

DISCLOSING INTERESTS

There are now 2 types of interests:
'Disclosable pecuniary interests' and **'other disclosable interests'**

WHAT IS A 'DISCLOSABLE PECUNIARY INTEREST' (DPI)?

- Any **employment**, office, trade or vocation carried on for profit or gain
- **Sponsorship** by a 3rd party of your member or election expenses
- Any **contract** for goods, services or works between the Council and you, a firm where you are a partner/director, or company in which you hold shares
- Interests in **land** in Worcestershire (including licence to occupy for a month or longer)
- **Shares** etc (with either a total nominal value above £25,000 or 1% of the total issued share capital) in companies with a place of business or land in Worcestershire.

NB Your DPIs include the interests of your spouse/partner as well as you

WHAT MUST I DO WITH A DPI?

- **Register** it within 28 days and
- **Declare** it where you have a DPI in a matter at a particular meeting
 - you must **not participate** and you **must withdraw**.

NB It is a criminal offence to participate in matters in which you have a DPI

WHAT ABOUT 'OTHER DISCLOSABLE INTERESTS'?

- No need to register them but
- You must **declare** them at a particular meeting where:
You/your family/person or body with whom you are associated have a **pecuniary interest** in or **close connection** with the matter under discussion.

WHAT ABOUT MEMBERSHIP OF ANOTHER AUTHORITY OR PUBLIC BODY?

You will not normally even need to declare this as an interest. The only exception is where the conflict of interest is so significant it is seen as likely to prejudice your judgement of the public interest.

DO I HAVE TO WITHDRAW IF I HAVE A DISCLOSABLE INTEREST WHICH ISN'T A DPI?

Not normally. You must withdraw only if it:

- affects your **pecuniary interests OR** relates to a **planning or regulatory** matter
- **AND** it is seen as likely to **prejudice your judgement** of the public interest.

DON'T FORGET

- If you have a disclosable interest at a meeting you must **disclose both its existence and nature** – 'as noted/recorded' is insufficient
- **Declarations must relate to specific business** on the agenda
 - General scattergun declarations are not needed and achieve little
- Breaches of most of the **DPI provisions** are now **criminal offences** which may be referred to the police which can on conviction by a court lead to fines up to £5,000 and disqualification up to 5 years
- Formal **dispensation** in respect of interests can be sought in appropriate cases.

Cabinet

**Thursday, 29 September 2016, 10.00 am, County Hall,
Worcester**

Membership: Mr S E Geraghty (Chairman), Mr M L Bayliss, Mr A N Blagg,
Mrs S L Blagg, Mr M J Hart, Mrs L C Hodgson, Dr K A Pollock,
Mr A C Roberts and Mr J H Smith

Agenda

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1	Apologies and Declarations of Interest	
2	Public Participation Members of the public wishing to take part should notify the Head of Legal and Democratic Services in writing or by e-mail indicating both the nature and content of their proposed participation no later than 9.00am on the working day before the meeting (in this case Wednesday 28 September). Further details are available on the Council's website. Enquiries can also be made through the telephone number/e-mail address listed below.	
3	Confirmation of the Minutes of the previous meeting The Minutes of the meeting of 21 July 2016 have been previously circulated	
4	West Midlands Rail Devolution	1 - 6
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7	Acquisition of Wildwood Office, Worcester	17 - 28

NOTES

- Webcasting**

Members of the Cabinet are reminded that meetings of the Cabinet are Webcast on the Internet and will be stored electronically and accessible through the Council's Website. Members of the public are informed that if they attend this meeting their images and speech may be captured by the recording equipment used for the Webcast and may also be stored electronically and accessible through the Council's Website.

Agenda produced and published by Simon Mallinson, Head of Legal and Democratic Services, County Hall, Spetchley Road, Worcester WR5 2NP

To obtain further information or a copy of this agenda contact Nichola Garner, Committee & Appellate Officer on Worcester (01905) 766626 or Kidderminster (01562) 822511 (Ext 6626) or minicom: Worcester (01905) 766399 email: ngarner2@worcestershire.gov.uk

All the above reports and supporting information can be accessed via the Council's website.

Date of Issue: Tuesday, 20 September 2016

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CABINET
29 SEPTEMBER 2016**WEST MIDLANDS RAIL DEVOLUTION**

Relevant Cabinet Members

Dr K A Pollock and Mr A N Blagg

Relevant Officers

Director of Commercial & Change
Director of Economy & Infrastructure

Recommendation**1. The Cabinet Member with Responsibility for Economy, Skills & Infrastructure recommends that Cabinet:**

- (a) notes the implications for Worcestershire County Council of West Midlands Rail entering a Partnership Agreement with the Department for Transport; and**
- (b) agrees that West Midlands Rail should enter a Partnership Agreement with the Department for Transport and delegates to the Director of Economy & Infrastructure in consultation with the Director of Commercial & Change authority to finalise the details of the Partnership Agreement.**

Background

2 The purpose of this report is to approve the proposed governance arrangements for the development and oversight of the West Midlands Rail franchise through West Midlands Rail Limited and the appointment of directors to the Board of West Midlands Rail Limited.

3 West Midlands Rail partner authorities have been developing a proposal for increasing local involvement and influence over the local rail services for approximately two and a half years, in line with Government policy on devolution and evidenced by the benefits experienced elsewhere (e.g. Merseyside) from local control of rail services. Having a targeted, locally accountable rail services contract with proper incentives on the operator, West Midlands Rail will be able to specify and manage rail services more effectively than the current national arrangements. The benefits of this include:

- Stimulating economic growth through targeting local and national rail investment and specifying a rail service that is responsive to local needs, supporting the Council's 'Open for Business' agenda
- Creating a more efficient railway that is better value for the taxpayer, driving patronage growth and reducing the subsidy burden
- Actively managing the contract and holding the operator to account for delivery
- Seeking to operate railway stations in an innovative way.

4 West Midlands Rail has set out its goals and objectives for rail devolution – known as the "5Cs" to gain greater influence and control over the rail network. These are Capacity, Clarity, Connectivity, Cost effective, and Customer focus. West Midlands Rail is seeking to use the "5Cs" to achieve the following strategic outcomes from rail devolution for the West Midlands:

- Better for the Economy: To deliver rail services that provide the connectivity and capacity to drive economic growth following the 'Open for Business' approach, meeting current and future market needs and supporting future rail and wider investment programmes, for example High Speed Two
- Better for Passengers: To deliver an affordable and easy-to-use local rail network that delivers distinctive, high-quality rail services and stations that meet the needs of current and future passengers
- Better for Taxpayers: To use a local management focus to drive better value for money for taxpayers, with effective mechanisms in place that encourage innovation and efficiency in the delivery of services, with benefits being reinvested back into the network
- Better for the Region: To create a structure for the delivery of rail services that is truly focused on the needs of the West Midlands, promotes partnership working across all authorities with strong local accountability and allows the benefits of rail to be spread across the whole region. This supports the Midlands Connect work and strengthens links to and from both the region and Worcestershire's economy
- Better for the Environment: To ensure that rail can fully play its part in supporting low carbon and other environmental objectives within the West Midlands.

5 In the build up to the start of the new West Midlands franchise in October 2017, the County Council and West Midlands Rail are seeking an operator that is capable of delivering better services, better stations, caters for growth, is easy to use, delivers a high quality network and is well managed.

6 In November 2015 the Cabinet, (a) noted the potential advantages to Worcestershire of joining a consortium of local authorities to influence the West Midlands Rail franchise, (b) approved the proposed governance arrangements for the development and oversight of West Midlands Rail Limited, (c) approved Worcestershire County Council joining West Midlands Rail, (d) approved the appointment of the relevant Cabinet members as Directors on the board of West Midlands Rail, and (e) authorised the Head of Legal and Democratic Services to agree and enter into or execute such documents as are necessary to give effect to these decisions.

7 The Cabinet also noted at its meeting that it was intended that West Midlands Rail Limited would in due course enter into a formal partnership agreement with the Department for Transport. The Partnership Agreement will set out the rights and obligations of West Midlands Rail Limited in relation to the award of the new West Midlands Rail franchise and related matters and that Partnership Agreement will require approval by a 75% vote of West Midlands Rail Limited's members and will be the subject of a further report to the Cabinet.

8 The draft Partnership Agreement will be discussed at the next West Midlands Rail Directors meeting and is included as the Appendix to this report. It is entitled "*Collaboration Agreement relating to devolution of rail responsibilities in the West Midlands*".

9 West Midlands Rail and the Department for Transport are now in a position to enter into the Partnership Agreement and this report provides Cabinet members with the information required to allow a decision to be made on whether or not to continue to support West Midlands Rail and to authorise the Partnership Agreement. In practise the County Council's representative West Midlands Rail Director would vote in favour of this at the next meeting of the Directors of West Midlands Rail. Following the changes to the Cabinet earlier this year the representative West Midlands Rail Director is now Dr Pollock.

Summary

10 The partnership will have two distinct phases of development. Phase 1 will cover the initial period up to the commencement of the new West Midlands rail franchise in 2017, during which West Midlands Rail Limited and the Department for Transport will work together on the franchise design and procurement processes, although the Secretary of State for Transport will retain responsibility for letting the franchise.

11 Phase 2 will cover the period commencing from the first anniversary of the start date of the 2017 West Midlands Rail franchise and expiring at the end of the 2017 West Midlands Rail franchise.

12 During phase 2 West Midlands Rail is able to present a business case to the Secretary of State for further devolution of responsibility for the West Midlands passenger services and station services by no later than 1 January 2022. This opportunity has been discussed at meetings of the Directors of West Midlands Rail but no commitment has been made.

13 The purpose of the Partnership Agreement is to facilitate devolution of rail services in the West Midlands from the Department for Transport to West Midlands Rail, in order to secure services and secure environmental and economic benefits for the region. The two parties are to establish a Strategic Board featuring Directors from West Midlands Rail to collaborate with a view to increasing rail devolution within the West Midlands Rail area and to seek to achieve the joint objectives for the 2017 West Midlands Rail franchise. These objectives were set out in the public consultation document for the "West Midlands Rail Franchise" published by the two parties in December 2015 and can be read on the West Midlands Rail website. The link to the website is: <http://www.westmidlandsrail.com/>

14 If phase 2 (further devolution of rail services beyond the end of the initial rail franchise) proceeds, the Partnership Agreement provides the template for the future funding and management of rail services in the West Midlands Rail franchise. In particular, the Strategic Board will progress the devolution objectives. The Partnership Agreement also sets out how West Midlands Rail is able to implement increments to the rail network such as improved services in Worcestershire once the new franchise is in place.

15 All local authorities were encouraged to respond to the consultation, with public events held at various locations throughout the county. There have been ad-hoc meetings as required during the past two years with officers of the district councils and there has been general support voiced in favour of the desired outcomes and the direction of travel.

West Midlands Rail progress

16 Officers from the County Council have been playing a full role in the on-going development of the proposals for the West Midlands Rail franchise since the Cabinet agreed to join West Midlands Rail in November 2015.

17 Work is currently on-going with progress made on future rail specification proposals, stations work streams and branding. A promotional video is in production and it is intended to hold a stakeholder conference during the autumn of this year. A detailed public consultation was held during the winter of 2015 and the Council provided a response to the consultation document in March 2016. The results of the public consultation into the West Midlands Rail franchise were published along with the Invitation to Tender for the franchise on 30 August 2016.

18 As indicated, the Invitation to Tender was published during August. The Invitation to Tender was drawn up jointly by the Department for Transport and West Midlands Rail. There are committed improvements across the region but specifically in Worcestershire there will be an increase in capacity on trains, free wi-fi, and an increase in the frequency of services on Sundays and during evenings. The committed additional trains between Bromsgrove and Birmingham following electrification are recognised in the Invitation to Tender and bidders will receive extra credit should they propose additional trains between Worcester and Birmingham or Worcester and Gloucester. This is the first time that this region has had this level of involvement in shaping what a train company has to deliver for the passengers in the region. Details of the Invitation to Tender are available at the link in the 'Supporting Information' section of this report.

19 The bidders for the franchise have until 30 November to complete their bids. There are two bidders. These are a) Govia – the joint venture between Keolis and Go Ahead group that operates the existing London Midland rail franchise, and b) A joint venture between Abellio Transport, (the overseas arm of the Netherlands nation railways operator), East Japan Railways and Mitsui. Mitsui is a Japanese company with a number of interests including rolling stock manufacturing. A third bidder – Mass Transit Railway – was initially on the short list but has since voluntarily withdrawn from the franchise bidding competition. The reasons stated for this were due to their own resources being insufficient to proceed.

Legal, Financial and HR Implications

20 The Council joined West Midlands Rail Limited and appointed directors to its Board pursuant to Section 1 of the Localism Act 2011.

21 There are no HR implications for the Council as a result of West Midlands Rail entering into the discussed Partnership Agreement with the Department for Transport.

22 Currently the Council's financial commitment is £13,640 per year and this is the commitment for the 2016/2017 and 2017/2018 financial years. This covers the development phases of West Midlands Rail leading to the time the Partnership Agreement comes into force.

23 Under the Partnership Agreement, the Department for Transport contributes £500,000 for each franchise year and West Midlands Rail must contribute a minimum of £140,000 per year. This is split amongst the fourteen local authorities with 75% (£105,000) being provided by the seven metropolitan authorities and 25% (£35,000)

being provided by the remaining seven authorities. Once the Partnership Agreement is in place the County Council's financial commitment will therefore fall to £5,000 per year. It should be noted however that the Directors of West Midlands Rail have the ability to increase the £140,000 funding, in which case the £5,000 per year commitment would increase. The financial commitment would also change if the quantum of members of West Midlands Rail changed.

24 The Partnership Agreement reflects what is set out in the business case for rail devolution and it is considered that it does not expose the Council to unacceptable risks beyond the financial contributions mentioned above. In particular, the revenue risk of operating the rail network in the West Midlands area continues to be held by the Department for Transport. Risks that have been identified are in the areas of breach of confidentiality clauses, interfaces between different organisations, changes in political direction (e.g. following election of the Mayor for the West Midlands), reputational, resources or programme management. The risks of the venture are reviewed every quarter and reported on to the Directors meeting. As stated above, the risks are considered to be acceptable.

25 The County Council is able to resign its membership of West Midlands Rail Limited at any time. If it were to do so all financial liabilities would end.

Privacy Impact Assessment

26 There are no privacy implications arising directly from this report.

Equality and Diversity Implications

27 An Equality Relevance Screening has been completed in respect of these recommendations. The screening did not identify any potential equality considerations requiring further consideration during implementation.

Supporting Information

- Partnership Agreement relating to devolution of rail responsibilities in the West Midlands – available electronically and at County Hall Reception
- West Midlands Rail Invitation to Tender
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/549246/wmf-itt.pdf

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Email: worcestershirehub@worcestershire.gov.uk

Specific Contact Points for this report

Andy Baker, Transport Planning & Commissioning Manager

Tel: 01905 822071

Email: ACBaker@Worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Director of Economy & Infrastructure) the following are the background papers relating to the subject matter of this report:

Agenda and background papers for the meeting of the Cabinet held on 19 November 2015

CABINET
29 SEPTEMBER 2016**WORCESTERSHIRE LOCAL AGGREGATES ASSESSMENT**

Relevant Cabinet Member

Dr K A Pollock

Relevant Officer

Director of Economy and Infrastructure

Recommendation

- 1. The Cabinet Member with Responsibility for Economy, Skills and Infrastructure recommends that Cabinet:**
 - (a) approves the annual Worcestershire Local Aggregate Assessment to facilitate planning for a steady and adequate supply of aggregates;**
 - (b) approves the preparation of updates of the Local Aggregate Assessment on an annual basis in accordance with extant guidance and having regard to the advice of the West Midlands Aggregate Working Party; and**
 - (c) delegates authority to the Cabinet Member with Responsibility for Economy, Skills and Infrastructure to agree and adopt the Local Aggregates Assessment annually.**

Background

- 2. The National Planning Policy Framework (NPPF) states: "Minerals are essential to support sustainable economic growth and our quality of life. It is therefore important that there is a sufficient supply of material to provide the infrastructure, buildings, energy and goods that the country needs."*
3. The NPPF requires Minerals Planning Authorities to plan for a steady and adequate supply of aggregates by preparing a Local Aggregate Assessment (LAA). There are three main types of aggregate: sand, gravel, and crushed rock. Aggregates can be an end product in themselves but are also used as a raw material in the manufacture of construction products such as concrete, asphalt, lime and mortar and, as such, maintaining a steady and adequate supply is critical to enabling development and keeping Worcestershire open for business.
4. Worcestershire County Council is the Minerals Planning Authority for Worcestershire and is responsible for preparing the LAA. The Council is also preparing a new Minerals Local Plan (MLP) for the county which will set out planning policies to guide mineral working and site restoration in the county. The LAA will inform the development of the MLP and will be critical to monitoring success once

the MLP is adopted. It is also a material consideration in the determination of planning applications.

5. The LAA is an assessment of the demand for and supply of aggregates in the county based on a rolling average of 10 years sales data and other relevant local information, and an assessment of all supply options, including recycled and secondary aggregates¹, marine aggregates, imports and exports, and land-won resources (sand, gravel and crushed rock).

6. It is required to be updated annually, taking the advice of the West Midlands Aggregate Working Party into account. The annual updates of the LAA are published as part of the Annual Monitoring Report on the Minerals and Waste Development Framework.

7. The Cabinet in June 2013 considered the first Local Aggregate Assessment for Worcestershire, approving both the 2013 document and the method used as the basis for annual updates, and delegating responsibility to the Cabinet Member with Responsibility for Economy, Skills and Infrastructure in consultation with the Director of Business, Environment and Communities to approve the annual updates using that methodology.

8. Subsequently, further guidance on the production of an LAA has been published in national Planning Practice Guidance (March 2014) and by the Planning Officers Society and Mineral Products Association (April 2015) which has changed the approach to the production of LAA's nationally, meaning that the Council must also change its approach from that approved in June 2013.

9. It is now widely recognised by both Minerals Planning Authorities and the minerals industry that the Local Aggregate Assessment is a technical document which informs policy and decision making, rather than being policy in and of itself. In response to the publication of this new guidance and policy, Worcestershire has revised and updated its methodology for the publication of the LAA.

10. The Worcestershire Local Aggregate Assessment 2016 has been developed in accordance with the latest guidance, taking into account consultation comments received on previous versions and the comments of the West Midlands Aggregate Working Party. Focused discussions have also been undertaken with the South West, East Midlands and South Wales Aggregate Working Parties regarding Worcestershire's limited ability to supply crushed rock.

11. It is therefore proposed that Cabinet approves the Worcestershire Local Aggregate Assessment for 2016 prepared using the new methodology, that further annual updates are prepared in accordance with extant guidance and having regard to the advice of the West Midlands Aggregate Working Party, and that Cabinet

¹ Secondary and recycled aggregates play an important role in minimising the need for extraction of primary materials. Secondary aggregates are produced as by-products from other industrial processes such as blast furnace/steel slag, power station ash, incinerator ash or spent foundry sand. There are currently no industrial processes or waste management facilities in Worcestershire which are known to produce or process secondary aggregates. Recycled aggregates arise from several sources, notably from the demolition of buildings or from civil engineering works such as road resurfacing (producing asphalt planings) and railway track maintenance (producing ballast).

delegates authority to the Cabinet Member with Responsibility for Economy, Skills and Infrastructure to agree and adopt the Local Aggregates Assessment annually.

Local Aggregates Assessment 2016

12. The main findings of the 2016 LAA are outlined in the table below.

		Sand and gravel	Crushed rock
Production	2015 production	0.538 million tonnes	0 tonnes
	3-year average	0.572 million tonnes	0 tonnes
	10-year average	0.637 million tonnes	0.036 million tonnes
	Annual Production Guideline	0.637 million tonnes	0 tonnes
	Informatives	Production guideline based on 10-year average. No other relevant local information which indicates deviation from this average is required.	Significant constraints on delivering crushed rock production, and lack of sites being put forward by industry, indicate deviation from 10 year average is appropriate
Landbank	Reserves at 31 December 2015	0.895-0.945 million tonnes	0 tonnes
	Landbank at 31 December 2015 (based on annual production guideline)	1.41-1.48 years	0 years
	Landbank requirement	7.00 years	10.00 years
	Informatives	22% of reserves in "inactive" sites. Planning permission granted for 1 additional site (1.4 million tonnes) and applications pending for two further sites.	Discussions with the West Midlands, East Midlands, South West and South Wales Aggregate Working Parties concluded that Worcestershire's production guideline for crushed rock should be reduced to 0 tonnes, but with the emerging Minerals Local Plan providing a policy framework which could enable crushed rock development to take place. The Mineral Planning Authorities and Aggregate Working Parties have indicated that supplying Worcestershire's demand for crushed rock can be accommodated.

Legal, Financial and HR Implications

13. There are no direct financial implications arising from this report.

Privacy Impact Assessment

14. None identified.

Equality and Diversity Implications

15. An Equality Relevance Screening has been completed in respect of the development of the Minerals Local Plan as a whole. The screening did not identify any potential equality considerations requiring further consideration during implementation.

Supporting Information

- Worcestershire Local Aggregate Assessment 2016 – available electronically and at County Hall Reception

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Email: worcestershirehub@worcestershire.gov.uk

Specific Contact Points for this report

Nigel Hudson, Head of Strategic Infrastructure and Economy

(01905) 846784

nhudson@worcestershire.gov.uk

Emily Barker, Strategic Planning and Environmental Policy Manager

(01905) 846723

ebarker@worcestershire.gov.uk

Marianne Joynes, Principal Planner (Minerals and Waste Policy)

(01905) 844578 or (01905) 766374

mjoynes@worcestershire.gov.uk

minerals@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Director of Economy and Infrastructure) the following are the background papers relating to the subject matter of this report:

Agenda and background papers for the meeting of the Cabinet held on 6 June 2013

Local Aggregates Assessment 2013 -

http://www.worcestershire.gov.uk/downloads/file/487/the_local_aggregates_assessment_for_worcestershire_-_june_2013

Local Aggregates Assessment 2014 -

http://www.worcestershire.gov.uk/downloads/file/4696/annual_monitoring_report_20132014_annex_1_laa

Local Aggregates Assessment Statement 2015 -

http://www.worcestershire.gov.uk/downloads/file/6766/annual_monitoring_report_201415_annex_1_laa

CABINET

29 SEPTEMBER 2016

RESOURCES REPORT

Relevant Cabinet Member

Mr S E Geraghty

Relevant Officer

Chief Financial Officer

Recommendation

1. **The Cabinet Member with Responsibility for Finance (who is also the Leader of the Council) recommends that Cabinet:**
 - (a) **endorses his conclusions concerning revenue budget monitoring up to 30 July 2016;**
 - (b) **notes the current progress regarding the FutureFit programme;**
 - (c) **recommends that Council approves the Energy Efficiency Spend to Save Fund increase to the Capital Programme and the capital budget cash limits be updated accordingly;**
 - (d) **recommends that Council approves the addition of £2 million to the Capital Programme for Phase 2 of the development of in-house Post-16 Supported Living Accommodation and residential facilities within Children's Services to be funded by revenue savings from the projects;**
 - (e) **endorses his conclusions concerning capital budget monitoring up to 30 July 2016; and**
 - (f) **notes the current position of the annual statutory accounts process.**

Introduction

2. This report outlines the 2016/17 outturn forecast for the Council's Revenue and Capital budgets, and the Futurefit savings and efficiencies programme.

3. A recommendation is being made for Council to approve an increase of £0.7 million to the Energy Efficiency Spend to Save Fund in the Capital Programme and £2 million supported living and residential facilities in Children's Services.

4. The report also provides an update to the annual statutory accounts process.

Revenue Budget Monitoring 2016/17 - Outturn Forecast as at 30 July 2016

5. The County Council's authorised cash limited budget for 2016/17 is £322 million. When taken together with the amount of money spent by the County Council that is received through specific grants and miscellaneous income the County Council spends over £1 million per day on providing services to residents and service users.

6. After the first four months of 2016/17 and forecasting for the remaining eight months of

the financial year an overall financial pressure of £0.7 million is anticipated. This represents 0.2% when compared with the Council's revenue budget and whilst further work will continue to be undertaken to keep expenditure within approved cash limits there is likely to be additional use made of Earmarked Reserves.

7. The most significant forecast financial pressure relates to the Eastham Bridge Tenbury Wells collapse which is expected to cost at least £1 million this financial year. The Council is reviewing the situation and an update will be provided at a future Cabinet meeting with regard to providing a permanent replacement for the bridge.

8. The Council maintains £13 million in General Balances to enable it to react swiftly to any extraordinary events like this and it is likely that this funding will be used to support the works on Eastham Bridge in 2016/17.

9. There are a number of other smaller areas of cost pressure across the Council's budgets which are being closely managed and it is anticipated that forecast costs will be kept within the budget by the end of the financial year.

FutureFit Programme Update

10. The FutureFit programme has the clear intention of delivering the changes needed to support the four key areas of focus set out in the Corporate Plan – FutureFit: Open for Business, Children and Families, Health and Well-being and the Environment. It remains a key delivery vehicle for identifying, managing and delivering the transformation required of the organisation to realise the FutureFit vision.

11. The County Council has an ongoing savings requirement of around £25 million per year, which it is anticipated will increase to £34 million in 2017/18 as set out in the February 2016 Budget Report to Cabinet. The Council will receive a transitional support scheme grant of £2.5 million in both 2016/17 and 2017/18 and it is intended that this funding will be used to reduce the 2017/18 savings requirement from £34 million to £29 million.

12. The FutureFit savings programme target for 2016/17, which includes £3 million carried forward for delivery from last financial year, totals £27.2 million and is forecast to be achieved.

13. Whilst 60% of the programme for this financial year has been delivered or is on track, risks to the delivery of the remainder of the programme continue to be monitored. Work to mitigate this risk is being managed by the Corporate Business Board. Where savings are not being achieved during the current financial year, Directorates are mitigating this by restraining costs in other areas or drawing support from their own earmarked reserves.

14. Highlights from across the programme during 2016/17 include:

- Digital Strategy - In July 4000 telephone numbers were successfully transferred to an internet based system. This has now fully replaced the out-dated infrastructure. Also, phone numbers have been migrated from the legacy telephony platform to our new fit for purpose systems. This allows telephony costs to be delivered via a cheaper, more efficient and scalable technology with inbuilt resilience
- Project Mercury – Approximately 100 staff successfully transferred to Liberata and a programme of work has been developed to transform HR and Finance transactions and processes as well as the technology used to provide this service. Liberata have continued to meet all key performance indicators, including paying our 24,000 County Council and partner organisation staff accurately each month since February
- The County Council's first Dynamic Purchasing System has been established for the new technology in care project. The technology in care

market is rapidly changing and this purchasing system enables new providers to join at any time. This encourages competition and leads to better value, faster outcomes and quicker process time. This means that we can better support service users and create more flexible responses to people's needs. Six other councils and Health and CCG colleagues have signed up as partners.

Capital Programme Addition – Energy Efficiency Spend to Save Fund

15. In September 2015, the Council approved an increase of £0.6 million to the Energy Efficiency Spend to Save Fund thereby increasing the fund to £2.3 million.

16. The programme of energy efficiency works has been very successful; the scheme is self-financing with savings in energy budgets funding the cost of borrowing.

17. To date, a total of 93 Spend to Save projects had been completed with annual cost savings of £0.25 million, saving 847 tonnes of carbon dioxide per year with an average 7.5 year payback.

18. An additional allocation to the Energy Efficiency Spend to Save Scheme of £0.7 million is requested, taking the total investment since 2010 to £3 million. This will enable further capital investment in energy efficiency projects including lighting, insulation and the installation of renewable technology across the County Council's property estate and street lighting portfolio.

19. Electricity prices are anticipated to rise by between 40% – 60% over the next 10 years and the ability to fund energy saving projects becomes an increasingly important issue. The payback periods and energy savings associated with projects will also become more favourable as energy prices rise.

20. Central Government confirmed in the Budget on 16 March 2016 that the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme will continue until March 2019 and then be replaced with increasing the Climate Change Levy (CCL) where a new reporting mechanism will be developed. Any action that the County Council takes now to reduce energy and carbon will stand us in good stead looking forward.

Capital Programme Addition – Phase 2 of the development of in-house Post-16 Supported Living Accommodation and residential facilities within Children's Services

21. The Council's aspiration for children and young people in Worcestershire is for them to grow up and thrive within the county. It is therefore vitally important that we support children and young people within the county wherever it is safe to do so; and where children or young people have needed to move out of county for a period that we facilitate a move back to Worcestershire as soon as possible.

22. The development of in-house services allows us to do this and is also more cost effective than the external market. This development is a key part of the Children's Social Care Financial Recovery Plan in response to the increasing financial demand which is being placed on the Children's Placement Budget. The majority of savings will be generated from 2017/18 onwards based on the need to source properties, develop them to meet the specific needs of the children and young people and recruit additional staff.

23. Summarised in the table below are a series of investments that are proposed to support the Financial Recovery Plan in Children's Services. Each area of investment is supported by way of a short explanation below this table.

Table [1]: Summary of Children Services Investment Proposals

Scheme £ million	Investment	Annual Forecast Savings	Payback period (years)
Supported Living – Phase 2	0.6	0.25	2.4
Supported Living – Complex Needs	0.6	0.35	1.7
Change of Use Short Breaks and Residential Services and additional in-house Residential	0.8	0.1	8
Total	2.0	0.7	2.9

24. In addition to the forecast revenue savings, whilst not accounted for in the business case, the Council is forecast to benefit from the capital appreciation of the assets proposed for purchase.

25. The cost of capital investment, and increase requested in the Capital Programme, will be funded by a revenue contribution from the savings achieved by the projects and therefore there are no net additional revenue implications of the proposal to increase the Capital Programme by £2 million.

Supported Living – Phase 2

26. In June 2015, Cabinet approved the further development of 17 in-house supported living units for young people to increase the internal capacity to 23 with four places already being available for children with complex needs at Cheltenham Road, Evesham and two units at Downsell Road, Redditch. The investment of £1 million is on target to meet the annual net savings of approximately £0.3 million in 2016/17 as all the properties are now occupied.

27. The demand for supported living is increasing due to a range of factors. A business case and needs assessment has been developed to extend this programme of work, known as Phase 2. Phase 2 includes the addition of a further 11 in-house 24/7 supported living facilities for 16 and 17 year olds in order to support their move to more independent living. The anticipated savings forecast after taking into account the need to recruit additional outreach support workers is £0.25 million per year from a capital outlay of around £0.6 million for the relevant properties.

28. This investment is intended to provide a payback of less than 3 years and will allow young people to be based in a community which meets their education, vocation or social needs. The staff will be employed by the Council and will work with the young people to ready them for independence, giving them CV writing and interview skills, employment and housing advice as well as support with budgeting and living independently.

Supported Living – Complex Needs

29. There are an increasing number of young people with complex needs requiring supported living as an alternative to residential care as a step down before independence. A business case and needs assessment has been developed to invest in a further unit similar to existing services. The capital cost of the site is estimated to be around £0.6 million and the cost of this capital investment will be offset by the savings generated from stepping children down from more expensive placements.

30. Annual savings are forecast to be £0.35 million for 2017/18 as more expensive placements are replaced by this more appropriate facility which will also provide them with the skills required to live independently. The payback period is less than 2 years.

Transfer of services between Orchardene, Pershore Short Breaks Unit and Hill View Residential Facility Malvern, conversion of space within Oak House, Worcester and Old Hollow West Malvern to provide additional residential accommodation and the purchase of an additional in-house residential facility

31. A number of properties within the Council portfolio are operating below capacity due to the configuration of rooms and communal spaces.

32. A business case has been developed to convert Hill View from a 6-bed residential facility which is operating at below capacity due to difficulties in matching 6 children to occupy the home at one time into a 6 bed short break unit. This will provide additional respite accommodation for up to 15 children as an alternative to a permanent placement or for children currently under the care of the Council as well as the potential to increase the ability for these properties to accommodate more young people.

33. This will support cost avoidance as it is expected that this will delay or avoid a number of children coming into care or the cost of external respite required due to a placement breakdown. With average costs of £42,000 per annum per looked after child, total cost avoidance in one year could be up to £0.6 million assuming full occupancy.

34. Orchardene will then become a 4-bed residential unit and an additional room at both Oak House and Old Hollow can be created by reconfiguring communal and garage facilities. The costs of conversion are estimated at £50,000 for each of the 4 units.

35. Connected to the proposed redesigns described above, a business case has been developed to purchase a further in-house unit as an alternative to agency residential care. The capital cost of the site is estimated to be £0.6 million.

36. The savings are forecast to reach £0.1 million per annum, and more importantly a number of children will then be able to be placed in Worcestershire, close to their communities and families, and to reduce the time and associated costs of social work visits and contact by family. The payback period for this is 8 years.

37. The overall impact of these changes will be to increase the provision of short breaks beds by 2 and in-house residential by 4.

Capital Programme Budget Monitoring - 2016/17 Forecast

38. The Council's Capital Budget for 2016/17 totals £180 million after rolling forward £38 million from last financial year. The actual capital expenditure at Month 4 (30 July 2016) is £34 million or 19% of the budget which is as expected with no significant issues arising. Around £45 million of the 2016/17 budget relates to the Energy from Waste financing scheme with the majority of the remaining capital budget for roads and school improvements.

39. Work has begun to review the timing of capital expenditure over the current and future years and an updated profile of planned capital expenditure over the medium term will be brought to a future Cabinet meeting.

Annual Statutory Financial Statements 2015/16

40. The Statutory Accounts were approved by the Audit and Governance Committee on 21 July 2016.

41. The External Auditor Grant Thornton UK LLP provided an unqualified opinion on the County Council and Worcestershire Pension Fund's annual accounts.

Health Impact Assessment

42. A Health Impact Assessment screening has been undertaken with regard to this report and recommendations for new spending decisions to understand the potential impact they can have on Public Health outcomes across the county area.

43. This report is mainly about confirming an early forecast financial position for 2016/17 and contains one new request to increase capital spending on Energy Efficiency Schemes.

44. Taking this into account, it has been concluded that there are no specific health impacts as a result of new decisions arising from this Cabinet report.

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Email: worcestershirehub@worcestershire.gov.uk

Specific Contact Points for this Report

Sean Pearce, Chief Financial Officer, 01905 846268, spearce@worcestershire.gov.uk

Sue Alexander, Head of Financial Management (Adults, Childrens Families and Communities), 01905 846942, salexander@worcestershire.gov.uk

Stephanie Simcox, Head of Strategic Infrastructure Finance and Financial Recovery, 01905 846342 ssimcox@worcestershire.gov.uk

Mark Sanders, Senior Finance Manager, 01905 846519, mssanders@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer) the following are the background papers relating to the subject matter of this report:

- Previous Cabinet Resources Reports
- Public Health Impact Assessment

CABINET
29 SEPTEMBER 2016**ACQUISITION OF WILDWOOD OFFICE, WORCESTER**

Relevant Cabinet Member

Mr A C Roberts

Relevant Officer

Interim Director of Commercial and Change

Local Member

Mrs P Agar

Recommendation

- 1. The Cabinet Member with Responsibility for Transformation and Commissioning recommends that Cabinet:**
 - (a) agrees in principle to seek to acquire the freehold of Wildwood Office, Worcester;**
 - (b) approves the maximum financial limit as set out in the exempt finance report at Appendix 1, within which negotiations over the purchase price for the freehold interest will be conducted;**
 - (c) recommends that Council approves the addition to the Capital Programme set out in the exempt finance report at Appendix 1 and that the capital cash limits are updated accordingly in due course to reflect the actual cost of acquisition; and**
 - (d) delegates to the Interim Director of Commercial and Change in consultation with the Cabinet Member with Responsibility for Transformation and Commissioning, and in consultation with the Chief Finance Officer, the authority to negotiate the final contract and the subsequent purchase within the limits set by this report.**

Background

2. In March 2016 Cabinet approved a report which detailed the new Property Asset Strategy promoting ways to exploit opportunities to provide the best value from our assets and reduce costs to the taxpayer. Acting on this strategy and the Council's drive towards self-sufficiency, discussions have been opened with the owners of Wildwood office on the Council's interest in negotiating a purchase of the freehold interest.

3. In September 2004 the Council took a 30 year lease of the newly completed Wildwood office complex which consists of approximately 5990sqm (64,500sqft) of office space on the ground and first floor with 155 parking spaces. The decision was made to provide a single site solution near to County Hall to reduce the number of costly city centre sites and the travelling time and staff costs incurred travelling to and from County Hall. The extra office space also helped relieve the increasing pressure experienced at the time for additional staff accommodation at County Hall.

4. Last year the freeholder of Wildwood, The Trustees of the Merchant Place Property Syndicate 35, offered the Council the opportunity to purchase the freehold. 'Sales details' were prepared for the Council but the Council's advisors report that the property has not been widely advertised on the open market. The property is offered for sale as an investment opportunity seeking offers based on an acquisition price of £10,700,000 for the freehold. In addition to the purchase price, acquisition would incur Stamp Duty Land Tax at 4% plus professional and other associated fees, raising the total cost to approximately £11,290,000 based on this asking price. Although there is flexibility on the purchase price to be negotiated there needs to be a commitment from the Council that it is seriously interested before these negotiations can be developed to a conclusion.

5. The Council holds a lease on this property with a further 18 years to run. The lease does not contain a break clause so the Council is locked into this arrangement for the full period. The current rent is £678,845 per annum, with upwards only rent reviews every 5 years based on comparable market values. The next rent review is due in November 2019. In addition to this the Council has to meet all other premises-related outgoings.

6. The lease contains a restrictive alienation clause that requires specific landlord approval to any arrangement involving sub-letting parts of the building and is subject to strict conditions and will only permit two sub-leases. The landlord's consent is also required for arrangements where employees from other organisations join county staff in collaborative working initiatives based in this property. Getting Landlord's approval requires the Council to meet the landlord's fees and is time consuming. The Council's Directorate of Adult Services and Children, Families & Community teams occupy space on the ground and first floors and there is a Multi-Agency Shared Hub operating from the building. The Council has also sub-let the west wing of the ground floor to NHS Worcestershire for their Patient Flow Centre.

7. The lease also requires the Council to fully maintain the property to a specified standard and the Council has created and maintained a reserve from its corporate maintenance budget enabling it to meet these commitments.

Financial and Non-Financial Benefits

8. A detailed financial appraisal of this proposal is contained in the exempt finance report at Appendix 1. The first method compares both the long-term position of either continuing to rent for the period of the lease or acquiring the freehold of the property and then disposing of the freehold at year 19 which would be the end of the notional lease term (i.e. today's cost of the property over the same time period in both scenarios). Secondly it demonstrates the practical impact on the Council's budget year on year over a 25 year loan period if the Council were to borrow to purchase the freehold of the property. The financial appraisal is based on a recent independent valuation reflecting the RICS valuation standards (Red Book), noting that this valuation is below the owner's valuation set out in paragraph 4. The appraisal demonstrates in both methods of assessment that to purchase the freehold at this value presents the preferred option in the long-term as it provides a saving as opposed to the cost of leasing. It also shows that the loan payments each year can be managed within the current budget allocated for the annual rental payment, so requiring no further pressure to increase the existing budget.

9. The cost benefits are based on the Council retaining ownership for at least the period of the unexpired lease term. However, the initial asking price is higher than the valuation provided by the Council's professional advisors set out in the exempt finance report at Appendix 1 and at the asking price the impact on actual cash flow through the Council's accounts would exceed existing budget provision beyond the length of the unexpired lease term. It is not, therefore, considered to be financially feasible or value for money to acquire the property at the asking price but it is justified at the value within the financial appraisal.

10. There are also operational and management benefits associated with ownership rather than continuing to lease this property and if acquired at the right price this would provide significant advantages. Ownership of the property would remove the restrictions on the number of sub-lettings and the Council will have the freedom to arrange any number of sub-leases and flexible joint services based in the building. This would remove the need, time and costs of obtaining landlord's consent and improve the Council's ability to increase flexibility of use and potential income from this property.

11. Ownership would remove the existing maintenance commitment under the lease which dictates when certain maintenance has to be carried out and so would enable a more flexible maintenance regime to be adopted. It would also eliminate any final claim from the landlord for dilapidations at the end of the lease term.

12. The way the public sector works now is significantly different to when the lease was originally signed and will continue to change over years to come. The Wildwood building demonstrates some great examples of where different public sector organisations work closely together for the benefit of residents. Our property portfolio needs to reflect such a resident centric, "whole system" approach to delivering

outcomes by being flexible. Dependent on price, this potential sale provides such an opportunity.

Legal, Financial and HR Implications

13. Authority to enter into property transactions is requested to be delegated to the Interim Director of Commercial and Change in consultation with the Cabinet Member with Responsibility for Transformation and Commissioning, and in consultation with the Chief Finance Officer on the basis that this proposal will only be effected where there is no detrimental impact on the Council's revenue budget cash limits as the loan payments to finance the purchase will be funded from the existing budget for rent payments which will no longer be required.

14. The scale and strategic nature of this proposal is a key decision hence Cabinet approval is being sought to both the principle of acquisition and to the financial limits within which negotiations can be conducted. A decision by Cabinet to seek to acquire the freehold of the property will require full Council to subsequently agree to amend the Capital Programme to make financial provision to enable such a decision to be enacted.

15. It should be noted that the valuation of the property may be affected should the transaction be achieved given that the existing leasehold would be extinguished following the purchase. This is fully considered within the exempt finance report at Appendix 1.

16. All financial implications are covered in detail in the exempt finance report at Appendix 1 and there are no HR implications.

Privacy and Public Health Impact Assessments

17. There are no privacy or public health implications associated with this matter.

Equality and Diversity Implications

18. There are no equality and diversity implications associated with this decision.

Supporting Information

- Appendix 1 – Exempt Finance report for Cabinet members only. (This Appendix is NOT FOR PUBLICATION as supporting information as it discloses information in relation to the financial or business affairs of any particular person (including the local authority holding that information) and the public interest is better met by its non-disclosure as it contains commercially confidential information relating to the financial aspect of this proposal).

Contact Points

County Council Contact Points

County Council: 01905 763763

Worcestershire Hub: 01905 765765

Email: worcestershirehub@worcestershire.gov.uk

Specific Contact Points for this report

Peter Bishop, Interim Director of Commercial and Change

Tel: 01905 846020

Email: pbishop@worcestershire.gov.uk

Background Papers

In the opinion of the proper officer (in this case the Interim Director of Commercial and Change) the following are the additional background papers relating to the subject matter of this report:

Agenda and background papers for the meeting of the Cabinet held on 3 March 2016

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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