

COUNCIL
13 JULY 2017**REPORT OF CABINET - SUMMARY OF DECISIONS TAKEN**

Connecting Worcestershire Phase 3 Broadband Programme

1. A third phase of provision of superfast broadband services has been made possible through the Council's funding applications and request to Broadband Delivery UK (BDUK). This provides the Council with the opportunity to procure and appoint a supplier to extend services into areas without access to 24Mbps as a result of commercial deployment or our existing plans. The Cabinet has granted delegated authority to the Director of Economy and Infrastructure, in consultation with the Cabinet Member with Responsibility for Economy and Infrastructure, to undertake evaluation of tenders for the Phase 3 Broadband contract and, subject to being satisfied as to value for money and fully securing external public funding, to (i) finalise and execute that contract, and (ii) to approve future potential change controls to ensure pace is maintained from contract award in Summer 2017 until the end of the contract.
2. Due to Phase 1 efficiencies, at least £3.8m of the public sector funding contribution remains unspent and can therefore be classed as 'underspend'. Approximately 35% of this underspend, if not spent on extending fibre coverage, will need to be returned to BDUK in accordance with grant conditions. It is anticipated that at least £500k of this underspend will need to be allocated to committed resources. Reinvestment of the underspend funds and up to £4m of Worcestershire County Council's proportion of any further claw-back generated from Phase 1 and Phase 2, if it becomes available, would allow further investment into superfast broadband to further increase coverage to areas of the county that are not anticipated to receive superfast speeds from existing phases or the proposed solution of Phase 3.
3. On consideration of the Options and the finalisation of the Phase 3 contract, Option 3 is recommended as this allows for a considered approach to reinvestment, subject to Value for Money and community needs across existing broadband contracts and the proposed 'Phase 3' contract to extend superfast broadband coverage across Worcestershire, in areas not expected to benefit from Phase 1, Phase 2 or Phase 3 plans.
4. The Cabinet has authorised the Director of Economy and Infrastructure, in consultation with the Cabinet Member with Responsibility for Economy and Infrastructure, when the solution to Phase 3 is known, to reinvest the remaining underspend from the previously allocated £8.5m County Council capital funding and up to £4m of Worcestershire County Council's proportion of further claw-back from Phase 1 and Phase 2, if it becomes available, in accordance with Option 3 in the report; also to agree to entering required discussions with other public funding bodies with regard to their proportion of claw-back.

5. Cabinet has authorised the Director of Economy and Infrastructure to take all necessary actions to progress the Broadband Programme.

Resources Report

6. The County Council has successfully managed a financial challenge for 2016/17 by delivering £27.4 million of savings and reforms whilst at the same time managing additional cost pressures with the most significant being £3.2 million across Adult Social Care Older People and Learning Disability Services which has been supported by the flexible use of grants, and £1.2 million Children's Special Education Needs and Disability (SEND) Transport due to additional demand and changes to eligibility criteria set by Central Government. Around £6.5 million of the savings and reform plans for 2016/17 will be carried forward to 2017/18 to reflect activities that are forecast to be delivered at a later stage.

7. The Open for Business fund is now fully allocated in line with the Cabinet Member delegation of 2013, with £2.1 million already spent or committed. The remaining funds are allocated to support the County Council's European Regional Development Fund (ERDF) programmes which is the umbrella name for our business start-up and growth programmes, these are scheduled to run until 2018/19 and have just started delivery.

8. There are existing plans (subject to detailed consultation where appropriate) to deliver £37 million of savings, with £21.3 million savings in 2017/18, £12.7 million in 2018/19 and a further £3.2 million in later years. Around half of these planned savings are currently assessed to have some risk around their delivery and are subject to robust project management and support to ensure they remain on track and deliverable to time and financial target. Based on the MTFP approved in February 2017, there still remains a need to establish further proposals to balance the budget of nearly £60 million over the period to 2020/21.

9. Councils will receive as part of the Improved Better Care Fund an additional and one-off £2 billion over the next three years for adult social care, with £1 billion of this to be provided in 2017/18. The County Council's allocation of the additional monies is as follows: 2017/18 - £10.1 million, 2018/19 - £6.8 million, and 2019/20 - £3.4 million. The additional funding is one off to be spent on adult social care and used for the purposes of meeting adult social care needs, supporting reducing pressures on the NHS and stabilising the social care provider market.

10. The County Council spent £132.1 million on Capital Expenditure in 2016/17 which included £15.0 million spent on school projects, £65.1 million on local transport infrastructure, £47.4 million Energy from Waste Loan Facility and £4.6 million on other County Council services. The major sources of capital financing were external borrowing £63.8 million, capital grants and contributions £60.7 million, capital receipts £2.4 million and direct revenue contributions £5.2 million.

11. For 2016/17 the Worcestershire County Council Pension Fund had an operating surplus of £34.4 million compared to a surplus of £38.6 million for 2015/16. The Worcestershire County Council Pension Fund's net assets have increased by £530 million to £2.481 billion at the end of 2016/17. The Pension Fund's Actuary has calculated that the Council's liabilities exceed its share of the assets by £446 million at 31 March 2017.

12. The overall reduction in reserves in 2016/17 reflects planning assumptions to support increases and changes in demand for services ahead of revenue streams coming online in 2017/18 or in support of transformation projects to deliver better outcomes and value for money within the future resources that the County Council has available. The Cabinet approved the addition to specific earmarked reserves of £0.5 million Transformation Fund Spend to Save Initiatives. General balances following the financial outturn for the 2016/17 financial year stood at £12m.

13. The County Council has been working in partnership with Hartlebury Castle Preservation Trust to secure the future of Hartlebury Castle. This partnership has secured £5 million in investment from the Heritage Lottery Fund as well as other external funding from a range of charitable trusts and foundations. The retention policies of the Heritage Lottery Fund mean that the final grant payment will be made at the end of the project when the final grant claim and associated reports are signed off. This results in a negative cash flow position for the Trust for approximately 18 months of the project until completion, currently forecast to be July 2020. Following a request to the County Council for assistance to address this problem and the necessary financial due diligence, it is proposed that the County Council re-profile contributions to bridge the gap of up to £250,000, to operate from October 2018 until the conclusion of the project, with payments from the County Council to be made on a quarterly basis recovered through an appropriate interest bearing loan.

14. In accordance with Financial Regulations and the County Council's Treasury Management Policy Statement, the Chief Financial Officer is required to report annually on the activities of the Treasury Management operation. The Cabinet has noted this report.

Mr S E Geraghty
Chairman

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Background Papers

In the opinion of the proper officer (in this case the Head of Legal and Democratic Services) the following are the background papers relating to the subject matter of this report:

Agenda and background papers for the meetings of the Cabinet held on 29 June 2017.