

COUNCIL
12 MAY 2016**ANNUAL STATE OF THE COUNTY REPORT OF THE
LEADER OF THE COUNCIL**

1. Four months into the role of leading the Council, this report covers both a summary of successes achieved in delivering our existing plan, priorities and budget as well as the challenges ahead and how we are going to go about reviewing the Corporate Plan for the next five years, addressing the financial gap that Worcestershire faces whilst still being ambitious for our county. I have also used this report to set out my initial thoughts and views on the way ahead. I'm sure these will be shaped by the discussion and engagement we will be undertaking over the coming months before we finalise the new Corporate Plan later in the year.

2. Looking at the financial gap and changing policy landscape ahead, I have no doubt this will be a challenging period for us all. However, I remain upbeat and optimistic about the future for this Council and Worcestershire as a place. Rightly we have an ambitious vision to improve the county as a place to live, work, visit and invest in and this is reflected in our plans around our Open for Business and Environment themes. Our Children's and Families and Health and Well Being themes reflect the work we do with people, rather than places, to help some of the most vulnerable people in society who need us most. We also have a role to help people to achieve their full potential and live healthier, happier and more independent lives for as long as possible. So how are we doing against these four priorities?

Open for Business

3. Open for Business is a key objective, since it is vital to assisting individuals and businesses to achieve their full potential and increase prosperity in our county. This in turn helps boost our income via Council Tax and Business Rates as well as hopefully reducing the demand for some of our services.

4. Worcestershire LEP's Strategic Economic Plan set an ambitious ten year plan to boost the economic value (GVA) of the county by around a third (£2.9bn), create 25,000 jobs and build 21,500 new homes by 2025. A total of £54.2m was secured from the Government in Growth Deals and the WLEP influences a 68m Euro programme of investment. We have seen the highest investment from Central Government into our county in decades to unlock barriers to growth and working with our district council partners many areas now have agreed plans in place for housing and employment growth.

5. A key aspect of our economic plan is to ensure good quality employment sites are available for existing local businesses looking to grow and to attract new firms from outside the county. The "Game Changer" programme focuses on four such sites. In Kidderminster we saw the new bridge being installed a few months ago as part of the Hoobrook Link, in Redditch the Eastern Gateway is moving forward, in Malvern phase four of the Science Park is open and work on clearing the site for phase five has begun

and at Worcester Six we attracted some £15m of foreign investment and much of the off-site infrastructure is complete.

6. Our rail investments in Bromsgrove, and soon at Worcestershire Parkway, will also improve our connectivity and I continue to press strongly the case for faster connections to London by rail. Better infrastructure to enable our goods, services and people to be able to efficiently move around and access other markets \ places is essential. Progress continues on work to dual the Southern Link Road from Whittington to Powick Hams with a key bid to secure Central Government investment for phase four, including dualling the Carrington Bridge, due to be submitted this summer. In the north of the county our focus remains on tackling congestion along the A38 with plans been worked up for the measures required.

7. The headline results so far are impressive with Worcestershire being in the top four fastest growing local economies in the country in terms of Gross Value Added for the last two years. Equally important Worcestershire's productivity grew by 2.8% in 2013-14, placing the county in the top 2 out of 39 LEP's in the Country for two consecutive years in a row. Clearly if we are to achieve our aspiration to move our economy up in the economic rankings and rival that of Warwickshire we will need to achieve similar results in the coming years and that will require sustained focus on this theme and continued investment in the unlocking the barriers to faster economic growth and growing the numbers of higher paid jobs in the county. The Government's recently announced Growth Deal 3 provides a further opportunity to secure funding as does the Local Major Schemes programme.

Children and Families

8. Linked to the success of our Open for Business priority is that of ensuring young people in the county get the education and skills to be able to fully realise their potential. Our education system provided by a range of academies and maintained schools still continues to offer 89% of pupils their first choice of school in a range of schools where 9 out of 10 are good or outstanding.

9. The growth in apprenticeships is equally impressive with the aim to provide 10,000 places across the county being achieved ahead of plan and the Connecting Schools and Businesses initiative continues to grow.

10. We will over the next few years still have challenges to face as schools flex their new found independence and wrestle with the two tier/three tier issue in some parts of the county, but by and large education continues to move in a positive direction. Therefore we will be closely following the proposed further reforms recently announced by the Government and carefully considering how to respond.

11. In Children and Families the Peer Review of safeguarding last year gave us a reminder of how big the challenge is that we face, since the children in our care as I write this report are at 705, and the question of how we protect the most vulnerable in the county is a task that is at the forefront of work of the Cabinet Member along with the Interim Director, Simon White. I would like to thank them both for the reforms they have been driving forward as they were undoubtedly necessary and will lead to better outcomes. A permanent Director has now been appointed and will be in post in June to continue this work.

12. After spending a day with key workers recently I can see the progress being made. However, work still needs to be done to embed these changes to ensure that the right support is given at the appropriate time to a proportionate level in a consistent manner. I have no doubt safeguarding children will remain a top priority for the whole team to focus on for the foreseeable future. Our Connecting Families work – building on the success achieved through the national troubled families' initiative – is something that has the potential to make the long term changes required with partners to bring down the numbers requiring care in the future and achieve better outcomes for those families. Early indications that I have seen with the team working on the pilot in Redditch are encouraging.

Health and Wellbeing

13. In the area of Health and Wellbeing, Adult Social Care continues to dominate our discussions. Interim director arrangements are in place following Richard Harling's appointment to Staffordshire and there continues to be close management of the finances and change required to transform over the coming year.

14. 'Your Life, Your Choice', the interactive care website that we launched this year continues to grow in strength and I would welcome more providers than the 197 or so that we currently have to form a really vibrant online market place so that people get genuine choice in their care for their later years. At the same time the reforms of this large section of spend must continue unabated. The integration of Health and Social Care has been given a timetable by the Government and so looking forward even closer working with our colleagues in the CCGs will be needed to progress further reform of the system, since the Worcestershire Acute needs as much help as we can give it to rise to the challenges of the very frail and elderly and ensure that its hospitals and the systems around it continue to work as efficiently as possible.

15. It's good to see that we are working closely with the health economy on producing a Sustainability and Transformation Plan, to make sure that we share a vision of the challenges and priorities for the future in health and social care. I am really pleased to see that local people are increasingly giving their time to improve health and well-being in our communities and support the elderly and vulnerable. Scores of people have volunteered to be Digital Champions, supporting people to use the internet in local facilities; hundreds of people are signed up as Health and Well-being Champions, promoting health in their neighbourhoods; and thousands of people have been trained as Dementia Friends.

Environment

16. We have seen great progress in the construction of the Energy from Waste plant at Hartlebury and I am sure that this will turn out to be a significant milestone for the county when it opens in 2017, since we will have a plant that will be able to dispose of the rising volume of waste, some 473 kilogrammes per person, in an economic and environmentally friendly way.

17. We have continued to invest in flood prevention measures and this year will see, through the Growth Deal and our match funding using New Homes Bonus, the start of a series of schemes from the centre of Worcester down to Upton to ensure that our county has more resilience and key routes are not so disrupted by some of the more extreme weather that we have experienced in the past.

18. A final thought on roads, while satisfaction with our roads according to our Viewpoint Survey rose by some 5.5 points, it is still a key priority to our residents and so as an administration, despite the challenges that we face, we have been able to find some £12m to run another 2 year programme of road improvements, centred around the places where people live in villages and estate roads, with our 'Driving Home' programme of investment. Further one off investment of £500k has also been made available to improve pavements and we have agreed a £2m programme of town centre improvements covering Worcester, Redditch, Kidderminster and Droitwich. Monies have also been set aside to look at Malvern and Evesham. Town centres are important social, as well as retail, spaces and maintaining their attractiveness and vibrancy is important so I would like to see us continue to invest in them over the coming years.

19. We continue to deliver our Superfast Broadband roll out faster than many other counties and to have a more ambitious outlook than some. We welcome the over 28% take up which has enabled us to reinvest some £3.25m into the scheme to spread its reach even further. Our focus has always been around increasing the coverage to businesses as well as residential properties. The Government has announced a new and more ambitious target which we look forward to working with them on to ensure that even more people in Worcestershire have access to Broadband and the benefits it brings, not only for commerce but also for leisure.

20. These four themes have worked well and my initial thoughts are that we should keep these four headline themes but refresh the content to reflect where we would like to get to in five years time within each theme. However, as always, we should reflect on what residents, business, our partners and importantly members say during the engagement planned for this summer before finalising the new plan in time for the November Council.

Focused on the views of our residents and businesses

21. Yet again last year we had a successful round of roadshows and I personally find these roadshows a good opportunity to chat with residents from across Worcestershire, and in some case visitors, and hear their experiences, views and concerns firsthand. During the course of last year's round of roadshows we talked to over 800 residents and obtained really interesting data as to what was important to them and what frankly wasn't! Added in to our surveys through Viewpoint, with our business survey of some 1200 businesses, we now have a range of opportunities to gain customer feedback. In terms of the indicators we track, it was good to see satisfaction with the County Council has nudged up another 2 points from 54% to 56%. More significant those feeling we provide value for money had risen by 6 points from 38% to 44%.

22. The key to our residents' wellbeing is not just what the County and Districts do but whether they are satisfied with Worcestershire being a great place to live and 82% of them believe this is the case. However, I can't deny that while satisfaction with our roads has increased it is still a major concern with most of our residents, as across the county traffic has increased as the economy picks up, Worcestershire grows and our Open for Business agenda opens up new development sites. Therefore, we continue to invest in our infrastructure to try to tackle key congestion hotspots and improve journey times by rail as well as road. It is also still slightly disappointing that only 33% of people feel that they can influence our decision-making because we are an organisation that is very focused on the views of residents and I know members from across the political spectrum are very active in their communities.

The Financial Challenge

23. It is clear following the Autumn Spending Review and subsequent Local Government Financial Settlement that the County Council will still be facing a considerable challenge over the next 4 years. So far we have been really successful in balancing the books whilst remaining ambitious. This is in no small part down to Adrian's excellent stewardship of the Council finances over a significant period working with a forward thinking team and his focus on keeping on top of the financial pressure. We continue to benefit from the financial discipline this has instilled in the organisation and our track record has put the Council in a good position to approach its most significant financial gap yet at £34m for 2017/18.

24. However, it is worth reminding ourselves that even at the end of the MTFP period the County Council will still be spending over £1 million per day on services for its residents and businesses. While we will see some down-sizing in the overall number of directly employed staff, we will also be recruiting roughly around 250 people during the next year and will still be one of the largest employers in the local economy. Many jobs that we don't directly employ people to do will still be done by organisations we commission on our behalf and many of those will still be locally based.

25. What will change is the make up of where we get our money from with Government Revenue Support Grant been phased out and our ability to become self sufficient from Council Tax and localised Business Rates being key to our future. We will need to be even more entrepreneurial in the use of our assets and other activities that we can generate an income from will be important. Government have also relaxed somewhat their approach to Council Tax setting in enabling upper tier authorities, such as ours, to levy up to a further 2% Adult Social Care precept to go some way towards paying for the demographic pressures from more people needing our care. Whilst this flexibility is welcome, instinctively I'm not in favour of adding to the Council Tax burden by the maximum permitted level each and every year. We will therefore carefully consider Council Tax levels each year based on the prevailing conditions at the time. This will be a tricky balance and we will all need to be mindful of the long term implications of Council Tax decisions on our income base given that Council Tax accounts for 70% of our income.

26. The challenge to become free of Revenue Support Grant by 2020 is one that we have been preparing for but it will still require considerable effort to deliver. In the long run a more self sufficient Council which can be more responsive to local people rather than reliant on Central Government subsidy and therefore its changes of direction and policy should be better. However, I don't underestimate the risks in the transition to this new funding model and as an overall net contributor of Business Rates to the centre currently we will need to watch carefully, and try to influence, how the policy around the localisation of Business Rates is delivered.

An Enabling Authority

27. As a Council we are constantly looking to reform and refine the way we secure the right outcomes for people and positively shape Worcestershire's future whilst achieving even better value for money. This means we need to try out new things and take some risks to be able to innovate. Not everything will work out; sometimes things will fail to deliver what we expect. I want to foster an atmosphere within the Council and in our relationships with partners where we can push the boundaries and trial new concepts,

ideas and ways of working. The alternative would be to accept that we will only do less following well tried and tested traditional methods of provision and I don't believe this would be in this council or Worcestershire's long term interest.

28. Likewise working with our communities we should encourage and support more self reliance and resilience. Helping people - who can - to do more for themselves and their communities will unlock a greater level of community capacity and sustain those things that we all wish to see continue but which the public sector alone can't afford to do. Co-creating services and facilities also means that what is provided should be better focused on what is actually needed and more likely to be well used and therefore sustainable in the long run. With a growing active older population and a willingness amongst many people of all ages to do something for their community then I believe Worcestershire could do even more to tap into this resource. I readily acknowledge there is much voluntary and community work that already takes place and this would aim to build on that success.

29. Local councillors clearly have a role to play in shaping this agenda and steps like the creation of the Councillors' Divisional Fund and our Localism focus have in my view been a positive step but I'm sure more could be done to support members in their community as well as their council roles. I'm hoping this will be something that the cross party Council working group might be able to advise on.

Our toolkit to deliver financial sustainability and better outcomes

30. Our commissioning programme continues to be a major strand of work for the Council. Commissioning is a key tool to ensure we can deliver the right outcomes and better value for money. It helps us to be clear about what we are seeking to achieve, then sourcing the most appropriate provider and importantly holding them to account for delivery to time, budget and performance. Our commissioning approach has resulted in a vast range of models from Trading Standards, who are moving from a shared service back into a County Council-run service, to the private sector embracing with Jacobs, our design unit, and our HR and Finance functions through Liberata.

31. These models are not new, as those who know the Worcestershire Hub will understand. I do think that we can continue to be more imaginative and braver in the solutions that we will find to implement, since when I look at our Outdoor Education Centres by not being dogmatic we came to 3 very different solutions, all of which have delivered great results in different ways for the young people of Worcestershire. What's important to me is ensuring we use this tool effectively to get the right outcomes at the right price not whether it's delivered by a private, public or VCS organisation.

32. However commissioning on its own will not address the financial gap and so we need to develop our use of other tools. Cost effective prevention and managing demand will also be key to ensuring we can reduce the demand for our higher cost interventions. Working with our partners we need to develop a better way of ensuring those partners that see savings in their budgets also contribute to the upfront cost of the prevention or early intervention service.

33. As well as looking at savings and efficiencies I also want to push harder to seek out new ways to grow our income to close our budget gap. One such example is a piece of work that I'm seeking to develop with our district council partners, who collect and process Council Tax on our behalf, to reduce even further the levels of fraud and error as well as a more consistent picture on the discounts which are available. If we can

achieve the levels of the best performing district across the county and share best practice this could help generate significantly more income.

34. Similarly we have led the way with the creation of Place Partnership and the concept of One Public Estate and there is much good work already. However, I would like to explore more opportunities to generate a return from our assets. We will also be exploring whether investing in the creation of our own capacity to meet the service needs of our customers – like people needing care placements – via building our own provision would be more cost effective than purchasing such places from other providers.

Reaching out across County Boundaries

35. The Government has launched the Midlands Engine to complement its Northern Powerhouse initiative. A really ambitious project to boost GVA by some £34bn over an area from Bredon to Immingham in Lincolnshire and abandoning the old regional structure, it is creating a mechanism and an ambition that is far wider reaching. I believe that we start with some considerable advantages over the Northern Powerhouse in that we have excellent manufacturing firms still in place, ranging from Rolls Royce to GKN to Mazak and Worcester Bosch in our county. Backing this up is the Midlands Connect project which is a sign of devolution from the DfT and they have already signalled their intention to use this as a sub national transport board.

36. With the support of other county leaders I'm now a shire leaders representative on both the main steering group for the Midland Engine, and the Midlands Connect Board. Whilst taking an increasing amount of time I believe this whole midlands concept is gaining traction in Government and will influence significant investment decisions and so ensuring Worcestershire is an active participant I believe will pay dividends in time.

37. The County Council Network continues to grow in strength and we back this up by a regular meeting of Shire Leaders. This was quite an effective mechanism for reflecting back to Government the concerns with the initial settlement and sharing concerns \ lobbying and had some effect in securing the total of £5m transitional support in the final settlement. Likewise, I think it was a good thing that the Council helped the Worcestershire LEP in its stand at MIPIM, and so the county and its County Council continue to be much more outward facing than before.

38. Similarly in our conversations with Government we have presented a coherent and united voice in our pitch for a single county devolution deal. Our plan has genuine buy-in from districts, LEP, Police and NHS. Our 6 priorities are clear; connecting families, health and social care reform, continuing to drive on with our public estates work while promoting a revolving infrastructure and investment fund and taking control of the skills and innovation agenda to ensure that Worcestershire residents have the right skills. Not forgetting a key piece of infrastructure that our county possesses, which is its environment, which is why it is so appealing for people to come and live and work here.

39. Lord Heseltine was genuinely impressed that Worcestershire is working so well and in a joined up way. No issues were raised about our economic performance or public sector reform. However, it is clear that Government are now working on larger geographic footprints than single counties without a mayoral model. Many of the things we want to do with partners we can achieve without Government but it will undoubtedly be somewhat slower and issues around data sharing and different inspection regimes

could hold us back. Therefore we will continue to work with our partners to see what can be done without a devolution deal and assess whether a different configuration or arrangement could achieve our desired outcomes whilst continuing to monitor the progress of those deals already agreed and the evolving position of the Government on deals outside of the City Mayor model. What is clear is that this will be a long drawn out process...

Pension Fund

40. The Pension Fund continues in good health, with the level of assets approaching £2 billion. During the course of the year we have seen some changes in investment into green infrastructure and property investments, we still have a deficit in the scheme but I remain positive about its future and its outlook.

Audit Committee

41. I would just like to thank the Audit Committee for all their work over the past year and in particular Philip Gretton for his contribution as its outgoing Chairman.

Conclusion

42. As a Council we will still spend £1m a day and despite the financial constraints we will make a significant contribution to this county. We will need to change and review the way that we operate to ensure that Worcestershire residents get the best value that they can for their money. I know the transition to becoming a self-sufficient council won't be without its challenges but in the long run I believe it is the right step. I sense the county and the County Council is growing in ambition, and really shaping Worcestershire's future. I remain ever optimistic that this county and its County Council have a great future. Finally, I would like to thank the Cabinet, SLT and the wider workforce and members for the huge contribution they make to improving the county and this council. I'm proud to have the opportunity to lead this Council and look forward to working together on the challenges ahead.

Simon Geraghty

Leader of the Council and Cabinet Member with Responsibility for Finance