

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5.1.2 How do external factors affect costs and how do adjusted costs compare?

Please provide brief details and evidence to support your assessment:

- external local contextual factors that influence costs (such as deprivation, geography, demography); and
- demand and supply levels.

EXTERNAL LOCAL CONTEXTUAL FACTORS THAT INFLUENCE COSTS (SUCH AS DEPRIVATION, GEOGRAPHY, DEMOGRAPHY)

Our baseline position in 2005

There are 2 major factors that have a significant bearing on the cost of providing services within the county. Firstly there is the Council's sparsity and secondly the demography of older people: 22.7% of the population is retired compared to 18.5% nationally. The most dramatic demographic change however is the growth of older people. By 2011 is projected that the rate on increase of over 65s will be at double the national rate with the over 85s growing at nearly 25%. There are a number of challenges faced by adult social care as a result of these external factors. The cost of providing domiciliary care in particular in rural areas is higher than in urban areas whilst the increasing numbers of older people coming in to care places significant pressures on the corporate budget. The difficult financial situation was highlighted by the SSI report in July 2003.

The Council has therefore had to adopt innovative ways of commissioning social care, the main one being the partnership with Shaw for residential homes and home care volume contracting with the independent sector. Also included in the transfer are day care services, re-enablement services, domiciliary care and outreach support services.

Whereas overall the county cannot be described as being a deprived area, there are pockets of high deprivation, such as South Wye, which demand considerable redirection of resources to meet local needs. It also needs to be recognised that the county's average weekly wage is £361 that is 14% lower than the national figure.

Our position in 2006

We are in fact the most sparsely populated upper tier authority and our population is more evenly distributed compared to other rural counties. Cornwall, Cumbria and Devon, for example, are sparsely populated but large tracts of their area are uninhabited.

Poor rail and road links also impact on the cost of services. The supply market for services is restricted by the geographical position of the county.

Our local economy is based on rural industries. This attracts a growing migrant worker population every year that also impacts on service delivery. It has been estimated that the county's population temporarily grows by some 25,000 or 14% during the summer months. This temporary growth puts demand pressure on a wide range of public services – a factor that is not recognised in central government funding for local government.

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DEMAND AND SUPPLY LEVELS

Our baseline position in 2005

The county's geographical position and population sparsity undoubtedly presents problems in ensuring there are sufficient numbers of service providers to create competitive markets. This is experienced in a number of areas with significant budgets and is most keenly felt within Adult Social Care, Children's Services and Public Transport. A recent example of where procurement has not been as competitive as the Council would have hoped has been with the limited market for special school out of county placements.

Our position in 2006

The county's geographical position and sparsity remains a constraint in stimulating competitive markets. The Council is still seeking major infrastructure changes through its Local Transport Plan to improve the overall environment for businesses to thrive.

Herefordshire carries out extensive consultation with the community and with strategic partners to ensure its corporate plans and strategies meet the needs of our residents. We also monitor customer satisfaction scores annually rather than rely on the statutory triennial consultation all local authorities are required to carry out. We use the information gathered to work out what demand there is for the range of services we currently provide and we shape our corporate plans, service plans and resource plans accordingly to supply the services our residents want and need. Where this information is insufficient as a basis for making resource allocation decisions, we carry out further detailed research. An example of this is the current piece of research into the impact that Herefordshire's ageing population will have on demand for social care services and the options for the patterns and levels of services needed to meet them.

Reference

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5.1.3 To what extent are costs commensurate with service delivery, performance and the outcomes achieved?

Please provide brief details and evidence to support your assessment in relation to the key areas of focus – please refer to the VFM Profiles tool for evidence:

- quality and standards achieved, including targeted investment to improve poorer services and quality of life;
- results of service inspections; and
- range of discretionary services provided.

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QUALITY AND STANDARDS ACHIEVED, INCLUDING TARGETED INVESTMENT TO IMPROVE POORER SERVICES AND QUALITY OF LIFE

Our baseline position in 2005

The VfM profiles and BVPIs are extensively analysed to provide a relationship between the comparative costs of services and the level of service provided. Where most appropriate the comparisons have been made with the near neighbour authorities group or the unitaries group.

The Council performs above average in analysing the BVPIs. 30% of its BVPIs are in the top quartile and 65% in the top two quartiles, with only 13% in the worst. 64% of these showed improved performance between 2001/02 and 2003/04 rising to 75% in 2004/05. The Council and its partners have met or substantially achieved the majority of the stretch targets in the first LPSA.

The analysis takes into account the main service blocks and the highlighted areas demonstrating VfM are summarised as follows:

Environment:

- The overall CPA service score for the Environment block has risen from 1 to 3 between 2002 and 2004.
- Street cleaning – lowest cost per head within the NN group with a satisfaction rating of over 60% placing it in the top 3 authorities in this group.
- Waste collection – costs are slightly below average for both NN and Unitary groups. Recycling rates however are 4th out of 16 for the NN group and just outside upper quartile for the Unitaries group.
- Highways – maintenance costs per km considerably lower than unitary average based on CIPFA Stats 2002/03 actuals. Although there are still high levels of repair needs for Herefordshire's roads the LPSA1 targets have been met.

Children's Services

- The Education CPA score has dropped from 4 to 3 although in that time the KS2 and 3 results for English and Maths have been the best ever and overall standards have been maintained for KS1 and 4.
- Herefordshire is funded at below national levels for education and social care although in many instances achieves above average performance.
- The county's Schools Formula Spending Share of £2,789 per pupil ranks the authority 123 out of 148 local education authorities.
- The majority (67%) of APA performance indicators demonstrate at least average performance and in many instances that which is well above the norm.
- School OFSTED reports show that over 99% of schools are satisfactory or better with regard to value for money.

49% of the total costs of LEA central functions are transport. In 2004/05 £527 per pupil was spent on central functions of which £258 was for transport. If these transport costs are excluded, and they do fall disproportionately on a rural county such as Herefordshire, the Council is £50 per pupil higher than the average for the OFSTED family of shire LEAs. This £50 is mostly explained by the repayment of the LGR expenditure and on non devolved standards fund for the ICT broadband network, which is retained with schools' agreement.

With respect to transport and VfM, the Council is widely regarded by the DfES transport group as an excellent example of route rationalisation by using routing software to achieve savings. The Backward Looking Efficiency Statement identified savings of £524,000 in transport after adjusting for the number of riders and transport RPI.

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The VfM profiles show Herefordshire as being the second most expensive for statutory and regulatory duties. There has however been a significant shift from the 2004/05 section 52 data to the up to date information based on 2005/06 following a fresh look at how S52 has been completed. The 2004/05 data is £79 per pupil whilst the 2005/06 data shows £51 being spent on these duties. It needs to be borne in mind that as a relatively small, rural authority with limited competition for school meals and school transport (where we have to pay more to sustain the market), there are limited opportunities for economies of scale which can explain the disparities in the per pupil funding comparisons. Typical examples are school meals and transport.

The CPA score for Children's Social Care has also dropped a point but it has also been judged by CSCI as having promising prospects for improvement. Supporting this assessment is the fact that the majority of the 2004/05 PAF indicators have improved.

VfM analysis for social care services for children need to be seen in the context of the size or demand for the service. A very small number of children placed in agency provision consume a disproportionate amount of available resources but the nature and size of this cohort does not enable block purchasing or economies of scale.

Adult Social Care

Herefordshire spends less on older people than all the Council's in the comparator group in the VfM profiles despite considerable investment over the first two years of the three-year plan. The key BVPIs on support for independent living show improvement in areas where investment has been made, primarily in assessment activity – statement of needs given; waiting times for assessment and Direct Payments. However BVPIs for independent living have not improved and this points towards increasing future investment to help achieve full VfM in this area.

Expenditure on adults with learning disabilities is comparatively high and the Council has a change programme to move away from a traditional approach to service provision to one that is more inclusive, local and personalised.

The pooled budget and integrated service arrangements with the PCT provide the most effective use of a scarce resource and enables the seamless provision of important services. Herefordshire is also one of the few counties with formal risk sharing arrangements with the PCT.

The CPA Strategic Housing assessment is a maximum score of four demonstrating in particular how the LSVT of Council Housing has been managed but also excellence across all areas of service.

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Our position in 2006	Reference
<p>Adult Social Care & Strategic Housing</p> <ul style="list-style-type: none">• Key BVPIs for Adult Social Care Services all show improvement with the exception of the Direct Payments indicator.• Key BVPIs for Strategic Housing show improvement, particularly the number of people being accepted as homeless.• Extra cash targeted at improving homelessness services on an invest to save basis and the service was brought back in-house as standards and costs were unacceptable.• 70% of people using personal social services were satisfied with the service.• The Home Care Survey showed 87.4% of respondents were at least quite satisfied with the help received <p>Environment – compared with the nearest neighbours group:</p> <ul style="list-style-type: none">• Waste recycled or composted is 19.5%, the fourth highest.• 100% of minor planning applications were determined within the target time.• LPSA1 target for conditions of non-principal roads was met.• Satisfaction with the standards of cleanliness is 62%, which, when coupled with low cost per head of population, ranks as one of the best performances compared to the nearest neighbours group• Satisfaction with waste collection services is 65%, which is just below the upper quartile. <p>Economic & Community Services – compared with nearest neighbours group:</p> <ul style="list-style-type: none">• Usage of libraries, museums & theatres was just below upper quartile.• Usage of sports facilities and parks & open spaces were lower quartile.• Customer satisfaction with theatres, galleries & museums was around the median.• Customer satisfaction with libraries was around the median.• Customer satisfaction with sports & leisure facilities and parks & open spaces was lower quartile, corresponding with low spend.• Spending on libraries is lower quartile and performance indicators are average demonstrating reasonable performance for low cost.• Museums & theatres show middle quartile expenditure and performance indicators.• Halo performs well in 'Quest' assessments and there has been a tangible improvement in leisure services. <p>In addition, for Economic & Community Services, the Council's latest annual satisfaction survey showed that:</p> <ul style="list-style-type: none">• 72% of people who used our leisure facilities were satisfied with them.• 84% of people who used libraries were satisfied with them.• 72% of people who used museums were satisfied with them.• 77% of people who used parks & open spaces were satisfied with them.	

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Children's Services	Reference
<p>OFSTED inspections between September 2005 and March 2006 considered all schools to be adequate and above.</p> <p>The Youth Service received an adequate OFSTED report although this also highlighted resource issues in a service which has found difficulties in recruiting trained staff.</p> <p>There are areas of the key business where increased investment in services is being translated to improved performance against the Council's priorities. A good example is within Adult Social Care where all the BVPIs related to the promotion of independent living have either improved or stayed the same. A similar situation exists with Looked After Children and the Council is making strong movements away from its current zero star CSCI rating.</p> <p>A range of local indicators is produced on a quarterly basis for our scrutiny committees. Examples of good performance in the most recent report include:</p> <ul style="list-style-type: none">• %of footpaths which were easy to use – 49.6% by the end of the 3rd quarter of 2005/06 compared to an annual target of 47%.• Number of visits to a TIC - 484,116 by the end of the 3rd quarter of 2005/06 compared to an annual target of 317,000.• Number of visits to museums per 1,000 population - 1,159 by the end of the 3rd quarter of 2005/06 compared to an annual target of 820.• Numbers taking part in sports referral programme - 80 by the end of the 3rd quarter 2005/06 compared to an annual target of 48.• % completing the sports referral programme - 58% by the end of the 3rd quarter of 2005/06 compared to an annual target of 45%.	

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RESULTS OF SERVICE INSPECTIONS

Our baseline position in 2005

The SSI report on Social Services in 2003 has had probably the most significant impact on corporate budget strategy. Although the report highlighted a number of strengths it also identified areas where improvement was needed. This centred on the range and quantity of provision to support adults and children to maintain their independence and remain at home. Partly as a result of this Social Care has received an additional £1.5m over and above the normal inflationary increase in the 2004/05 and 2005/06 budgets. This has been translated into some key performance gains particularly within the Looked after Children area. The Council is still however facing a significant challenge with the demographic pressures of older people.

The Review carried out by CSCI of Older People Services in 2004 commented that the Council had 'responded vigorously to the Joint Review and whereas overall it was only serving some people well it had promising prospects for improvement.

The other major service inspection was the OfSTED review of Education in the county, which although reported in 2001, provides a good background to the quality of the service. This concluded with HMI of Schools saying that 'Herefordshire LEA is making good progress and has won the confidence of its schools in its drive to raise standards'.

Summaries of other external inspections are as follows:

Supporting People Programme (December 2003) – Good service with uncertain prospects for improvement

Libraries and Information Services (August 2002) - Fair service with uncertain prospects for improvement

Homelessness and Housing Advice – (August 2001) – Excellent service with strong prospects for improvement

Tourism and Development Services – (August 2002) – Good service with promising prospects for improvement

Although these only cover a relatively small part of the Council's business the outcomes from the inspections clearly show the value provided by the Council to residents with relatively limited resources.

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Our position in 2006

The Audit Commission introduced revised and significantly more demanding arrangements for corporate performance assessment in 2005: *CPA – The Harder Test*. All upper tier councils' scores under the old system are protected until all have been through *The Harder Test*. Herefordshire's score is currently protected at 3 (out of a possible 4).

However, under the new arrangements, the Council was given an overall Comprehensive Performance Assessment score of 2 and was adjudged to be improving adequately. It also adjudged us overall to have maintained services at the same level as in the previous year, notwithstanding the lower scores under this tougher regime awarded to Benefits, Environment and Use of Resources. The report highlighted some areas of strength in demonstrating strong community leadership, close working partnerships and a track record of sound financial management alongside some weaknesses in scrutiny, internal processes and some aspects of Children's Services.

The previously separate scores for Education and Children's Social Care have been replaced with an overall score of 2 for Children & Young People, with education services seen as good but social care judged to be inadequate, substantially owing to concerns about the Council's arrangements for safeguarding vulnerable children. Following a Department for Education & Skills (DfES) review in May 2006, safeguarding practice systems are now considered sound and to be resulting in improved outcomes for children.

Despite *The Harder Test*, Strategic Housing maintained its CPA rating of 4 (out of a possible 4). Adult Social Services maintained its CPA rating of 2 (out of a possible 4). Culture also maintained its service score but is due for re-inspection in 2006/07.

The Commission for Social Care Inspection (CSCI) assessed the Council as providing a no-stars service, serving some adults well, with uncertain capacity for improvement; and not serving children well, with poor capacity for improvement.

The Council is currently undergoing a BFI inspection and the outcomes of this will be known soon. It has already been recognised that significant improvements have been made in performance following the introduction of the Academy system.

Against this background, the Council has drawn up a comprehensive Overall Performance Improvement Plan (OPIP). The OPIP summarises the Council's key objectives for the year including our response to the 2005 CPA and JAR inspections. A new Performance Improvement Cycle that fully integrates corporate, service and financial planning, coupled with greatly strengthened performance management arrangements has been put in place to achieve this.

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RANGE OF DISCRETIONARY SERVICES PROVIDED

Our baseline position in 2005

The Council provides a whole range of services that are additional to its statutory obligations. Some major examples of these are:

- £0.3m subsidy to the Courtyard Theatre in Hereford of
- nearly £1m on community regeneration and grants
- £0.5m in grants to voluntary organisations plus substantial in kind support.

The Voluntary Sector Review has recently been completed and whilst the Council is extremely keen on maximising the use of the voluntary organisations to help achieve the Partnership objectives, it is also very keen to ensure that VfM is received from the grants applied. The monitoring system for example has been made more robust to ensure the most effective use of grant monies and service levels to be agreed for all ongoing grant arrangements.

Another example of a discretionary service is Discretionary Rate Relief for non-profit making organisations. The assessment of applications is very much based on the convergence of the applicant's objectives to those of the Corporate Plan.

Our position in 2006

The Council has reacted extremely positively to the new well being powers afforded by the 2001 Local Government Act and uses its position as a community leader to invest and mobilise resources across the public sector for better outcomes, particularly in cross cutting areas.

Expenditure has been maintained in 2006/07 in many discretionary areas despite the capping regulations and pressures in high spend statutory services. The Council continues to develop very effective partnerships with the voluntary sector and these are very much based on shared objectives.

£10.6m is spent on community services with the main objective Corporate Plan objectives of sustaining vibrant and prosperous communities and targets are very much evident in the Local Public Service Agreement and the Local Area Agreement.. Examples of targets include reducing crime and disorder and increasing community engagement. Due to the overall funding position of the Council, expenditure on cultural services is generally below median levels within the nearest neighbours group, however those services seen as being a particularly high priority for the overall economic well being of the county, a good example being Tourism, have net expenditure comparisons in the top quartile.

Discretionary rate relief cost the Council £250k in 2005/06 which given the size of the authority is broadly line with its nearest neighbours. The Council however provides full rate relief for all charity shops in line with our discretionary relief guidelines.

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5.1.4 To what extent do costs reflect policy decisions?

Please provide brief details and evidence to support your assessment in relation to the key areas of focus:

- how costs are assessed when decisions are made;
- the extent to which higher spending is in line with stated priorities; and
- the extent of long term cost considerations with major investments or partnerships.

HOW COSTS ARE ASSESSED WHEN DECISIONS ARE MADE

Our baseline position in 2005

See below on long term cost considerations.

Our position in 2006

A new Performance Improvement Cycle that fully integrates corporate, service and financial planning, coupled with greatly strengthened performance management arrangements has been put in place to achieve this.

The budget for 2006/07 agreed by Council represented a collective view from the Corporate Management Board for the first time on how resources should be allocated in line with corporate priorities.

Budget carry forwards at the end of 2005/06 were top sliced to resource corporate priorities before consideration was given to how the remainder would be shared amongst Directorates.

Our MTFMS sets out the overall financial context for the authority as it prepares its future service delivery proposals. There is little point in corporate or service planning without regard to the overall level of resources that is likely to be available.

Our MTFMS then ensures that resources are allocated in line with the corporate and service priorities established by the Council to meet the needs of its communities. This is one of Herefordshire's key corporate financial management objectives as set out in the MTFMS (section 7.2 refers).

Our Scheme Selection & Prioritisation process for capital and invest to save schemes ensures that only those schemes that do most to support corporate and service priorities are awarded funding.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

THE EXTENT OF LONG TERM COST CONSIDERATIONS WITH MAJOR INVESTMENTS OR PARTNERSHIPS

Our baseline position in 2005

Cost considerations are important but not predominant in making long term decisions on how services are provided. The cost benefit analysis however is vital in reaching decisions and this has been evident in the past three years with the partnerships with Shaw Homes, Jarvis and the Whitecross PFI contract. The 30-year term contract with Shaw Homes will enable significant development of the 6 residential homes transferred to meet current standards and for the service to be reshaped to reflect longer term service requirements such as EMI residential and nursing beds. The 10-year contract with Jarvis was designed to incorporate ongoing efficiencies of £700,000 per annum whilst the business case for the 25-year PFI deal for the new secondary school at Whitecross had a specific VfM showing a net benefit to the Council of £2.4m by procuring through PFI.

Our position in 2006

Long-term costs, income and savings are always considered in full when decision on major investments or partnerships are made,

An example is the waste disposal partnership. Herefordshire is a partner in the first national waste PFI being developed to meet LATS requirements. This will result in higher short-term costs although it will be a highly beneficial long-term investment as the private sector market contracts.

Another example where the outline financial appraisal considered the long-term position is the Herefordshire Connects programme. This is an ambitious invest to save programme designed to deliver a step change in the improvement of services in terms of quality, efficiency and VfM whilst creating the financial capacity to invest further in corporate priorities such as social care.

The long-term costs of capital investment proposals are also considered in detail before a decision to invest is made. The Scheme Selection & Prioritisation (SSP) process requires the submission of detailed capital bids for funding for review by the Capital Strategy Group prior to recommendations being made to councillors. The format of the business case each bidder has to submit is tightly defined and ensures that full consideration is given to the financial case for the proposal. Selected bids are in line with corporate plans. Successful bids included in the approved capital programme are monitored on a bi-monthly basis as part of the Integrated Performance Report. The objectives of each bid are revisited on completion and compared to improvements in service delivery.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

How is value for money being delivered and improved?

5.2 The council manages and improves value for money

What is the purpose of this section of the self-assessment?

This section provides the authority with an opportunity to demonstrate how it manages and improves value for money including its processes for monitoring and reviewing its costs. Local fieldwork will focus on the extent to which the authority identifies and pursues opportunities to reduce costs or improve quality within existing costs. Please provide evidence of outcomes achieved from any processes described.

Completing the self-assessment

Please provide short statements using the pro-forma to address the key line of enquiry and each of the key sub-questions:

- 5.2 How well does the council manage and improve value for money?
- 5.2.1 How does the council monitor and review value for money?
- 5.2.2 How well has the council improved value for money and achieved efficiency gains (limited to the last three years)?
- 5.2.3 Do procurement and other spending decisions take account of full long term costs?

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

KLOE 5.2 How well does the council manage and improve value for money?

Please provide brief details and evidence to support your assessment focusing on:

- how the council manages its costs, while maintaining the quality of services and responding to local needs.

Our baseline position 2005

There is no singular process for reviewing VfM within the Council. Benchmarking is not carried out as a corporate exercise as the focus has historically been on ensuring VfM in individual services through service reviews, inspections and member scrutiny. It is however used as a tool for informing decisions in services where up to date and meaningful data is available. The importance that has been placed on the Annual Forward Looking Efficiency Statement, particularly in terms of the medium term financial strategy for delivering the Corporate Plan, will ensure a more corporate and systematic approach to the efficiency agenda.

Internal efficiency working groups have been set up in the Adult Services and Children's Services Directorates to both deliver and monitor the efficiency agenda. These are advised by the corporate lead on the efficiency agenda. The purpose of these groups is to ensure that the efficiency gains are being realised and that the key corporate themes are being consistently applied within services.

The Council's Performance Management Framework plays a vital role in ensuring VfM across services. There are a number of key features to the framework which:

- Holds senior managers to account for the performance of their services through a process of 'commitments'
- Provides a comprehensive training programme for managers on all aspects of performance management
- Ensures that actual performance of services compared to targets and milestones is reviewed through regular performance monitoring by Chief Executive's Management Team, Directorate Management Teams, Cabinet Members and Scrutiny Committees.

Responsibility for co-ordinating the implementation of the framework rests with the Head of Performance Management, supported by a network of Heads of Service and performance co-ordinators. The two processes that play the most prominent part in driving the Framework are Service Plans and the Council's Staff Review and Development Scheme (SRD). Whereas the Corporate Plan sets out what the Council wants to achieve at a strategic level the Service Plans are the basis for monitoring and managing the performance of the service. All service plans are quality controlled corporately and the revised guidance this year has placed a stronger emphasis on:

- setting measurable targets
- defining resource requirements and
- assessing the needs of residents and service users.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

SRDs ensure that at the individual level staff are aware of the performance requirements for their job and the service. In 2004/05 76% of SRDs were completed across the Council. The Council uses the EFQM Excellence Model, known as the Herefordshire Driver, to provide the overall tool to drive continuous improvement in the organisation. A key aspect of the service planning process is the annual self assessment using the Herefordshire Driver. A full EFQM peer assessment will take place in 2006.

The Use of Resources assessment for the Council currently stands at 4, which in particular reflects the effectiveness of its stewardship role of public money. It is now committed, however, to achieving excellence in financial management and current developments, such as the integrated performance reporting, will help optimise the allocation of resources within the Council.

The Local Public Service Agreements (LPSAs) are another key feature of how the Council, with its partners seek to manage and improve VfM. The Council is very close to signing off its second agreement and in this respect is well ahead of many other authorities. Some key features of the approach taken to LPSAs are:

- all performance reward grant is recycled into new targets for further performance gains
- the success of the Herefordshire Partnership provides for excellent partnership working and this is evidenced by a number of initiatives. The signposting scheme for independent living for older people is a good example as is the joint team set up with DWP (amongst others) to promote benefit take up.

Individual services manage performance in many other ways in addition to the corporate framework. The Council for example belongs to the West Midlands Social Care Information Management Group that considers a range of performance issues, including performance indicators and performance initiatives such as Making it Real.

HOW THE COUNCIL MANAGES ITS COSTS, WHILE MAINTAINING THE QUALITY OF SERVICES AND RESPONDING TO LOCAL NEEDS

Our baseline position in 2005

See 5.2.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Our position in 2006

As explained elsewhere in this VfM self-assessment update, Herefordshire's integrated Improvement Planning Cycle ensures that resources follow priorities over the short and the medium-term

Having set a budget for the year that supports corporate priorities, we closely monitor actual income and expenditure against profiled budgets and take corrective action when required. We routinely produce financial information reports tailored to our budget holders' individual needs promptly following month end. These reports form the basis of the bi-monthly Integrated Performance Reports. We have already reported to Cabinet on budget pressures in 2006/07 that continue for adult social care services outside of the Integrated Performance Report timetable. This report included suggests for accelerating the modernisation programme for the service subject to consultation with service users and other stakeholders.

Managing services within budgets is now a 'non-negotiable' for Directors and Heads of Service that filters down through the organisation via the targets set in every employee's annual Staff Review and Development interview. Each Directorate must deliver an outturn financial position that is within 1% of its annual budget.

Herefordshire has a track record for strong financial management as evidenced by its score in 2005 for the Use of Resources Key Line of Enquiry on this topic. The Council also recognises just how vital excellence in financial management is to achieving sustainable improvement in services and a better quality of life for the people of Herefordshire. This is why we have created additional capacity within our strategic financial management function to develop Herefordshire's first ever MTFMS that explains simply the likely financial context within which the Council will have to operate and its approach to strategic financial management.

The heightened importance that Herefordshire places on sound financial management is also demonstrated by the fact that s151 Officer responsibilities now lie at the top of the officer organisation – at Corporate Management Board level.

We continually challenge costs and performance in a number of ways:

- We challenge costs through our annual budget setting process that is now fully integrated with our corporate and service planning processes.
- Whenever there is staff turnover the opportunity is taken to review the provision of that services. This includes not replacing the member of staff, reallocating duties or changing the way the service is provided.
- Service managers can transfer certain amounts and types of budget between items and between financial years allowing them flexibility to react to external changes and improve VfM and delivery of services.
- Our annual service plans set out the changes that will be made in the coming year to achieve improved performance within budgetary constraints.
- We belong to a range of service specific benchmarking clubs e.g. internal audit services.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

5.2.1 How does the council monitor and review value for money?

Please provide brief details and evidence to support your assessment:

- current processes for monitoring and reviewing costs, including:
 - consideration of value for money in the annual budget process;
 - internal reviews (including Best Value reviews); and
 - cost indicators.

CURRENT PROCESSES FOR MONITORING AND REVIEWING COSTS

Our baseline position in 2005

The review of the Council's BVPIs is integral to the Performance Management Framework. The new corporate performance reporting arrangements makes the link between expenditure in services and their performance and gives both members and senior management an overall picture of VfM across the Council.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Our position in 2006

The new Director of Resources post has responsibility for providing the corporate lead on the efficiency review and VfM agenda. As a member of the Corporate Management Board, the Director of Resources is well placed to champion efficiency and VfM review.

Our strategy for securing efficiency gains is to seek continual improvement in the productivity of all our resources – people, land & property, ICT and cash. To us this means getting more from the same amount of resource or achieving the same results with less and targeting the capacity released at our highest priorities. Our strategy is not to cut services but to keep improving those that matter most to our community.

We use the following mechanisms for identifying and delivering efficiency gains:

- the MTFMS and MTFRM supports our corporate priorities and included ongoing efficiency savings that will be delivered through the business transformation programme;
- whenever there is staff turnover the opportunity is taken to review the provision of that service – this may include not replacing the member of staff, reallocating the duties or changing the way the service is provided;
- service managers can transfer certain amounts and types of budget between items giving them flexibility to react to external changes and improve the delivery of services to their customers;
- our annual Directorate plans set out the service changes that will be made in the coming year to achieve improved performance within budgetary constraints;
- task and finish scrutiny teams carry out best value style review on service areas that the Council wishes to develop; this approach ensures that providing Value for Money is an integral part of every service review;
- proposals to add expenditure to the based budget – revenue or capital – are management through an annual scheme selection and prioritisation process designed to ensure we invest our resources effectively in our highest priorities.

Herefordshire has a good track record for delivering on its 2.5% overall Gershon efficiency gains target as can be evidenced in its Annual Efficiency Statements. Assessment of the current policy and financial landscape at national level suggests that the current efficiency gain targets are likely to get more challenging in the near future. We think this will be coupled by an increased focus on procurement activities. As a result, Herefordshire will shortly be appointing to a new post of Procurement & Efficiency Review Manager. This post will be located in the Resources Directorate and will have a key role to play in embedding corporate procurement policies across the Council. The post holder will also be working alongside the Herefordshire Connects programme, supporting the procurement elements of the integrated back office work stream. The final aspect of this person's job will be in developing simple systems for reviewing and reporting on the Gershon efficiency agenda.

Bi-monthly Integrated Performance Reports are produced that combine the Council's performance, budget and risk management monitoring in one document. The budget monitoring is at a relatively high level for Cabinet reporting although at officer level a significant amount of activity takes place, particularly in high-pressure areas. Within the Adult and Community Services Directorate for example there are separate budget clinics for Strategic Housing, Older People Services, Learning Disabilities and Mental Health Services. Finance and service staff meet on a monthly basis with the primary objective of monitoring and reviewing costs.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Herefordshire is committed to routinely using VfM information and benchmarking data to review and challenge VfM throughout services and corporately, supporting continuous service improvement and the drive for efficiencies. This is an integral component of the new Performance Improvement Cycle.

We support the drive for VfM through the following mechanisms:

- ensuring service managers deliver the outputs and outcomes agreed for their service area within budget – managing within budget is a key responsibility for all budget holders embedded in our staff review and development procedures;
- establishing the corporate Procurement & Efficiency Review Manager post described above;
- integrating corporate, service and financial planning processes;
- planning over the medium-term as well as the short-term;
- developing our routine financial performance monitoring reports for Cabinet to include VfM reviews;
- benchmarking our costs and activities with other authorities;
- through internal and external audit reviews; and
- through scrutiny reviews.

VfM is a key element of the annual budget process and the ongoing reporting of budget, service and efficiency performance through the year all feed into decisions whether resources need to be removed from, or invested in services. Services that are not considered to be operating efficiently will not have additional investment for performance improvement or to address budget deficits until they can prove otherwise. The timetable for the Performance Improvement Cycle 2006/07 includes numerous opportunities for executive, scrutiny and 'backbench' members to assess service VfM as budget proposals are prepared for Council to approve in March 2007.

The Council does not undertake formal Best Value reviews anymore although it does conduct scrutiny reviews in key strategic areas. There is currently a major member review being undertaken on ICT provision and the outcomes of this review will have an impact on how this important corporate support service is configured and provided in the future.

The new Performance Improvement Cycle for 2006/07 is further seeking to integrate performance and budget planning by linking, at all stages of planning and performance management, the allocation of resources with the delivery of the Council's priorities in terms of measurable outputs and outcomes. This will enable informed choices to be made about the trade offs between levels of investment in different services.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

5.2.2 How well has the council improved value for money and achieved efficiency gains over the last three years?

Please provide brief details and evidence to support your assessment. Please append your backward looking Efficiency Statement covering 2005/06:

- council targets for value for money and efficiency gains; and the achievement of efficiency gains.

Our baseline position in 2005

The financial year 2005/06 is the first year where the Council has taken a root and branch view of budget efficiencies. This was not initially driven by the Gershon review but by the need to keep Council Tax increases within manageable boundaries for the county's residents. The Gershon review has provided a structure and focus for the efficiency agenda as set out in the two efficiency statements produced this year. The Council has taken a strategic view over the last three years on how it provides its major services. The first major change was the transfer of its council houses to Herefordshire Housing in order to sustain the long term investment in the county's housing stock. The strategic housing function maintained within the authority has consistently received outstanding inspection scores. The next major service change was the joint partnership of the traditional CCT services with Jarvis Plc. This immediately realised efficiency gains of £0.7m in the service areas, which have been supported by BVPI performance increases in such areas as street and highway cleanliness and roads maintenance. A recent VfM assessment has been made of the partnership and this has highlighted:

- The establishment of the Joined up Programme for Highways and Property Schemes has developed a planned programme of works, enabling better resource management for the contractor and better time and cost predictability for the Council
- A full 12-month cycle of accurate data collection will allow proper whole life costings exercises to be carried out. This will result in long-term savings; less road closures; reduced third party claims and better public perception of highways.
- Third party claims have already reduced by 46% from 2003/04 to 2004/05.
- More effective emergency response. The flood response during the 2003/04 winter was acknowledged by emergency planning officers to be the most effective in the country.

The financial problems Jarvis Plc have had has recently resulted in negotiations for the transfer of Herefordshire Jarvis Services to Accord, however, these service improvements developed over the last two years will be consolidated with the new arrangements. The transfer of residential homes to Shaw Homes has and will continue to provide long term efficiencies of scale in the key strategic objective of providing cost effective and high quality care for those older persons not capable of living in their old homes. The ongoing negotiations with Worcestershire County Council to vary the existing joint waste management contract because of changes in technology and Government legislation should soon result in some very real efficiency gains in waste disposal, including maximising the financial benefits of the LATS arrangements and meeting the government's recycling targets. The common feature of these two areas of service is that they are very much demand led and hence the Council's approach to procurement is vital in minimising future financial liabilities. Strategic reviews have taken place in the last few years reviewing both property and office accommodation with the objective of both optimising the financial and operational efficiency of the Council's asset base. These have resulted in gradual rationalisation to a central and single administration site at Hereford and a number of property disposals. In 2004/05 capital receipts of well over £2.5m were realised for current and future capital investment.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

COUNCIL TARGETS FOR VALUE FOR MONEY AND EFFICIENCY GAINS

Our baseline position in 2005

The Backward Looking Efficiency Statement sets out the efficiency gains that have been achieved in 2004/05. A major constraint in producing this statement was the absence of a formal corporate exercise in identifying efficiencies as part of the 2004/05 budget setting process. The Forward Looking Statement was able to incorporate the significant amount of work that went into producing a balanced budget for 2005/06 given the funding constraints. Over 80% of the efficiency gains identified are cash releasing and these are an essential contribution to delivering the Corporate Plan.

Our position in 2006

Given our pessimistic view of funding for local government funding over the period covered by CSR07, and the fact that the government has already moved to increase efficiency targets for some of its own departments, our plans are geared to delivering a significantly higher level of efficiency gain.

Our aim is to demonstrate if required cumulative cashable efficiency savings over the 4-year period covered by the MTFRM of £11.55m – that's 1.25% of the current baseline for the first year and 2.5% of the current baseline for the following 3 years. We will be able to achieve this through the Herefordshire Connects programme. It will deliver at least £11.75m of cashable efficiency gains in that 4-year period based on outline financial appraisal approved by Cabinet in April 2006.

Herefordshire was judged to be offering Council Tax payers good value for money in the 2005 Use of Resource assessment scoring 3 out of 4 on the Value for Money Key Line of Enquiry. Our ambition is to improve the quality of our Value for Money self-assessment through this and subsequent updates.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

THE ACHIEVEMENT OF EFFICIENCY GAINS

Our baseline position in 2005

The Backward Look Annual Efficiency Statement sets out the efficiency gains that have been achieved in 2004/05. A major constraint in producing this statement was the absence of a formal corporate exercise in identifying efficiencies as part of the 2004/05 budget setting process. The Forward looking Annual Efficiency Statement was able to incorporate the significant amount of work that went into producing a balanced budget for 2005/06 given the funding constraints. Over 80% of the efficiency gains identified are cash releasing and these are an essential contribution to delivering the Corporate Plan.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Our position in 2006	Reference
<p>Some examples of efficiency gains and improving VfM are as follows:</p> <p>Adult & Community Services</p> <ul style="list-style-type: none">• A restructure in Cultural Services bringing the visitor and learning services together resulting in improved performance and value for money.• Combining the Organisational Support elements of Community and Adult Services enabling efficiencies in shared services to be driven out.• The merger of Countryside and Public Rights of Way enabling joint procurement of services at reduced overall cost. <p>Corporate & Customer Services & HR</p> <ul style="list-style-type: none">• Bringing survey work in house and having an annual satisfaction survey instead of triennial externally commissioned report. This enables the Council to have a more frequently presented picture of satisfaction ratings. Other survey improvements include having just one set of age, gender and sexual orientation categories across the Council making survey work comparable.• The establishment of an annual performance improvement cycle enables close link use of resources to plans and priorities. Allied to this is the creation of a network of performance staff in directorates and standard format agendas developed for meetings enabling clearer focus on decisions to achieve outcomes and lead to improvements.• Herefordshire Partnership currently are undertaking work on community consultation to lead all consultation co-ordinated across the Council, making it effective and joined up.• There is significant work going on to restructure communications, in terms of staffing and how it is delivered corporately, to make it more efficient and effective. A major restructure of legal and democratic services is underway.• Work on INFO in Herefordshire is on going with more services being integrated. The Info by phone centre is planned for October 2006 and enabling back office staff to concentrate on their area of specialism.• Centralised Recruitment Team set up to streamline the recruitment and selection process. <p>Environment</p> <ul style="list-style-type: none">• A major restructure of the Highways and Transportation Service to reduce management overheads through more efficient client-side arrangements.• Best Value cost efficiency rebate of 1% for works on Highways Maintenance through HJS Service Delivery Partnership (£95k in 2005/06). <p>Efficiency gains in excess of the minimum level were planned for 2005/06. The draft Backward Looking Annual Efficiency Statement for 2005/06 submitted on 6th July 2006 showed the cash efficiency savings reported in the interim statement as being at the level expected forecast.</p>	<p>9</p>

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

5.2.3 Do procurement and other spending decisions take account of full long-term costs?

Please provide brief details and evidence to support your assessment:

- how Value for Money is built into the council's procurement practice;
- the extent to which a 'whole life' approach is taken to spending and procurement decisions;
- identifiable savings achieved through procurement; and
- use of external funding to deliver council priorities.

Baseline position in 2005

Sustainability is an important factor in all business cases put forward for corporate approval. The Scheme Selection and Prioritisation process for submitted capital schemes requires the identification of ongoing revenue costs as well as the estimate life cycle of the asset. This is important to not only ensure that services identify current budget provision but also to ensure that in the long term there is a sustainable capital programme as the Council gradually moves towards full depreciation accounting. This already takes place with those schemes funded through prudential borrowing.

Formal project management has also been adopted through the Performance Management Framework and this requires all major projects, either of a capital or revenue nature to be subject to Prince II project planning requirements. The business case element of this process ensures that all ongoing costs associated with the project have been fully assessed by the project sponsor and a corporate list of such projects is maintained. The corporate Information Policy Group assesses and recommends for approval all ICT related projects and challenges those that do not have a thorough and robust business case and assessment of long term costs.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

HOW VALUE FOR MONEY IS BUILT INTO THE COUNCIL'S PROCUREMENT PRACTICE

Our baseline position in 2005

The Council's Procurement Strategy focuses on how VfM is integrated into procurement across the organisation. VfM is obviously the core feature of the strategy and to a large extent it formalises the best practice that has taken place in the Council. This includes

- using a central supplies agency, West Mercia Supplies, for the majority of consumables, this developed an income stream of £150k to the Council in 2004/05;
- central purchasing of all ICT equipment;
- continuing the development of partnerships and consortia as appropriate with a view to achieving economies of scale.

Recognise the benefits of leveraging existing contracts and relationships to deliver best value.

Our position in 2006

The Herefordshire Connects programme is an integrated programme of change across the Council structure around 3 key work streams:

- **Integrated Customer Services** – a simple, multi-channel way of interacting with citizens using an electronic records and document management system to ensure that the right information is immediately available;
- **Integrated Support Services** – an integrated capability covering finance, procurement, HR and asset management; ensuring data is only entered into the system once and the timely availability of accurate information; and
- **Corporate Performance Management** – a cross-Council corporate performance management framework linking the planning of budgets, other resources and activities to the achievement of specified outputs and outcomes including performance indicators for different levels of the authority.

The integrated support services work stream includes procurement and much work was done as part of the corporate strategy review leading to the development of the Herefordshire Connects programme to identify potential areas for efficiency gains. This, coupled with our commitment to implement external audit recommendations on procurement by March 2007, has led us to fast-track the development of the Procurement & Efficiency Review Manager post. Recruitment and selection processes are under way and it is hoped we will have someone in post by the end of September 2006. Interim support is being sought in the meantime.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

THE EXTENT TO WHICH A 'WHOLE LIFE' APPROACH IS TAKEN TO SPENDING AND PROCUREMENT DECISIONS	
Our baseline position in 2005 Whole life costing is fundamental to all investment appraisals and business cases put forward for spending and procurement decisions, These are ingrained within the project planning and Scheme Selection & Prioritisation (SSP) processes.	
Our position in 2006 An additional corporate financial management objective within our MTFMS will be to underpin current practices by stating that there will be a requirement to consider the whole life cost of projects. There are a number of examples in the SSP of whole life costings that were included in the capital programme for 2006/07. One particularly good example being the development of the museum and resource centre at Friar Street. These have been factored in to the budget planning for heritage services with ongoing revenue costs of £73k from 2008/09 onwards. From a strategic perspective the Cabinet report on the Herefordshire Connects set out the outline revenue and capital costs over 6 years. These included both the capital and revenue implications over this period. A more detailed sensitivity analysis will be carried out as the programme develops, however the outline business case demonstrates that the cashable benefits are realistic and potentially on the low side when compared to benchmark data.	Reference 10

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

IDENTIFIABLE SAVINGS ACHIEVED THROUGH PROCUREMENT

Our baseline position in 2005

A particular emphasis within the Forward looking Annual Efficiency Statement (FLAES) is the identification of savings made through procurement. Procurement has also been made a key feature of the new Resources Directorate and the new Procurement Strategy has recently been adopted by Cabinet.

Our position in 2006

The Council continually investigates ways of reducing its cost base and recent examples of how it is doing this are:

- A corporate approach to temporary staffing to reduce cost and the number of individual suppliers.
- A procurement review of the Integrated Community Equipment Store for Social care services.
- New contract for advertising employment opportunities with the Council saving £88k in a full year.
- New water cooler contract to engaging one supplier in order to reduce the number of individual procurement transactions.
- Improved routing and scheduling of school and social care transport through procurement of new Trapeze system.
- Better procurement and commissioning of social care packages through optimising use of block contracting for domiciliary care.
- Better procurement of library materials.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

USE OF EXTERNAL FUNDING TO DELIVER COUNCIL PRIORITIES

Our baseline position in 2005

The Council has been particularly successful at leveraging in external funding and since its inception has attracted over £52m, largely through European structural funds, the Government's Strategic Regeneration Budget, Advantage West Midlands, the National Lottery and the private sector. Much of this has been focussed on the areas of comparatively high deprivation in the county such as South Wye and this will be sustained into the future through the Local Area Agreement which will be negotiated during the next year. Further EC funding will be sought in addition to matched funding from Advantage West Midlands for some key strategic economic development initiatives such as the Rotherwas Access Road and the Edgar Street Grid. In respect to the latter project a significant grant has already been secured from Advantage West Midlands to purchase a trading estate.

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Our position in 2006

External funding provides another opportunity to increase financial capacity. In our MTFMS, we state that we will actively pursue such opportunities, including Public Finance Initiative (PFI) funding, providing that:

- match funding requirements are considered in advance;
- they support corporate priorities;
- they do not conflict or distract from corporate priorities;
- they have no ongoing commitment that cannot be met by base budget savings; and
- they do not put undue pressure on existing resources.

The Council has responded positively and innovatively to the financial challenges it has faced over the years resulting in a mixed economy of service provision including several strategic partners to improve efficiency, Value for Money or lever in external funding.

Our newest strategic partnership is with ESG (Herefordshire) Limited, a joint venture to redevelop the Edgar Street Grid area of Hereford with a view to promoting sustainable economic and social well being in that area of the city. With the recent disappointing news that Local Transport Plan funding for the Rotherwas Relief Road would not be forthcoming from the government, we are investigating the prospect of a joint venture arrangement with Advantage West Midlands (AWM) to lever in external funding for regeneration of the Rotherwas industrial estate area. Significant matched funding has already been received from AWM to support the Edgar Street joint venture and further funding will be sought to begin the large scale regeneration of the area initially through the purchase of options..

We have recently been awarded £25m capital grant under the government's Building Schools for the Future programme. We are currently assessing the grant conditions attached to this funding in line with our strategy set out above and, if acceptable, will determine which secondary school has highest priority for investment.

We have recently submitted a bid for match funding of £200k to assist in improving energy efficiency of our buildings through the SALIX programme.

Restructuring proposals for Asset Management & Property Services will include proposals for a more co-ordinated and pro-active approach to planning gain from developers. An example of where this source of external funding has recently been used to good effect is in connection with Aylestone Park where s106 contributions will provide sports pitches that will generate hire income to help pay for annual running costs.

The Council has been very successful, together with its partners in securing external funding for lifelong learning, drugs and safety partnership. This success has minimised the impact on the Council Tax payer and has funded some very important local priorities. The targets within the second Local Public Service Agreement further increase investment in these areas.

Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Context

Please provide any other information you feel is relevant.	
Comments	Reference

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Reference to Evidence Source

Reference	Description
1	Herefordshire's Corporate Plan 2006 – 2009
2	Herefordshire's Draft Medium-Term Financial Management Strategy 2007 – 2010
3	Report to Cabinet on Herefordshire Connects dated 20 th April, 2006
4	Report to Cabinet on Integrated Performance Report for 2005/06 dated 29 th June 2006
5	Report to Cabinet on Homelessness Update dated 13 th July 2006
6	Report to Cabinet on Progress on Improvement Following the Joint Area Review dated 13 th July 2006
7	Report to Cabinet on Social Care Budget dated 29 th June 2006
8	CMB Report on Performance Improvement Cycle 2006/07 dated 11 th July 2006
9	Backward Look Annual Efficiency Statement 2005/06
10	Detailed SSP Bids for 2006/07

HEREFORDSHIRE COUNCIL

Use of Resources Value for Money Self-Assessment - Update 2006

Authorities used for the Comparison group Nearest Neighbours within the VFM profiles tool are as follows:

- Bath and North East Somerset Council
- Borough of Poole
- Calderdale Metropolitan Borough Council
- City of York Council
- Darlington Borough Council
- East Riding of Yorkshire Council
- Isle of Wight Council
- North Lincolnshire Council
- North Somerset Council
- Rutland County Council
- Solihull Metropolitan Borough Council
- South Gloucestershire Council
- Stockport Metropolitan Borough Council
- Warrington Borough Council
- West Berkshire Council