Item2

Cabinet

11 December 2018

2019/20 Refresh of the Medium Term Financial Plan 2020 Background Information and Proposals from Corporate Board

Recommendations

Cabinet are asked to

(1) Put forward their draft 2019/20 Budget, taking into account the information presented in this report and the views of Corporate Board on that information.

(2) Authorise the Joint Managing Directors and the Strategic Director of People Directorate to begin any preparatory work necessary to deliver the budget proposals, prior to the final decision on the budget on 7 February 2019.

(3) Acknowledge the work needed to develop the 2020-25 Corporate Plan and supporting medium term financial plan during 2019, as outlined in Section 13, and agree to include the commitment to authorise the work required and take the decisions needed in their 2019/20 budget resolution.

1. Introduction

1.1. In February 2017, Council agreed a One Organisational Plan (OOP) for the period 2017-20. The Plan was supported by a Medium Term Financial Plan (MTFP) that balanced spending need and resources over the three year period. This plan was refreshed as part of setting the 2018/19 budget but, after taking into account the forecast levels of government funding, the key elements of this plan remain unchanged:

- An annual increase in council tax up to the published referendum limit plus an additional 2% adult social care levy each year
- The delivery of sufficient savings to provide for a fully financed, sustainable budget by the end of the plan period
- Fully funding the expected cost of inflation

- Using the medium term contingency and or service reserves held for the management of financial risk to cover the timing differences between the expected cost increases and the delivery of savings.

1.2. On 13 September 2018 Cabinet agreed the timetable and actions for agreeing the 2019/20 budget in an effective and timely way. This required that any recommendations for refreshing the OOP 2020 Plan from Corporate Board are consistent with the overarching outcomes: “Warwickshire’s communities and individuals are supported to be safe, healthy and independent” and “Warwickshire’s economy is vibrant and supported by the right jobs, training, skills and infrastructure” as well as making the best use of the available resources.

1.3. This report makes available, for Elected Members, the latest financial information that will underpin the 2019/20 refresh and the views of Corporate Board and the Assistant Director – Finance and ICT on that information. The financial refresh of the OOP 2020 Plan will, in effect, be the process that leads to the agreement of the budget and the setting of the 2019/20 council tax in February 2019. The information presented in this report is structured over the following areas:

- The financial context within which the budget will be agreed (section 2),
- The strategy adopted by Corporate Board (section 3),
- The proposed funding allocations from Corporate Board and the resultant savings plan (sections 4 and 5),
- The summary revenue budget position (section 6),
- The adult social care budget position (section 7),
- The extent of any flexibility for Members (sections 8 and 9),
- The status of the capital programme (section 10),
- The proposed strategy for balancing the Dedicated Schools Grant (section 11),
- The requirements on the organisation to deliver a balanced budget in 2019/20 (section 12) and
- The approach proposed and commitment needed to develop and approve a financially balanced and sustainable Corporate Plan for the period 2020-25 during 2019/20 (section 13).

1.4. The report will then go on to consider the timetable and next steps between now and when the final decision on the 2019/20 budget is made on 7 February 2019.

2. Context

2.1. The tightness of the financial position and continuing austerity means the approach to setting the budget for 2019/20 remains unchanged. The proposals are based on:

- Continuing to maximise council tax income not just to increase spending power in the forthcoming year but for the additional capacity generated over the longer term. For example, the 3% proposed increase in the council tax (excluding the adult social care levy) will be used to offset the loss of Government grant, with any increase in the need to spend having to be met from savings elsewhere across the organisation's activity.
- A focus on those areas where additional investment is considered unavoidable and to ensuring the resultant budget is sustainable with no residual issues to be resolved in the next planning period.

2.2. Outside of those areas where additional investment is considered unavoidable, services will continue to need to absorb pressures by reprioritising work. Moreover, it is anticipated this will continue to be the norm for the foreseeable future. Similarly, any additional responsibilities not funded through the Local Government Finance Settlement will need to be considered against our current workload.

2.3. The principle of the adult social care 'bubble' has been retained for 2019/20 assuming all increases in the demand/cost of adult social care services are managed within the level of additional income from the 2% levy on council tax and government grants, including the Improved Better Care Fund. The funding envelope for adult social care is considered in more detail in Section 7.

2.4. For all the Authority's other services, when the latest forecast position was reported to Cabinet in September 2018 the report detailed that there was £0.398 million available to meet any emerging spending needs, before any provision for inflation or taking into account any savings to be delivered. (After providing for inflation and if all of the remaining OOP 2020 savings were delivered as planned the available resource was £7.171 million).

2.5. Since September the Government has announced additional one-off grant funding for social care and fire pensions. In addition early indications from the districts and boroughs are that the increase in the council tax taxbase is likely to be higher than the 1% assumed in the September forecasts. Together these mean that the current forecast of the level of resources available to support the 2019/20 budget has increased, from £0.398 million, to £7.700 million of which £2.930[1] million is on-going resource and £4.770 million is one-off. This position, excluding adult social care, is detailed in Table 1 with further details on the changes in the following paragraphs.

Table 1: 2019/20 Predicted Council Revenue Position – All Services excluding Adult Social Care			
	September Report £m	December Report £m	Change £m
Resources			
Government Grants	(26.632)	(31.402)	(4.770)
Reserves	(1.315)	(1.315)	-
Business Rates	(66.806)	(66.806)	-
Council tax	(168.752)	(171.436)	(2.684)
Total resources	(263.505)	(270.959)	(7.454)
Approved Spending			
Base Budget	261.256	261.256	-
Allocations approved in previous years *	1.851	2.003	0.152
Total net spending	263.107	263.259	0.152
Remaining resources	(0.398)	(7.700)	(7.302)

Note

* The additional £0.152 million allocation was approved as part of the Property Services restructure approved by Cabinet in July 2017. It is offset by an additional savings target for the service of an equivalent amount.

2.6. The additional Government Grants totalling £4.770 million are as follows:

- £0.970 million funding to offset the increase cost of firefighter pensions (see section 4.2 below)
- £3.800 million additional funding for social care (adults and children's) announced in the Chancellors budget in November 2018.

Both of these additional grants are one-off funding and cannot be used to support on-going increases in cost without creating a financially unsustainable budget starting position for 2020/21. Also both figures are currently estimates with final allocations and any conditions on their use still to be confirmed.

2.7. The September 2018 Cabinet report assumed a 1% increase in the taxbase. This is in accordance with longer term trends but below the 2.11% and 2.36% increases in the last two years. Given this a review of the taxbase assumption has been undertaken. The taxbase varies between years for one of three reasons:

- Additional dwellings
- Changes in the level of discounts and exemptions, and

[1] The £2.930 million is the £0.398 million from the September Cabinet report plus the additional forecast council tax income of £2.684 million less the £0.152 million adjustment to the base budget of Property Services.

- Changes in the level of council tax support (previously council tax benefit)

The analysis has shown that the increase in the taxbase due to additional dwellings in 1.5% of the overall increases. Given the continued levels of housebuilding across Warwickshire raising the taxbase assumption to a 1.5% uplift for this factor is felt to be appropriate. In addition to this we have already received formal notification from one district of a higher increase. When combining these factors an overall taxbase increase of 2% has been used as the basis for planning. It is the move to a 2% taxbase increase that gives rise to the additional £2.684 million resource shown in the table above. This element of the additional funding is on-going.

2.8. Whilst we remain confident that our financial projections are robust, there are three uncertainties:

- The impact of the provisional Local Government Finance Settlement.
- The final figures and any conditions on the one-off additional grant funding allocations from the Government
- The actual increase in both the council tax and business rates taxbases

2.9. In addition to the available resources identified in the tables above, the September Cabinet report identified that the authority has capacity in the region of £9.0 million within corporate reserves to support one-off projects or time limited allocations, if needed. This would retain the **minimum** in-year level of working capital and level of General Reserves required.

2.10. The Local Government Finance Settlement is due to be announced on 6 December 2018. This should provide additional certainty around the figures in the resource forecasts. An update will be provided prior to the Cabinet meeting of the impact of any changes on the information presented in this report. The final pieces in the resource forecasts – the council tax and business rates taxbases - will not be known until mid-January 2019.

3. Proposed Budget Strategy

3.1. As outlined above there is minimal headroom available to support new allocations in 2019/20 (£2.930 million excluding the additional one-off Government Grant). Alongside this, in the quarterly OOP Progress reports, some Business Units are flagging up the difficulties of managing the on-going delivery of services within the current level of resources available to them.

3.2. In response to this and in line with the Council's overall transformation agenda, a different approach was adopted this year in terms of producing these proposals form Corporate Board. All Assistant Directors were asked to produce a statement of:

- The financial issues for their service in 2019/20
- Any issues with the delivery of the OOP 2020 savings plan
- (if required) Proposals for closing the financial gap relative to the existing OOP 2020 resource envelope
- The alignment of proposals with the transformation agenda
- The key risks for delivering and achieving financial balance

3.3. The purpose of this approach was to place greater emphasis on an evidenced based approach to budget setting. There was also greater emphasis on Assistant Directors producing proposals that identified the options available to Business Units that would enable them to "consume their own smoke". So, for Business Units that were identifying resource shortfalls in 2019/20 options for corrective action were identified.

3.4. When considering these statements from Assistant Directors Corporate Board have adopted the following approach:

- Delivering on Member's objective that the fundamentals of the OOP budget strategy remain unchanged, such that by the end of 2019/20 the budget will be balanced and sustainable into the future with no on-going spending need being funded from one-off resources without an approved exit strategy being in place.

- Ensuring there are sustainable solutions in respect of those services where structural overspends have emerged.

- Expecting, as a priority, that Business Units deal with and absorb additional spending need within their existing resources, using their reserves to manage any evidence-based timing differences, but not to defer decisions into the period of the 2020-25 Corporate Plan.

3.5. Any financial impacts of the uncertainties outlined in paragraph 2.8 are managed within reserves, predominantly the Medium Term Contingency. This will ensure proposals for 2019/20 can be made with a degree of surety.

3.6. For ease of understanding and to ensure all the key issues are fully considered Section 4 considers all services except adult social care and Section 7 outlines the proposed refresh of the adult social care 'bubble' that will continue to develop alongside the negotiations with health over the allocation of the Better Care Fund and the emerging guidance from the Department of Health.

4. Proposed Funding Allocations (excluding adult social care)

4.1. In developing these proposals Corporate Board have been clear that their priorities for 2019/20 should be to ensure their budget proposals deliver the long term financial sustainability of services and to continue to drive forward the implementation of the Council's transformation agenda. This position has not changed. The new demand for resources that is emerging is the impact of the increased cost of the unfunded national pension schemes, particularly for firefighters.

4.2. **Inflationary Costs**

As part of the medium term financial planning framework Council agreed to continue to provide for inflationary costs but also requested a mid-year review to ensure we were not over-providing for inflation. The provision for inflation in the MTFP approved in February 2018 was £6.631 million. This was based on the estimated cost of a 2% increase in pay, prices and contract costs partly offset by assuming more income on all fees and charges. These figures have been reworked based on the latest approved budget and reflecting where specific increases in cost are known. The latest figures show inflation will cost £7.996 million in 2019/20. A breakdown of this analysis is shown in Table 2.

Table 2: Cost of Inflation in 2019/20 (excluding adult social care)		
	£m	
Pay	3.072	Includes impact of National Living Wage in 2019/20
Prices/Contracts	4.796	
Income	(2.381)	
LG Pension Scheme	1.113	Lump sum contribution to fund the scheme deficit. This was known when OOP 2020 was agreed and was already factored into the medium term financial plan
Fire-fighters pension costs	1.198	The Government's actuaries have undertaken a full review of the firefighters national pension scheme. This requires a material increase in the employers' contribution rate to close the identified funding gap. For Warwickshire this additional cost has been calculated as £1.198m. The Government will provide grant in 2019/20 of around £970,000 to partially compensate for this additional cost. However, the cost is on-going and therefore the full amount needs to be provided for on an on-going basis for the budget to be sustainable.
Teachers and those on NHS terms and conditions pension costs	0.198	The Government's actuaries have also undertaken a full review of the teachers and NHS national pension scheme. These also identified material shortfalls that require a material increase in the employers' contribution rate to close the funding gap. No additional funding is expected to offset this additional on-going cost.
Provision Required	7.996	

In making this inflation provision it is acknowledged that the allocation to Business Units for inflation is an approximate cost, recognising that some costs will increase above the standard rate and some below and that once the overall allocation has been agreed a Business Unit should retain the opportunity to allocate the funding provided to reflect where inflation will impact at a local level.

4.3. Proposed Permanent Budget Adjustments

Corporate Board have identified five areas where they are proposing additional budget allocations to meet known spending pressures where no contingency plans have been identified to ensure services financial position at the end of OOP 2020 is sustainable.

The specific proposals for 2019/20, totalling £8.491 million, are as follows:

- Children and Families – £6,775,000 for demand, cost pressures
- School transport - £1,082,000
- Waste management volume and growth - £385,000
- Armed Forces Covenant - £30,000
- Tourism and economic development - £150,000
- Information technology architecture lead - £69,000

Appendix A provides brief detail of the proposed permanent budget adjustments recommended for approval.

4.4. Proposed Time-Limited Allocations

In addition to the £8.491 million permanent budget allocations Corporate Board are also proposing further time-limited allocations of £6.550 million.

The specific proposals, totalling £6.550 million, are as follows:

- DSG overspend - £4,900,000 to fund the forecast DSG high needs overspend in 2019/20 and 2020/21 before the full impact of proposed service changes take effect (see Section 11 for more details)
- LEP growth hub – £128,000 a year for three years (total use of reserves £384,000)
- HS2 - £133,000 in 2020/21 and 2021/22 (total use of reserves £266,000)
- City of Culture - £250,000 a year for 4 years (total use of reserves £1,000,000)

In addition a further £300,000 is proposed be used to phase the proposed savings for the Fire and Rescue Service over two years (see paragraph 5.5).

Appendix B provides brief detail of the proposed time-limited spending budget adjustments recommended for approval.

Supporting these allocations would use over 70% of the maximum available one-off resources. Corporate Board would advise Members not to commit the remaining resource to temporarily support the 2019/20 budget but to retain the capacity and flexibility to support the phasing of any changes needed to deliver a balanced 2020-25 Corporate Plan.

5. Savings Plans

5.1. As part of developing these proposals Assistant Directors were asked to confirm whether their OOP 2020 savings plans were still deliverable as originally planned or if they needed to adjust their savings plans based on experience to date. To maintain the integrity of OOP 2020 this had to be consistent with Members requirement, included as part of the 2018/19 budget resolution that *"where any savings proposal does not materialise to the degree shown, the Head of Service (Assistant Directors) in conjunction with the relevant Strategic Director and Portfolio Holder, should identify alternative proposals to ensure the savings targets are delivered".*

5.2. The proposed savings plan for 2019/20 is attached at **Appendix C**. There are three Business Units where the savings plan now proposed falls outside of the framework outlined above. These are Children and Families, Community Services (in relation to waste management) and Fire and Rescue. The following paragraphs outline the proposed changes to the savings plan for these areas.

5.3. Children and Families

The OOP 2020 savings target for Children's and Families was 4.402 million. The service and financial statement for the Business Unit concludes £4.030 million of these savings can no longer be delivered as planned, with only the £0.372 million from the transformation of children's centres into family centres still being taken forward as originally envisaged. However, the Business Unit is not asking for all of their additional spending need to be met from the available headroom. The recommendations from the strategic review into demand management, a review of the pace of reducing the numbers of children looked after and the planned staffing restructure as well as other minor efficiencies will, in total, deliver savings of £6.898 million over two years. £4.930 million of these savings will be delivered in 2019/20 and it is proposed the difference of £1.968 million forms the first call on the additional government grant for social care detailed in paragraph 2.6.

5.4. Community Services – Waste Management

OOP 2020 included savings in 2019/20 of £643,000 from waste management. £450,000 of these are no longer believed to be deliverable and therefore Corporate Board's budget proposals recommend reducing the savings required from waste management by this amount. This reduction in the savings target is in addition to the £385,000 additional spending needed identified in Appendix A.

The proposal to reduce the savings required from waste management does not diminish the importance of maintaining a continued emphasis on stripping efficiencies out of the service or the drive to progress work with our partners in the Warwickshire Waste Partnership to reduce demand and cost.

5.5. Fire and Rescue

OOP 2020 includes £1.520 million of unidentified savings from the Fire and Rescue Service to be delivered in 2019/20. During 2018 there have been both internal and externally-led reviews of the capacity of the service to deliver savings. The outcome is that Corporate Board are proposing that the savings target for Fire and Rescue is reduced to £0.869 million, with the delivery of £0.300 million to be deferred until 2020/21.

Whilst delivery of savings at this level is below the target included in OOP 2020 the work undertaken to date has identified potential opportunities for a wider reconfiguration of fire stations, including the relocation of core stations and options for greater cross-border working as a result of the Memorandum of Understanding with the West Midlands Service. Taking forward any option is likely to require significant capital investment and provide potential future revenue savings. Members are asked to commit to these opportunities being further explored as part of the development of the next IRMP and the 2020-25 Corporate Plan.

5.6. For other services where there are a few proposed changes to the way the OOP 2020 saving will be delivered, but not to the overall level of savings to be delivered, the changes are detailed in Appendix C. This detail is primarily provided for completeness as they do not impact on the level of OOP 2020 savings to be delivered. Corporate Board are supportive of these revised proposals.

6. Summary Revenue Position

6.1. Table 3 shows the level of available resources from Section 2 and builds in the impact of the spending allocations and revisions to savings plans in Sections 4 and 5. The position excludes adult social care which is considered in Section 7 below. The table shows that with a 3% council tax rise and a 2% increase in the council taxbase there is £1.394 million on-going and £2.150 million one-off funding available for allocation.

Table 3: 2019/20 budget proposals incorporating recommendations from Corporate Board (excluding adult social care)		
	On-Going £m	One-off £m
Available Resources		
Available resources from Table 1	(2.930)	(4.770)
Available Reserves	-	(9.000)
Total available resources	(2.930)	(13.770)
Allocations		
Inflation	7.996	-
Permanent budget adjustments	8.491	-
Time-limited allocations	-	6.550
Phasing of Fire and Rescue savings	-	0.300
Phasing of Children's and Families savings	-	1.968
Savings plan	(14.951)	-
Remaining additional grants pending conditions	-	2.802
Total allocations	1.536	11.620
Remaining resources	1.394	2.150

6.2. The changes to OOP 2020 proposed by Corporate Board include changes to permanent and time-limited spending allocations and savings plans. Table 4 analyses the changes to OOP 2020 by Service.

Table 4: 2019/20 Budget – Proposed Changes from OOP 2020			
	Permanent £m	One-Off £m	Total £m
Available Resources			
September Report	(7.171)	(9.000)	(16.171)
Additional Resources	(2.684)	(4.770)	(7.454)
Change in Allocations			
Inflation	1.365	-	1.365
Children and Families	4.279	1.968	6.247
Community Services (including Waste)	0.865	-	0.865
Education and Learning	1.082	4.900	5.982
Fire and Rescue	0.651	0.300	0.951
Transport and Economy	0.150	1.650	1.800
IT Services	0.069	-	0.069
Remaining additional grants pending conditions	-	2.802	2.802
Remaining Headroom	1.394	2.150	3.544

6.3. Subject to Members making alternative decisions, current Council policy is:

- Any unallocated on-going revenue resource is used to expand the capital programme. The balance of £1.394 million would, if used in this way, increase the resources in the Capital Investment Fund by £17.4 million.
- The unallocated one-off resource is allocated to the medium term contingency to support the delivery of the 2020-25 Corporate Plan.

7. Adult Social Care

7.1. The adult social care service remains in a slightly different position to all other services, given the Government's conditions on the use of the Better Care Fund and the adult social care precept. For this reason for 2019/20 the principle of the adult social care "bubble" has been retained.

7.2. The resources available to the service have increased by £2.405 million as a result of the higher than previously forecast taxbase and the confirmation from the Government that the additional winter pressures grant will again be provided on a one-off basis in 2019/20.

7.3. The service has also reviewed their forecast additional spending need and those elements of the savings plan where deliverability is at risk. The net impact of these changes is that the service is able to create a contingency of £2.200 million that can contribute towards winter pressures. This is summarised in Table 5 below, with the spending pressures detailed in paragraph 7.4 and the revised savings plan in Appendix D.

Table 5: 2019/20 adult social care budget proposals incorporating recommendations from Corporate Board			
	September Report £m	December Report £m	Change £m
Resources			
Grants (inc. Improved Better Care Fund)	(26.947)	(29.147)	(2.200)
Council Tax – 2% adult social care levy	(20.792)	(20.997)	(0.205)
Council tax – fixed main element	(102.373)	(102.373)	-
Total available resources	(150.112)	(152.517)	(2.405)
Spending			
Base budget	142.680	142.680	-
Inflation	5.859	5.000	(0.859)
Provision for spending pressures	3.813	-	(3.813)
Identified spending pressures/investment	-	4.877	4.877
Savings plan	(2.240)	(2.240)	-
Contingency for winter pressures	-	2.200	2.200
Total allocations	150.112	152.517	2.405
Remaining resources	0	0	0

7.4. The identified spending pressures and investment of £4.877 million are as follows:

- Introduction of systems for receipt of direct payments and a provider payments portal – £157,000
- New preventative contracts to replace ad hoc spot provision - £1,332,000
- Refreshed iBCF plans to bring forward service developments that will help to mitigate future demand- £2,388,000
- One year pilot to transfer payment responsibility for adult support from Children's and Families to adults - £1,000,000

7.5. The key strategic concern in relation to adult social care is the longer term position rather than any immediate financial risks in 2019/20. The longer term financial risks revolve around the continuation of the Better Care Fund (where we have an on-going reliance for continued funding of £22 million) and the adult social care precept. It is estimated that post 2020 adult social care will face pressures of around £8 million a year (£3 million for demand and £5 million for inflation). Given this position there is justification for a build-up of reserves to support adult social care as the core budget would be insufficient if current temporary national funding arrangements were changed.

7.6. It should be noted that the principle of the adult social care "bubble" has been used due to the restrictions on the use of funding in relation to the Better Care Fund and the adult social care levy over recent years. This approach will need to be reviewed and its appropriateness reassessed as part of developing the 2020-25 Corporate Plan.

8. Flexibility in the Budget – On-going

8.1. Table 3 identifies the flexibility in the revenue budget and that this would be used to expand the capacity in the Capital Investment Fund if current council policies were followed and no alternative spending needs were identified. The on-going flexibility in the budget arises from three potential sources:

- The increase in the local taxbase
- Varying the level of council tax increase
- Identification of further savings and/or reductions in spending on services.

8.2. Increase in the Local Taxbase

The budget proposals outlined above require 4,000 additional houses in Warwickshire (band D equivalents) to remain in balance. Every additional 250 increases in household numbers above this could generate an additional £0.3 million revenue funding. The Council's current policy is that any growth in the taxbase above that needed to finance the MTFP would be used to increase the funding available in the Capital Investment Fund. This report has been prepared on the basis of this policy continuing. We will not have final confirmation of the likely increase in the taxbase and therefore the level of any potential additional funding available until mid-January 2019.

8.3. Varying the Level of Council Tax

Within the revenue resource forecasts there is only one element of an on-going resource where a decision is needed by Elected Members – the annual council tax rise. Council tax is the biggest source of income the authority receives. Table 6 below shows the increased level of savings that would have to be delivered if the 2.99% increase (excluding the adult social care precept) assumed in this report were varied.

Table 6: Additional savings needed at varying council tax levels	
	£m
0% increase	+8.0
1% increase	+5.3
2% increase	+2.7

In deciding the increase in the council tax in 2019/20 Elected Members need to consider the council tax referendum threshold. The Government has indicated the threshold at which a referendum on the council tax increase will be triggered will be 3%. It is expected this will be confirmed as part of the Local Government Finance Settlement announcement this month. The cost of holding a referendum on a council tax increase above this threshold level is estimated to be about £1 million. This cost would have to be factored into the budget, even if a referendum were unsuccessful.

8.4. **Increased Investment/Deletion of Savings proposals by a Political Group**
The proposed allocations outlined above use most of the available on-going resources currently known. If a Political Group wish to make any allocations in addition to these or delete an existing savings proposal above £1.394 million (see Section 5) then a specific alternative saving will need to be identified and/or an alternative plan for funding any of the issues identified in paragraph 4.3 brought forward at the same time. Only once this has been identified will an implementation plan for delivering the extra saving be developed by the Assistant Director in conjunction with the relevant Strategic Director and Portfolio Holder/Spokesperson.

When making decisions about savings Members are reminded of the need to comply with equality duties and that any replacement proposals may require consultation and an equality impact assessment before they can be implemented.

9. Flexibility in the Budget – One-off

9.1. Our reserves are forecast to be £133.0 million at the end of 2018/19. A breakdown of the forecast level of reserves is shown in Table 7.

Table 7: Reserves Projection				
Reserve	Current Forecast At March 2019 £m	Planned use in 2019/20 £m	Planned use in future years £m	Forecast at March 2020 £m
General Reserves	27.5	(4.0)	(2.9)	20.6
Earmarked – member set conditions	32.3	-	-	32.3
Earmarked – externally set conditions	22.1	-	-	22.1
Specific investment projects	6.6	-	-	6.6
Management of Financial Risk	44.5	(1.3)	-	43.2
Total	133.0	(5.3)	(2.9)	124.8

9.2. The following paragraphs provided a brief commentary on each type of reserve highlighting where there is any flexibility in using some of these funds to support the financial refresh of OOP 2020.

9.3. General Reserves

Legislation requires that the Assistant Director – Finance and ICT make an annual statement on the adequacy of general reserves and provisions. The risk assessment for 2018/19 confirmed that the minimum level of general reserves it was prudent to retain was £18.5 million. General reserves are currently forecast to be £27.5 million by the end of 2018/19.

The risk assessment for 2019/20 will be formally updated and reported to Cabinet in January. There is nothing to suggest that the level of financial risk facing the authority has materially decreased. If anything the increasingly difficult decisions to deliver the required level of savings experienced, the use of reserves to delay/defer delivery and the general level of uncertainty in the wider economy means the underlying level of financial risk is increasing. Consequently, whilst there is a maximum of £2.150 million of the remaining reserves that could be released to support the budget, no commitments should be made until the risk assessment for 2019/20 has been completed.

9.4. Earmarked Reserves

This £32.3 million of reserves is funding that has been set aside for specific purposes and to support specific priorities by previous member decisions. A further £22.1 million is where we have no choice about how the funding is used as the conditions are set externally to the County Council. Table 8 shows a further breakdown of these reserves. Due to the specific purposes for which they are held and the conditions on their use none of these reserves are available to support the 2019/20 budget.

Table 8: Earmarked Reserves	
Reserve	Current Forecast At March 2019 £m
Redundancy Fund	11.9
Insurance Fund	8.5
Corporate Transformation	3.7
Systems Replacement	4.7
Children's Services (adoption and family centres)	1.7
Apprenticeships	0.8
Other including the Local Welfare Scheme	1.0
Earmarked – externally set conditions	22.1
Total	54.4

9.5. Reserves for Specific Investment Projects

The £6.6 million is underspends in previous years that services have set aside to deliver specific projects but where the spending is expected to cover more than one financial year or the final business case is still in the process of prepared. Examples of these projects include flood management, European match funding, investment in the authority's financial systems and the development and management of partnership and trading activities. This resource is not available to support the budget without a decision to stop this activity being made.

9.6. Management of Financial Risk

At £44.5 million the management of financial risk is the biggest reason why the authority is holding reserves. Table 9 provides a further breakdown of these reserves. Over half of this funding is held by the People Directorate and the demand led nature of these services and the expected future levels of demand/cost growth means that holding this level of reserve reduces the level of funding needed to be held corporately to manage the financial risks facing the organisation.

For the corporate risk reserves Corporate Board would strongly recommend that none of this resource is used to support the 2019/20 budget and in particular the medium term contingency is retained to support any phasing needed to ensure the sustainability of the 2020-25 Corporate Plan.

Table 9: Management of Financial Risk Reserves	
Reserve	Current Forecast At March 2019 £m
People Directorate	24.6
Resources Directorate	1.9
Communities Directorate	(0.9)
Corporate	
• Business rate appeals	2.7
• Medium Term Contingency	6.8
• Interest rate volatility	5.4
• Capital Fund (selling costs of assets)	1.3
• Schools in Financial Difficulty	2.2
• Pensions deficits	0.5
Total	44.5

9.7. A final decision about whether there are any reserves over and above those outlined in this report available to support the budget cannot be made until after the Quarter 3 budget monitoring information is available and the outcome of the Local Government Finance Settlement is known. It should be noted that part of the 2018/19 Quarter 3 OOP Progress Report will be seeking agreement to how the overdrawn waste management, education services (including DSG) and children's reserves (totalling around £9 million) will be made good. Whilst in all of these cases recovery plans have been agreed, this will place greater pressure on the reserves held to manage financial risk additional to the proposals in this report. This information will be formally reported to Cabinet in January along with the 2019/20 risk assessment of the minimum level of General Reserves. As a result, no one-off funding, outside of that identified in this report, should be used to support the budget at this stage.

10. Status of the Capital Programme

10.1. The 2017/18 budget saw the introduction of an integrated Capital Strategy for the period of OOP 2020. This strategy put in place a long term maintenance programme for the authority, with all other capital resources being allocated to a Capital Investment Fund (CIF). The evaluation criteria and process for all bids for capital resources seeking support was approved by Members in March 2017. This ensures a focus for the allocation of capital resources on the delivery of OOP 2020.

10.2. As part of the 2017/18 budget Members also approved the use of any growth in the tax base above that needed to finance the MTFP would be used to fund the financing costs of extra borrowing. Over the last two years this equated to additional borrowing (and available capital resource) of £51 million.

10.3. Corporate Board has undertaken a light touch review of the capital strategy for 2019/20 in advance of a more fundamental refresh as part of developing the 2020-25 Corporate Plan. The proposed strategy is attached at **Appendix D**. The strategy proposes no changes to the capital programme and assumes the retention of the approach put in place in 2017/18 is retained. However, there are four areas where the content of the strategy has been clarified. These are:

- The schools capital programme and how the investment needs going forward are determined and managed.
- A rebalancing of the CIF evaluation criteria to ensure the delivery of projects which have the biggest direct, measurable impact on the key objectives or are invest-to-save projects that deliver future revenue savings are prioritised.
- How the current and proposed capital programme supports the delivery of the key objectives.
- Additional detail on how the overall capital programme is financed.

Due to the extent of the statutory/regulatory content the strategy itself is a relatively long document. An executive summary of the key elements is currently being prepared and this will be reported to Cabinet as part of the budget update report on 22 January 2019.

10.4. The proposed strategy for 2019/20 remains reliant on the commitment to meet the revenue costs of borrowing £20 million a year plus the allocations to the Capital Investment Fund from within the approved revenue budget. For the 2020-25 Corporate Plan there will need to be a more fundamental review of the strategy to consider:

- The business driven and innovative use of capital to support transformation
- The determination of prudent, sensible borrowing levels for the longer term
- The future balance between capital and revenue spend, and
- The identification of where capital investment could support the delivery of revenue savings.

11. Sustainability of Spend Funded from the Dedicated Schools Grant

11.1. As a result of the material overspend in 2017/18 and the forecast structural deficit for 2018/19 and future years in spending on services and support for those pupils with special educational needs Members required that a review of the centrally managed DSG be undertaken during 2018/19 to come forward with proposals for bringing the DSG back into balance. This section of the report provides details on the outcomes of that review.

11.2. To achieve transparency, and in the context of funding pressures, the County Council has undertaken a line by line review of the centrally managed DSG. An independent expert was commissioned to complete the review. He conducted interviews with service managers across the County Council and completed benchmarking exercises. The findings of the DSG Review were reported to the Council's Corporate Board in July 2018.

11.3. The total structural deficit for which a long term solution needs to be identified is £4 million.

11.4. **Reduce the in-year deficit in the High Needs Block in 2019/20**
It is proposed to reduce the High Needs Block deficit by just over £2.500 million from April/September 2019.

11.5. In **SEND and Inclusion Services**, a £1.500 million reduction could be achieved (see Table 10).

Table 10: Proposed Spending Reductions in SEND and Inclusion Services	
Service Change	£ million
Recouping 100% pupil funding from schools for Flex-learning services	0.033
Recouping pupil funding from schools for Flex-learning services from day 1 (not as currently after 6 weeks)	0.030
Reduce SLA with Educational Psychology Services and trade with schools	0.140
Remove vacant posts in the Integrated Disability Service	0.150
Remove Social, Emotional and Mental Health capacity building funding	0.100
Remove Designated Speech and Language provision from September 2020	0.247
Reduction in primary support Specialist Teaching Service and bespoke training	0.754
Reduction in Team Teach training used to support those exhibiting challenging behaviour	0.023
Reduction in co-production officers	0.023
Total	1.500

11.6. For the purpose of clarity it should be noted that funding reductions on this scale can only be achieved through staffing reductions and a redesign of current services whilst complying with statutory requirements.

11.7. Implementation of the new SEND and Inclusion Strategy outlines how risks could be mitigated, and how outcomes for learners could be safeguarded.

11.8. It is proposed to reduce **Area Behaviour Partnership funding** by £1.008 million from April 2019 as follows:

- Cease direct contributions to schools (£0.189 million). These payments have been used to fund Learning Support Units (LSUs) in schools as well as Alternative Provision for children on the school roll.
- Reduce Alternative Provision placement costs using alternative strategies to permanent exclusions (£0.220 million).
- Reduce transport costs which are charged to the DSG, for example through a review of transport process and provision to reduce dependence on taxis (£0.314 million).
- Generating income from reclaiming pupil funding from schools for permanently excluded pupils (£0.285 million).

11.9. In addition to these two material changes, two further changes are proposed to reduce the reliance on DSG to fund core safeguarding activity. These changes would save a further £0.071 million:

- Removing the contribution from the DSG to the running costs of the Safeguarding Board (£0.019 million)
- Reducing or trading the Taking Care service operated by the Safeguarding Team (£0.052 million)

11.10. **Summary of proposals for the High Needs Block in 2019/20**
If implemented, the proposals above should realise up to £2.579 million savings in the High Needs Block in 2019/20 (some savings might not be realised until September – the start of the new academic year, rather than April, the start of the financial year). Assuming flat-line demand that leaves around £1.4 million further savings options to be identified and delivered to bring the DSG back into balance.

11.11. **Approach to bringing the High Needs Block back into balance from 2020 onwards**
There will be longer term savings as a result of focusing on reducing out of county high spend on independent placements. This involves developing a more inclusive culture in Warwickshire schools, accelerating the rate of opening of resource provision, and focusing on tightening assessment processes. As a result, over time, Warwickshire's number of Education, Health and Care Plans should be brought back into line with national and statistical neighbours, particularly for Moderate Learning Difficulties (MLD) and Social, Emotional and Mental Health (SEMH). The long term effect should be to reduce the total spend on place funding and top up funding.

11.12. The proposals for the use of the available general reserves are consistent with these proposals of the approach being adopted to bring the DSG back into balance over the medium term. Consultation will be required prior to the implementation of some of these proposals.

12. The Need for a Balanced Budget

12.1. In putting forward their proposals Members are reminded that local authorities are required by law to have a balanced budget. However what is meant by 'balanced' is not defined in law. A prudent definition of a sustainable balanced budget is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term.

12.2. To avoid an unbalanced budget the Local Authority has to be financially resilient. Setting a clear medium-term financial plan helps clarify expected income and expenditure. Accurate awareness of the funding available in the forthcoming years means the Council stands a better chance of balancing the budget. Reserves are a useful option for balancing the budget in the short-term. However, reserves should not be used to pay for day-to-day expenditure and it is important that they are replaced when the short-term need has passed. Therefore, the financial plan for 2019/20 needs to be fully balanced on an ongoing basis, with no ongoing spending funded from one off resources meaning the 2020-25 Corporate Plan starts from a deficit position.

12.3. If the budget is unbalanced then the Chief Finance Officer, supported by Corporate Board will have to consider issuing a Section 114 notice. Such a notice is only given in the gravest of circumstances, as during that time spending and other financial activity is suspended and the External Auditors and the Ministry for Housing, Communities and Local Government (MHCLG) may then have to take over the running of the Authority.

13. Development of the new Corporate Plan 2020-25

13.1. The Corporate Plan 2020-25 will bring together service and financial planning arrangements as part of the authority's new operating model. This is being developed so that commissioning strategies, key business measures and performance management requirements are all aligned and consistent with the available resources of the authority.

13.2. This alignment is important because local authorities are required by law to have a balanced budget and, whilst what is meant by 'balanced' is not defined, it is required to be robust and sustainable and based on sound assumptions which shows how income will equal spend over the short- and medium-term.

13.3. Since 2011, we have adopted a stepped approach to the development of our medium term financial plans and have a track record of delivering savings. As no agreed plans for how the authority will deliver a balanced budget over the medium term are in place, as part of agreeing the 2019/20 budget there is also the need to set out a clear approach to developing the next medium term financial plan and demonstrating a commitment to undertake the work and take the decisions required.

13.4. Agreement of the approach for developing the 2020-25 Corporate Plan including the setting of a new medium term financial plan, will allow us to demonstrate that the finances of the authority are allocated in accordance with the priorities of the organisation and that they remain robust and our service delivery is sustainable. The proposals for the medium term financial plan will need to be worked up in the first half of 2019 and identify further savings of £40 million to £58 million over the five years 2020/21 to 2024/25, with a mid-point of around £49 million.

13.5. This is slightly lower than the level of savings required from the last two OOP plans as a result of our reduced reliance on government grants as part of our core funding. (Reductions in grant funding from central government have been the main method through which central government has driven the austerity agenda through local government).

13.6. The proposed approach for developing the 2020-25 Corporate Plan will form part of the next budget update report to Cabinet in January 2019 and subject to their agreement to the proposed approach Members will need to agree the approach and their commitment to delivering the resulting service changes as part of their 2019/20 budget resolution.

14. Timescales and Next Steps

14.1. The Local Government Finance Settlement is expected to be announced on 6 December 2018. The impact of this announcement will be reported to Members at Cabinet in January, at the latest. Council will then make the final decision on the 2019/20 budget at their meeting on 7 February 2019.

14.2. The proposed timetable is shown below.

Approach to Agreeing the 2019/20 Budget	
Date	Report
6 December	Provisional date for the announcement of the Local Government Finance Settlement
11 December	Report to Cabinet from Corporate Board on their budget proposals
14 December	Cabinet release their initial response to the proposals from Corporate Board
December and January	Political Groups develop their response to the proposals based on the information provided in the December Cabinet report and the Cabinet's response
22 January	Report to Cabinet outlining final information to be used in setting the budget. Cabinet release the Conservative Group's 2019/20 budget resolution(s)
31 January	Opposition Groups release any amendments to the Conservative Group's proposals
4 February	Comparison of budget resolutions released
7 February	Council agree 2019/20 budget and council tax

14.3. The budget for 2019/20 will be agreed based on the new organisational structure. Currently there are still on-going discussions, at the margins, about where the responsibilities and accountabilities for individual services lie. As a result the budget update report to Cabinet on 22 January 2019 will be the first opportunity to re-present the information in this report and the appendices into the new structure for 2019/20.

15. Background Papers

15.1. None

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Elected Members have not been consulted in the preparation of this report.

Appendix A

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Permanent Funding

Business Unit	Title	2019/20 £000	Commentary
Children & Families	Residential Placement framework contracts	100	There will be a minimum increase in residential framework costs of £100k due to the regional residential framework increasing unit costs by at least 4% by 31.03.2019.
Children & Families	Allowances	631	Allowances related to Special Guardianship Orders (SGO), residence orders, child arrangement orders and adoption orders are forecast to be overspent by £631k.This relates to £171k of growth in the number of statutory orders. The remaining £460k relates the requirement, as a result of case law and Ombudsman findings nationally, that require local authorities to have parity between SGO and fostering allowances.
Children & Families	CLA increase in Placements	3,741	To fund overspends on placements for children in care being carried into 2019/20. This relates to overspending in the Children’s Disability Team of £776k in residential care and £338k in external foster care. The remaining £2.627m is due to savings not being achieved as originally planned.
Children & Families	Leaving Care (& CDS) Post 16 Accommodation & Asylum	1,212	16 plus and asylum accommodation is overspending by £1.212m. This relates to care leavers supported accommodation costs which is £716k overspent. Unaccompanied asylum seeking children (UASC) accommodation costs have increased above the level of the government grant by an estimated £246k. The remaining £250k relates to forecast growth in client numbers.
Children & Families	Young Carers Contract	50	The external funding used to fund this activity has been withdrawn. The allocation is to enable the service to be maintained.
Children & Families	Integrated Community Equipment Service (ICES)	125	An element of the funding for the ICES in relation to children's services was one-off. The allocation will enable the current levels of activity to be maintained.
Children & Families	Loss of Priority Families Government Grant	371	An allocation to replace the £371k loss of priority families grant in 2019/20

Appendix A

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Permanent Funding

Business Unit	Title	2019/20 £000	Commentary
Children & Families	Invest to save - Different Futures	150	The £150k funding for Different Futures ends in 2018/19. This project works with parents to prevent repeated incidents of children being removed from their care and this allocation would allow the project to continue.
Children & Families	Pressures on the service as a result of non-delivery of savings plan	395	Continuing to fund on-going spend from temporary funding on an annual basis is not sustainable. This allocation will ensure the Children and Families Business Unit is funded on a sustainable basis going forward.
Education & Learning	Home to School transport	1,082	Pressures on Home to School Transport as a result of increase in school age population and the increase in the proportion of pupils with SEN requiring personalised transport solutions.
Community Services	Waste Management Volume & Growth	385	Growth in housing is creating additional pressure on the service combined with inflationary costs from contracts and recycling credits. These pressures are partially offset by increased tonnage delivered to the Coventry Incinerator
Community Services	Armed Forces Covenant	30	To provide a permanent source of funding for this activity, reflecting the County Council's policy commitment.
Transport & Economy	Tourism	90	Additional 3 year funding was allocated as part of the WCC budget setting for the period 16/17 - 18/19. The 3 year forward plan for Tourism 2018-22 builds on the work done to date in support of this key sector and maximises opportunities arising from the City of Culture and the Commonwealth Games for Warwickshire. Additional budget is required in order to maximise delivery of the new forward plan which will allow us to be more proactive with Partners and direct resources to supporting local Warwickshire tourism.

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Permanent Funding

Business Unit	Title	2019/20 £000	Commentary
Transport & Economy	Promotion of Coventry and Warwickshire Economic Growth	60	The County Council has been an active partner in the Coventry & Warwickshire Economic Growth partnership, which annually attends the world's largest property event to raise the profile of the Coventry & Warwickshire area on a global stage; promote the investment opportunities within the sub-region; develop new and stronger relationships with key partners, stakeholders and businesses who may be looking to invest in the local area; and promote key sites/areas of investment of importance to the County Council and Warwickshire. There is no core budget for this expenditure, however attendance is a WCC partnership commitment in the medium term and therefore a sustainable source of funding is required.
IT Services	Information technology architecture lead	69	A strong theme of ICT strategy work over the last 18 months, and the more recent Digital programme, has been the need to establish an architecture team to support the role of a Design Authority and to steer organisational strategy and investments in relation to digital and technology. Whilst the capacity for the team itself will be created from the re-organisation and refocus of existing resources for the work to be effective there is a need to create a new lead/manager role for the activity that does not currently exist.
	Permanent Allocations Proposed	8,491	

Appendix B

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation Time-limited Funding

Business Unit	Title	2019/20 £000	Future Years £000	Total £000	Commentary
Education and Learning	DSG Overspend	3,300	1,600	4,900	The service redesign, as set out in Section 11 of the report, is only likely to begin to take effect towards the end of 2019/20. Therefore the total call on corporate reserves could be as high as £3.3m in 2019/20 and a further £1.6m in 2020/21 given the forecast overspend in 2018/19 of £4 million.
Transport and Economy	LEP Growth Hub	128	256	384	The County Council (along with the other local authorities in the area) provided initial funding to establish the Growth Hub, and for the past two years have provided further revenue funding of £100,000 p.a. to support the operations of the Growth Hub (agreed in the February 2017 Budget Resolution of the Council). A proposal for a further three years of funding has been put forward by the Growth Hub for the period 2019/20 to 2021/22. This is for £128,000 for three years after which time it is hoped the Growth Hub will become financially sustaining.
Transport and Economy	HS2	0	266	266	A one-off allocation of £200k for 2019/20 was approved as part of OOP 2020. However work on HS2 will continue beyond 2019/20 and therefore it is proposed to fund the work for a further two years at a cost of £133k a year.
Transport and Economy	City of Culture	250	750	1,000	To fund investment in City of Culture projects over the next four years.
	Total Time-limited Funding Proposed	3,678	2,872	6,550	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Community Services Business Unit			
Youth Justice Service - a service redesign focussed on reactive court ordered activity with a reduction in staffing and management costs as a result	OOP 2020	222	
Waste Management - a reduction in the waste tonnage going to landfill	Adjusted	193	This savings target was £643,000 in OOP 2020. However only £193,000 of this is now felt to be deliverable given the demand pressures facing the service and therefore Corporate Board propose reducing the OOP 2020 savings target by £450,000.
Communities Resources - a reduction in activity and staffing to focus on statutory activity such as freedom of information requests and information governance matters.	OOP 2020	21	
Heritage and Culture - a refocus of services on the Market Hall Museum, the County Records office and income generation	Replacement	80	The original OOP 2020 savings proposals were not sufficiently progressed to be confident of delivery. Therefore alternative proposals have been developed
Total for Community Services		516	
Education and Learning Business Unit			
Access and Organisation; a reduction in planning costs, the removal of funding for vacant sites and removing the provision for the set-up costs of new schools	OOP 2020	35	
Stop funding redundancy costs for schools and only provide for existing commitments	OOP 2020	121	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Total for Education and Learning		156	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Fire and Rescue			
Reduce the number of fire engines at Stratford and Coleshill fire stations	New	200	Reducing the number of fire engines from 2 to 1 at Stratford and Coleshill, through removal of the retained pumps.
Reduce the budget for pensions and ill-health retirements	New	100	The proposal reflects the recent risk assessment of ill-health retirement frequency and likely costs if they were to arise.
Introduction of a single control room as part of the work on the MoU with West Midlands	New	300	This reflects the latest estimate of the costs that could be saved. Work is on-going to identify the split between staffing versus software costs and other related expenditure.
Use of reserves (one-off) to provide funding for phasing as it is unlikely the control room savings will materialise in 2019/20	New	(300)	
Asset reductions and reconfiguration of fleet maintenance	New	85	The outcome of a wider approach to fleet provision, procurement and maintenance in collaboration with West Midlands. This will reviewing the assets required as part of service reconfigurations
Health and Safety services	New	46	A reduction in cost as a result of combining the service with the health and safety services of West Midlands Fire.
Review of wholetime deployment, with a view to reducing the number of wholetime firefighters	New	138	The review of resources across the county has identified that there are opportunities to remove some wholetime posts at various stations by modifying existing staffing arrangements
Total for Fire and Rescue		569	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Transport and Economy Business Unit			
Increased income as a result of pricing changes in Design Services, bringing our charges in line with the sector norm.	OOP 2020	50	
Generate income by an increase in the fees payable for licences and permits, including skips, scaffold, street café licenses and vehicular access requests.	OOP 2020	5	
Increase income targets to reflect current activity levels from Section 184 and Minor Works, Section 38 Agreements and pre application advice for highways.	OOP 2020	10	
Increase parking income as a result of re-tendering for the Civil Parking Enforcement operation, increased residential parking permits and on-street parking charges	OOP 2020	44	
Increased income from the permit scheme for working on the highway as a result of systems development efficiencies and a more targeted site inspection regime will ensure compliance with permit scheme approvals.	OOP 2020	165	
Energy savings as a result of the capital investment into LED technology within our street lighting stock.	OOP 2020	300	
Increased income from the current portfolio of business centres as a result of sustained higher levels of occupancy and through pro-active measures to improve service quality to enable increased rents in line with market conditions.	OOP 2020	30	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Increased income and surplus from County Fleet Maintenance following the installation of an MOT test facility at the new Hawkes Point site.	OOP 2020	25	
Generate new income from the implementation and operation of a highway permit scheme for Solihull MBC. The County Council currently manages a similar permit scheme for Coventry City Council.	OOP 2020	25	
Winter gritting route optimisation as a result of rationalising depots to a single south depot.	OOP 2020	25	
Reduction in depot maintenance costs as a result of rationalising depots to a single south depot.	OOP 2020	75	
Increased income by the introduction of a new charging schedule for parking permits, including a consideration of a business parking permit scheme.	OOP 2020	698	
Increased income by developing portfolio of business centres, creating new units in areas of demand to support local economic growth and generate a positive financial return to the Council	OOP 2020	80	
Total for Transport & Economy Business Unit		1,532	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Children and Families Business Unit			
With the exception of the saving in relation to Children's Centres all other planned OOP 2020 savings in the business unit have been detailed (£4.030m) and replaced by the new savings listed below	Removed	0	
Children's Centres - a redesign of the service to reflect targeting support on those with greatest need	OOP 2020	372	
Demand Management - through closer performance management, a new model and approach to risk and locality driven support based on intelligence and hot spots resulting in the ability to better target resources	New	2,000	This saving is as a result of the proposals coming from the Strategic Review of demand management undertaken as part of the Council's transformation work.
Reduction in the demand for legal services	New	150	The saving will flow from the success of the work on demand management
Delivery of a reduction in the need for children to become or remain looked after in Warwickshire	New	2,760	This is a replacement saving for the previous higher target of reducing the number of children looked after. It is based on the outputs from the strategic review.
Reduction in staff costs	New	1,316	The saving results from the restructure of the Children and Families Business Unit that underpins the transformation of the business unit to the new operating model.
Develop the use of independent boarding's schools	New	150	
Efficiencies in staff and client travel resulting in an overall reduction in costs	New	150	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
One-off funding to phase the delivery of the new plan	New	(1,968)	One-off funding met from the additional grant for social care announced in the Chancellors budget. The saving proposals affected are those in relation to demand management and the reduction in the numbers of children looked after.
Total for Children and Families		4,930	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Public Health and Strategic Commissioning Business Unit			
Drugs and Alcohol - a reduction in costs, prioritised through a redesign and recommissioning process	OOP 2020	923	
Healthwatch - re-tendering and redesign of the service to allow greater use of different channels, of volunteers and alignment with other similar agencies	OOP 2020	45	
Dietetics	Removed	0	Community Dietetics is now an integral part of the Dietetics Service delivered by SWFT on behalf of the 3 CCGs and therefore this saving is no longer available.
Reduce staffing and overheads across the Business Unit	OOP 2020	200	
Smoking Cessation - redesign services to accommodate the changes in how the public are choosing to quit smoking	OOP 2020	100	
Health Visitors and Family Nurse Practitioners - reduction in costs, prioritised through a redesign and recommissioning process	OOP 2020	735	
Advocacy - retendering and redesign of the service, combining the two advocacy approaches into one (see proposed saving from Healthwatch)	OOP 2020	85	
Additional efficiencies across the Business Unit including a review of staff vacancies, efficiencies in the Fitter Futures budget and re-alignment of young carer budget support	New	200	The service plans to use reserves to cover the alternative saving in 2019/20 whilst the work needed to deliver the permanent replacement savings for 2020/21 is taken forward

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Reduction in the Housing Related Support Programme through a further redesign of the service to ensure support is provided to the most vulnerable, supporting individuals to become more independent and self-sufficient. Review of contracts with a view to reducing costs/services, including decommissioning some specialist services and re-modelling and recommissioning generic housing related support services.	OOP 2020	400	
Reduce and reshape the staffing structure within the Business Unit and a reduction in programme and management support	OOP 2020	122	
Integration of existing commissioning functions into a single commissioning service and generation of an income stream through joint commissioning with and on behalf of partner organisations	OOP 2020	25	
Reduction in historic pension costs that will decline naturally over time	OOP 2020	12	
Reduction in the contingency and projects budget of the Business Unit and the delivery of a rationalised Head of Service structure once the redesign and transformation work has been delivered.	OOP 2020	122	
Rationalisation of the system supporting the Local Authority Designated Officer function with the main social care ICT systems to enable a saving in licensing costs and reductions in Google licence costs	OOP 2020	20	
Reduction in business redesign and collaboration functions and funding for service specific learning and development activity	OOP 2020	31	
Total for Public Health & Strategic Commissioning		3,020	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Customer Services Business Unit			
Increase income from the Registration Service	OOP 2020	35	
Reduction in Library and One Stop Shop and Customer Service Centre management and support staff consistent with the restructure and redesign of these services	OOP 2020	90	
Total for Customer Services		125	
Finance Business Unit			
The service will reduce the number of staff it employs to support both service managers and Elected Members for budget setting, quarterly financial monitoring and final accounts, by focussing more on training and on-line support and redesigning services to improve the "financial literacy" of the organisation.	OOP 2020	5	
The service will reduce the need for current staffing capacity by focussing on greater use of standardised processing of transactions, less manual intervention and exploring the benefits of a broader transactional service across the organisation.	OOP 2020	90	
Total for Finance		95	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Human Resources Business Unit			
Workforce Strategy and Organisational Development Service - Redesign the service reducing management and team capacity; streamlining learning and development processes with the HR Service Centre and reducing spend on corporately funded learning.	OOP 2020	49	
Implement a new HR and payroll system to replace HRMS and restructure the HR Service Centre. This will include the review of charges for all external customers	OOP 2020	229	
The purchase of the new HR and payroll system will provide an alternative learning management and e-learning option resulting in the decommissioning of WILMA and a reduction in the current licence costs.	OOP 2020	31	
Total for Human Resources		309	
IT Services Business Unit			
Savings in the costs associated with the management of the Service. It also includes an option to offer staff alternative working arrangements such as reduced hours.	OOP 2020	65	
Reduction in the costs associated with the management and support of the ICT Infrastructure equipment that is used to deliver our ICT systems and related facilities. This includes savings associated with the introduction of a new modern telephony service, further contract benefits and adoption of a capital approach for some projects/products.	OOP 2020	100	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Reduction in the funding associated with the provision of ICT Help Desk and Support Services, and a further reduction in the volume and costs of the personal computing facilities provided to staff and elected members.	OOP 2020	140	
Savings in the staffing budget for the Strategy, Programme and Information Team as Project and Programme management support capacity is reduced as part of the general reduction in size of the Council.	OOP 2020	100	
Total for IT Services		405	
Law and Governance Business Unit			
Increased surplus from external legal work - combination of reducing operating costs, increasing utilisation and delivering more external hours to external customers at increased hourly rates.	OOP 2020	34	
Total for Law and Governance		34	
Performance Business Unit			
Reduction in management and operational capacity through streamlining processes and redesigning the service.	OOP 2020	45	
Reduction in software tools and procured data sets which are used to provide insight and intelligence in support of transformation and service delivery for the Council.	OOP 2020	10	
Reduction in the contingency & project budget of the Business Unit and the delivery of a rationalised structure	OOP 2020	60	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Reduction in Business redesign & collaboration functions and funding for service specific learning & development activity.	OOP 2020	35	
Total for Performance		150	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Property Services Business Unit			
Reduction in the Council's borrowing costs as a result of using capital receipts from the sale of land and buildings (both urban sites and smallholdings) to reduce long term debt	Adjusted	955	The revised savings plan for Property Services was approved as part of the restructure and 5 year plan agreed by Cabinet in July 2018. The total level of Savings to be delivered has not changed.
Release of contingency	Adjusted	85	
Repayment of Hawkes Point self-financed borrowing	Adjusted	198	
Rental income from Educaterers	Adjusted	21	
Reduced maintenance of the smallholdings estate	Adjusted	7	
Review of facilities management budgets, service specifications and IT interfaces	Adjusted	49	
Use of one-off resources to match the timing of when capital receipts from the sale of strategic sites are expected to be received	Adjusted	(473)	
Total for Property Services		842	
Total Proposed Savings (excluding Adult Social Care)		12,683	This figure is net of the use of reserves for the Fire and Rescue service (300k) and Children and Families (1,968k) that will be offset in 2019/20 only by the use of corporate reserves/grants. Excluding these means the savings plans proposed require services to deliver savings of £14.951 million on an on-going basis.

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
Social Care and Support			
Ensure the personal budget offer is consistent and appropriate to need, including the use of the Resource Allocation System	Adjusted	0	Savings unable to be delivered are offset by reductions of demand through early intervention and prevention
Increased reliance on mainstream transport solutions to enable customers to access the services they need	Adjusted	0	Savings unable to be delivered are offset by reductions of demand through early intervention and prevention
Service redesign for Social Care and Support teams (except Reablement - separate savings plan), reshaping the workforce to meet the future model of adult social care	OOP 2020	550	
Use alternative 24 hour care options e.g. extra care housing and supported living	OOP 2020	625	
Develop and shape community alternatives and improve social capital to reduce demand on statutory social care services	Adjusted	0	Savings unable to be delivered are offset by reductions of demand through early intervention and prevention
Alternative solutions for low level needs for home care e.g. assistive technology, information, advice and community resources	OOP 2020	184	
Remodel direct payment employment support services	OOP 2020	150	
Reshaping the information and advice contract aimed at supporting people to return home safely from hospital	OOP 2020	100	
Reduction of demand through early intervention and prevention, with the demand for social care not increasing as budgeted in 2018/19	New	631	Partly due to income from client contributions increasing at a greater rate than spend on new clients and partly due to the proportion of Older People not increasing in line with demography.
Total for Social Care and Support		2,240	

Appendix C

2019/20 Budget Refresh - Proposals from Corporate Board for the Allocation of Savings Plans

Description of change proposed	Savings Classification	2019/20 Savings Plan £'000	Explanation of adjustments or new savings
WCC TOTAL		14,923	

Appendix D

Integrated Capital Strategy 2017-2020

Introduction

We have over many years invested in assets that have a lasting value, for example land, roads, buildings and large items of equipment and vehicles. Each year we need to spend more money to ensure our assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements.

This Capital Strategy sets out how we aim to use capital resources to achieve our vision “To make Warwickshire the best it can be” and deliver our corporate priorities through to 2020.

It outlines the structure of our capital programme, describes how we determine the content of and finance our capital programme and provides an overview of how our capital programme is managed.

Our Capital Programme

Our capital programme cannot be viewed in isolation. It influences and is influenced by many strategies and plans and forms part of an integrated plan for the organisation that has the delivery of the One Organisational Plan as its key driver. Some of the other plans that link directly to the Capital Strategy are the Strategic Economic Plan, the School Sufficiency Strategy, corporate and service asset management plans and the Treasury Management Strategy.

Our commitment to an integrated approach impacts in how our capital programme is developed and prioritised, with an organisation-wide approach to determining our capital investment priorities, rather than this being determined in relative isolation by individual services. This aims to ensure our scarce resources are used in the most effective way.

Spending is included within the capital programme where we expect it to result in future economic (asset value) or service (asset performance or life) benefits. This covers both purchase of new long-term assets and improvements to existing ones, and is consistent with the approach required in the CIPFA Code of Practice in Local Authority Accounting. Some of our spending allocations are to either purchase or improve an asset belonging to another organisation or individual; in these circumstances, we include the expenditure in the capital programme for budget setting and monitoring processes, but follow the Code of Practice's requirements for accounting treatment to ensure it does not increase the net worth shown on our Balance Sheet. We operate a general de minimis of £6,000 on a project-by-project basis (£3,000 where the spend relates to primary schools or nurseries); expenditure below this level is treated as revenue and not part of the capital programme. Further details of our capitalisation policies can be found in the Accounting Policies section of our Statement of Accounts, published on our website.

There are two broad strands to our capital programme:

- A maintenance programme that ensures our assets continue to be fit for purpose and able to support the delivery of services, and
- An investment programme that creates and develops new assets.

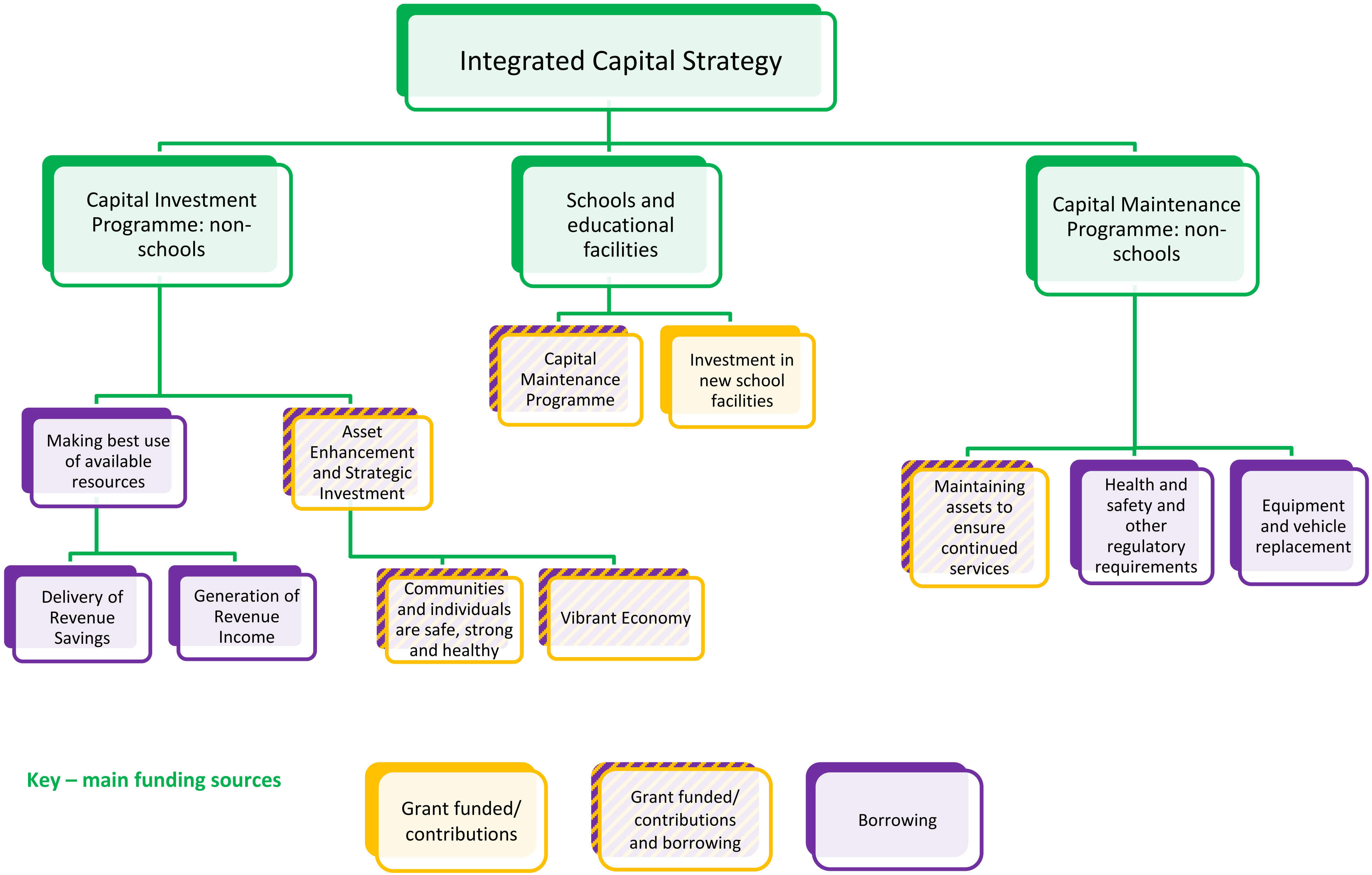
Each programme has a number of strands that ensure a clear focus on the purpose of capital spending and the prioritisation of proposals.

These approaches are underpinned by a number of specific service asset management strategies, including:

- The Asset Management Framework and Property Strategy
- The Highways Asset Management Strategy and the Highways Asset Management Policy
- The ICT Devices Strategy
- The Education and Learning Sufficiency Strategy

Links to these strategies can be found in **Annex A**. If any of these strategies are revised during the year as part of our on-going service transformation and redesign programme, any consequent changes to this strategy will be considered at the same time.

The diagram below shows the overall structure of our capital programme, with colouring to indicate the major sources of funding for each element.

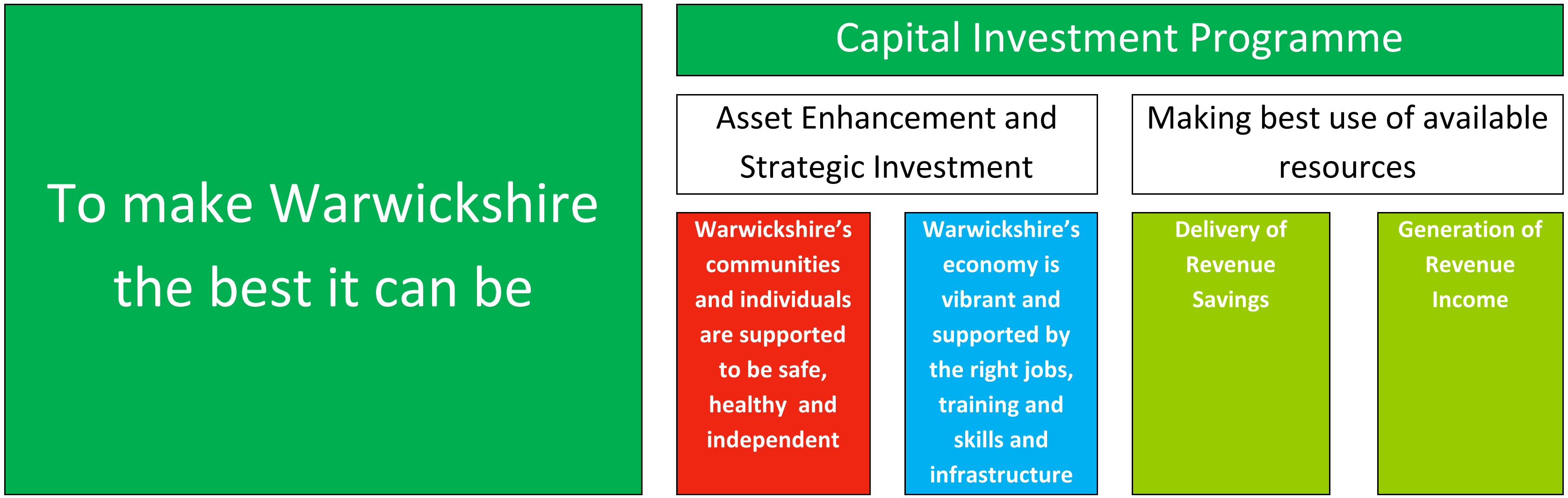


Capital Investment Programme: non-schools

Any capital spending not included in the maintenance programme automatically forms part of our capital investment programme. Investment schemes are, by their nature, not routine and are only considered if they move the organisation towards the delivery of the corporate outcomes. Allocations in the capital investment programme support the delivery of one of the following outcomes:

- Warwickshire's communities and individuals are supported to be safe, healthy and independent
- Warwickshire's economy is vibrant and supported by the right jobs, training and skills and infrastructure
- The County Council makes best use of the available resources

The capital investment programme contributes to the delivery of these outcomes through invest-to-save projects and projects that enhance and grow the assets of the authority. The structure of the capital investment programme is shown below.



We operate a clear and transparent corporate approach to the prioritisation of all capital spending. To ensure widespread support for the investment programme all proposals are subject to an officer scrutiny process prior to being considered by Corporate Board and ultimately by Members. The overarching governance structure is designed to ensure the most effective use of the available resource and organisational capacity required to see capital schemes through to implementation. We operate a two-speed approach for the approval of schemes that enhance assets as a result of additional service delivery need.

We use a fast track approach for schemes costing less than £2 million that are wholly funded from external resources provided for a specific purpose and where there is no, or minimal, discretion over how the funding is used e.g. developer and third party funding. Fast track schemes will be required to provide a brief summary of the infrastructure investment required and how it supports the delivery of the core priorities and outcomes before going to the Leader and/or any such person/body which he/she designates for approval. For vehicles, plant and equipment this approval is delegated to the Assistant Director for Finance and ICT. Any scheme costing above £2 million requires the approval of full Council.

For all other capital investment schemes, including where we are bidding for external funding, we use a structured evaluation process that assesses:

- What we are trying to achieve for Warwickshire residents, businesses and visitors by investing in particular assets
- The contribution of the new assets to the delivery of the corporate outcomes
- The financial costs and benefits over the short, medium and long term, and
- The risks inherent in the delivery of the scheme itself and the expected benefits, with a focus on better up-front planning and timetabling.

The results of this evaluation process are reported to Corporate Board quarterly who consider whether to recommend the scheme to Members for approval. If the total cost of the scheme is less than £2 million this approval is by the Leader, Cabinet or a Portfolio Holder to whom powers have been delegated. Schemes over £2 million require the approval of full Council. A summary of the evaluation criteria and their relative weighting is attached at **Annex C.**

Annex D indicates the connection between the Council's existing investment plans and its objectives. This listing covers the larger investment schemes already approved by Members and the 2019/20 maintenance programme. It also includes a low number of "priority" schemes which, whilst not yet formally approved, are expected to come through to the Capital Investment Fund with applications for funding within the next financial year and for which funding has therefore been reserved from application to other schemes.

The Council generally does not choose to make investments in the commercial property market purely for the purpose of generating a financial return. The Council owns a small number of assets classified as Investment Properties but these are primarily assets whose usage has changed over time and that now fall into this category. Income from these assets is immaterial.

Schools and Educational Facilities: investment

It is the Council's role to plan, commission and organise education places in a way that promotes improved standards, manages supply and demand and creates a diverse infrastructure. The strategy supports the provision of accommodation, whether permanent or temporary, that is high quality, fit for purpose, provides value for money and ensures flexibility to respond to changes in need and curriculum. Whilst the Council is not responsible for Academy schools, our strategy includes them as education providers within the county.

School-level forecasts of future pupil numbers are produced each year on the receipt of the latest population data from the health authorities and the latest data on parental preferences and housing development numbers. The target for Warwickshire is for the supply of places to exceed demand by approximately 4% in any planning area. The level of surplus capacity available in Warwickshire schools varies from area to area, with extremely low levels of surplus capacity available in urban areas, particularly across the primary phase of education. In contrast to this, higher levels of surplus capacity are recorded in the county's rural areas. There is a need to maintain a certain amount of capacity within a given area to allow for flexibility to enable in-year movement of pupils, to meet parental preference as much as possible, and allow families moving to an area to be able to secure a place at a local school or for each of their children at the same school. Consideration for the quality of the education provision available in any area is also included when planning for sufficient places.

Capital allocations to meet projected shortfalls in provision are provided by the Education and Skills Funding Agency to all local authorities. However there is pressure on capital budgets for new school places across the country and it is likely that allocations will continue to be limited for the foreseeable future. It is important, therefore, to consider value for money in the process of commissioning school places. Where new housing development creates a demand for school places in excess of those available, the County Council will work with District and Borough Councils and developers to ensure that the appropriate contributions for the provision of additional school places are given. We will seek the maximum contribution from developers to support the provision of additional places that we believe is proportionate to the impact of the development ensuring all requests for contributions are compliant with the relevant legislation.

Warwickshire is entering a period of significant growth, with large scale housing development proposed across the county over the next 15 years and beyond. It is expected this will require education provision for over 30,000 additional Warwickshire children. As development progresses across the county there will be the need for the delivery of new provision during the next 5 years and effective planning for further new provision beyond that period.

Further details on education investment planning can be found in the Education Sufficiency Strategy – see **Annex A** for link.

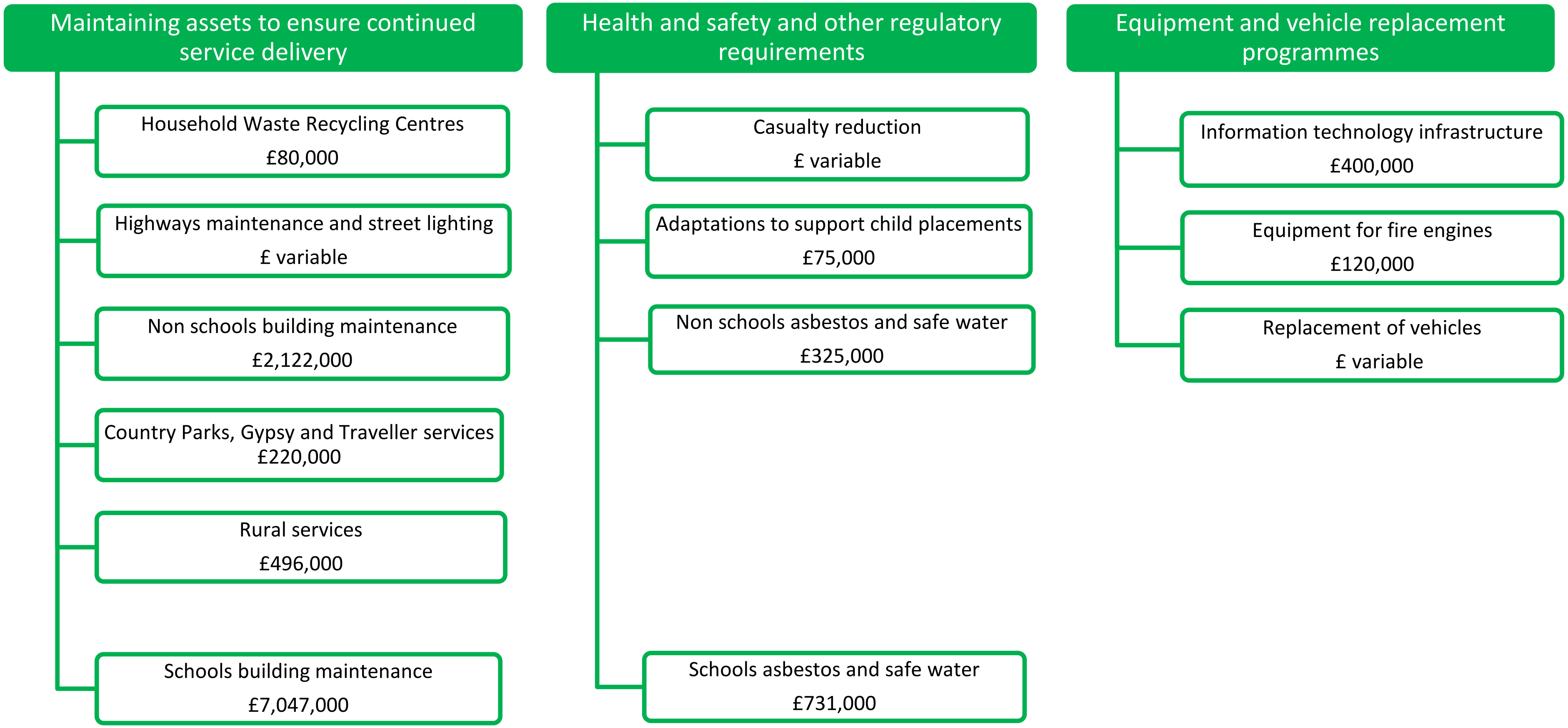
Capital Maintenance Programme

Each year the capital programme includes a number of schemes that relate to the routine maintenance of our asset infrastructure. It represents the level of spending which we have no choice but to incur over the medium term. Each element of the maintenance programme has a fixed annual allocation. This approach allows managers to plan their maintenance programme over the medium term in a structured way that reduces bureaucracy, subject to the agreement of a consistent and transparent methodology for the prioritisation of maintenance spending.

Allocations included in the maintenance programme meet one of the following three criteria:

- Structural maintenance cost of maintaining our assets to ensure services can continue to be delivered
- Statutory health and safety and other regulatory requirements
- Annual cost of equipment and/or vehicle replacement programmes

Our annual maintenance programme is £11.616 million a year (including a £3.616 million allocation from the Government Grant received for schools) plus the grant received from Government for highways maintenance plus revenue funding used for the replacement of vehicles, where this is more cost effective than leasing the vehicle. The split of this annual maintenance allocation between services, including schools elements, is shown below.



Annex B summarises the prioritisation methodology that will be used through to 2020 for each of the elements of the rolling maintenance programme, while **Annex D** includes the 2019/20 maintenance programmes.

Our Capital Resources

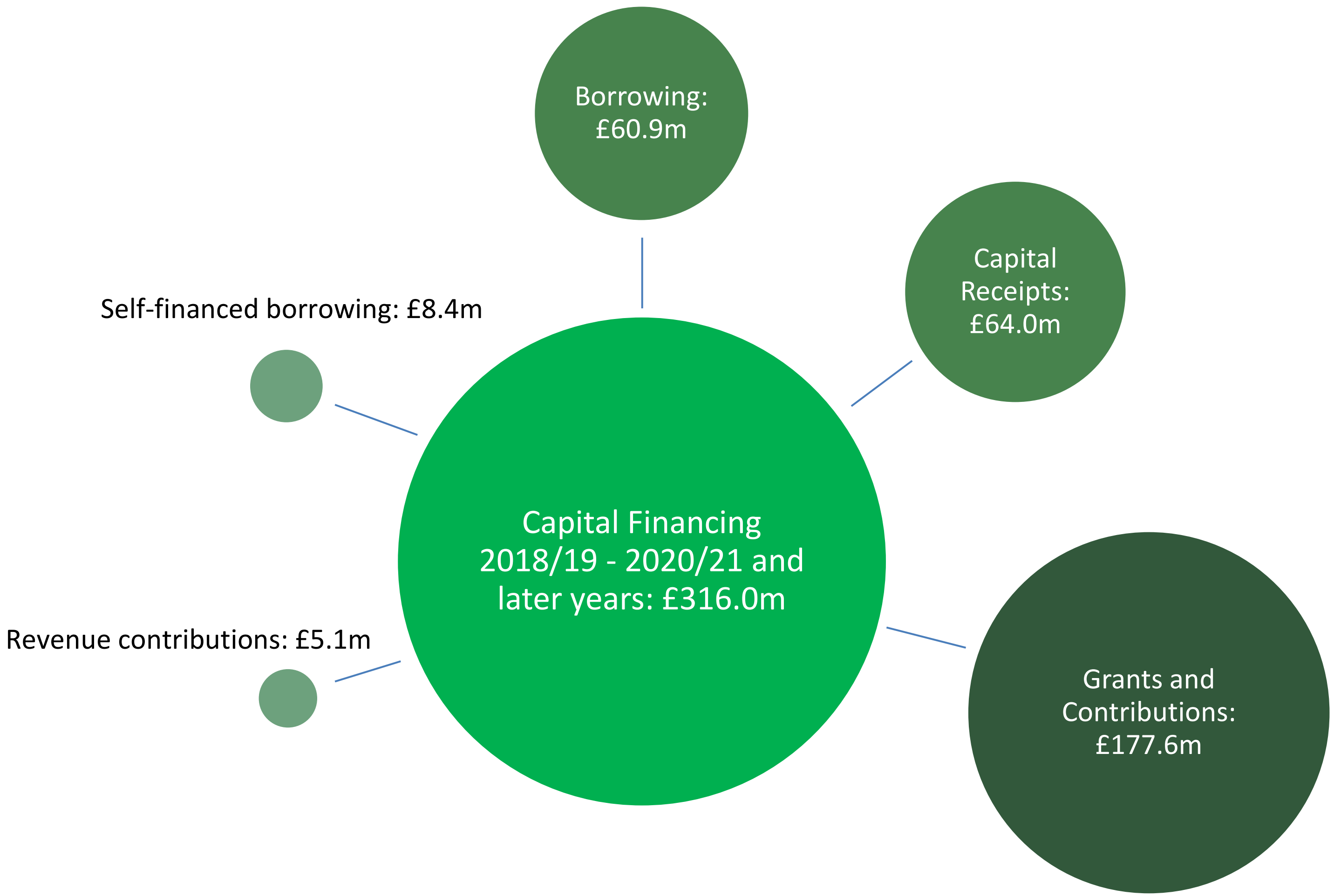
Funding Strategy

When assessing the level of planned capital investment to undertake we make a judgement about the level of capital resources that are likely to be available over the period of the programme. Our main capital resources are service specific grants and third party contributions, capital receipts and borrowing.

Our funding strategy for the delivery of the overall capital programme is:

- £20 million new borrowing funded as part of the revenue budget proposals for OOP2020.
- All capital receipts (excluding those from the disposal of schools) are used to repay debt. Exceptions to this policy are only considered when as part of an invest-to-save project such that investing the capital receipt will result in bigger reductions in debt outstanding or greater revenue savings than would have been achieved by simply repaying debt.
- The base level of investment in the school stock is fixed at the level of government capital grant for schools plus receipts generated from the sale of school assets and developer contributions. £3.616 million of the government grant forms an annual contribution to the cost of school maintenance. The remainder of funding is used to invest in the provision of additional places.
- The base level of investment in the maintenance of Warwickshire's highways and street lighting and casualty reduction is fixed at the level of government grant for this purpose.
- Contributions from developers are actively sought in collaboration with our District and Borough Council colleagues and applied to appropriate schemes ahead of Council resources whenever possible.
- £8 million of maintenance allocations are funded from the £20 million borrowing and are strictly cash limited.
- The balance of the £20 million borrowing (£12 million a year) is allocated to the Capital Investment Programme. This is supplemented by the level of borrowing that becomes affordable as a result of growth in the council tax taxbase above 0.75% each year that is not needed to balance the revenue budget.

The actual funding allocated to the approved capital programme at this point is shown below.


Borrowing: £60.9m
Capital Receipts: £64.0m
Self-financed borrowing: £8.4m
Capital Financing 2018/19 - 2020/21 and later years: £316.0m
Revenue contributions: £5.1m
Grants and Contributions: £177.6m

Capital Receipts

Through our approach to asset management planning (see **Annex A**), we undertake continuous monitoring and review of the Council's property portfolio seeking to ensure we make best use of the capital value tied up in those assets. When making decisions on the disposal of assets and hence the generation of capital receipts a number of factors are taken into consideration:

- Whether assets are surplus to requirements in the short, medium and long term
- Whether assets are achieving their financial or service delivery performance targets
- The level of any potential financial return
- Any legal obligations
- The impact on corporate policies and the promotion of key strategic policies

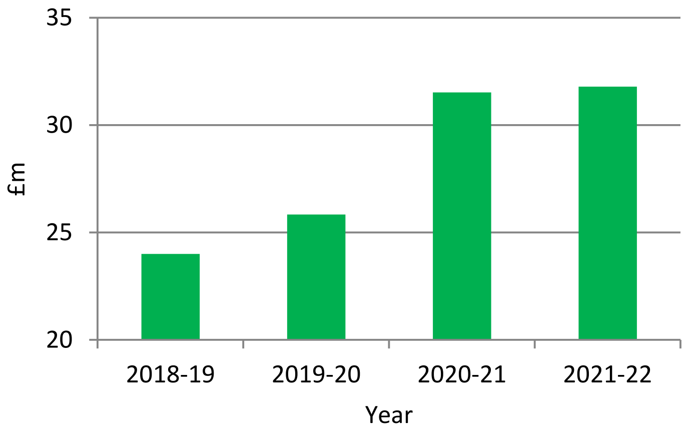
All capital receipts, with the exception of school receipts which are reinvested, are used to repay debt, with a consequent reduction in the Council's borrowing costs. Whilst financially there is no difference in the revenue cost to the authority as to whether capital receipts (providing they are used to repay debt) or borrowing are used to fund the capital programme, capital receipts are inherently volatile and the timing of when the money is received is uncertain and unrelated to the timing of any need to incur capital spend. Our approach to the use of capital receipts enables capital spend to be incurred when it is needed rather than being dependent on when a capital receipt comes in.

Borrowing

We are required, by statute, to base our approach to borrowing money to finance capital investment on a set of guiding principles (the Prudential Framework). The framework includes the principles of affordability, prudent funding, efficiency, forward planning, outcomes, sustainability and investment return. We use the term 'unfinanced expenditure' to delineate expenditure for which we expect to borrow.

Incurring an additional £20 million borrowing each year is affordable within the OOP2020 financial envelope and is deemed to be the minimum level of borrowing needed over the medium term. The revenue cost of borrowing is felt in two ways; firstly in real interest charges incurred on our loans and secondly in the Minimum Revenue Provision, a notional charge to the revenue budget which spreads the cost of acquiring assets across the years in which the benefits of that expenditure are felt. This means that to forecast future years' revenue costs as a result of borrowing, we must consider both historic levels of unfinanced expenditure, the full unfinanced cost of the existing capital programme, and any decisions Members make to take out further borrowing in future years. We estimate that the total revenue cost as a result of past and planned new borrowing from these two charges will be £25.836 million in 2018/19, £31.516 million in 2019/20 and £31.783 million in 2020/21.

Estimated revenue cost of planned borrowing



Provision for these costs is included as part of our 2019/20 budget and medium term financial plan. Further details of anticipated borrowing levels, forecast repayment schedules, our detailed approach to the Minimum Revenue Provision and the framework within which we make decisions about debt and investments can be found within the Treasury Management Strategy (**see Annex A**). Our modelling of future debt levels, detailed within the Treasury Management Strategy, can be compared to the Council's Operational Boundary and Affordable Limit, two of the key indicators within the Prudential Framework. This shows that our approach of determining borrowing affordability from the position of ongoing revenue resource availability ensures that we will not commit the Council to future costs it cannot afford, committing the Council only to sensible, prudent levels of borrowing.

We recognise that significant drivers of additional capital spend exist both in terms of providing additional school places, growing our business rates taxbase and providing the additional infrastructure needed as a result of housing growth. We therefore use the additional revenue resources from growth in the taxbase above the level assumed in the OOP2020 financial plan to operate a Capital Investment Fund. Through this approach we are able to support an expanded capital programme and drive economic growth and activity across the county.

The creation of a Capital Investment Fund requires revenue funding to be set aside to meet the cost of borrowing prior to knowing how the capital resources generated will be used. This approach has the benefit of retaining the ability to bring projects forward for inclusion in the capital programme as opportunities arise, not just once a year through the budget setting process. It also provides confidence that developing positive and innovative schemes to support the delivery of the Council's core outcomes are affordable. We are committed to reviewing the level of the Capital Investment Fund on an annual basis to ensure it remains affordable. Any in-year underspend in the Capital Investment Fund will be used to supplement of investment in IT projects and the digital agenda and to commission specific projects designed to deliver a step change in delivering the OOP2020 Outcomes.

Management of the Capital Programme

The key risks to the delivery of our capital programme are overspending against the approved budget for a scheme, project/programme slippage where the project is not delivered in accordance within the planned timescales thereby delaying achievement of the expected benefits, and delays in or non-receipt of external contributions towards the cost of the scheme.

We use the following mechanisms to ensure our capital spending and the delivery of this strategy is effectively managed:

- Officers monitor physical progress regularly, usually monthly, and there is a system of exception reporting to senior managers where problems emerge.
- Financial progress is reported quarterly to Corporate Board and Cabinet, highlighting any key issues for Members to consider, including seeking Cabinet approval to any variations to schemes both in terms of the total cost and the phasing of spend across years and the consequent impact on the overall financing of the programme.
- Projects part or wholly funded by external contributions are separately monitored to ensure compliance with any funding conditions applicable.
- Post-contract appraisal is carried out to provide feedback on the success, or otherwise, of the design solution, procurement process and customer satisfaction levels to provide the opportunity for positive learning over time.

Annex A

Links to Related Documents

Asset Management Strategies

- The Asset Management Framework and Property Strategy
- The Highways Asset Management Strategy and the Highways Asset Management Policy
- The ICT Devices Strategy
- The Education and Learning Sufficiency Strategy

Treasury Management and Investment Strategies

- The Treasury Management Strategy 2019/20

Other relevant plans and documents

- The One Organisational Plan 2017 - 2020

Annex B

Prioritisation of the Annual Maintenance Programme

Household Waste Recycling Centres (HWRC) and Transfer Stations

Prioritisation Methodology

Maintenance will be prioritised as follows:

a) Health and Safety – for the staff employed to run the site, members of the public using the site and also the District and Borough Councils who use the Transfer stations to facilitate their kerbside collections. Other statutory requirements would also fall under this umbrella.
b) Efficiency, cost effectiveness, increasing the service offer to the public (new recycling streams etc.)
c) Effect of maintenance on reputation value of the Council – a clean, tidy site with smart, neat operating staff will encourage higher rates of recycling.

Balance of Planned Maintenance and Emergency Work

The annual plan includes a contingency for emergencies. Regular meetings are held to monitor the plan against actual activity and any move from the plan would be based on the prioritisation criteria above.

Highways Maintenance

Prioritisation Methodology

An asset management approach is used to manage the highway network in order to ensure that the best possible use can be made of the available resources. Central to this is the collection and use of robust network condition data year-on-year, which allows us to model its deteriorating or improving condition. The results allow us to target suitable treatments at the most appropriate locations, maintaining and, where possible, improving the whole network condition. Capital allocations for street lighting are used for the replacement of columns that fail structural testing, installations that need replacing due to untraced third party damage and improvements that fall outside the scope of specific capital allocations made in recent years for a Central Management System and the introduction of LED technology. The allocations for bridge maintenance are used to undertake the minor capital works that are deemed essential. This approach should ensure our bridge stock remains in a safe condition.

External validation of our approach to managing the highway assets is now possible through Department of Transport's 'Incentive Fund' programme, established to promote efficient and effective maintenance practices nationally. Warwickshire is currently assessed as 'Level 2' and working towards achieving the highest 'Level 3' incentive funding.

Planned Versus Emergency Maintenance

All routine, reactive and emergency works required to the highway network are revenue funded, allowing capital to be used for planned programmes of work designed to maintain and improve the asset condition. Bridge maintenance emergency works are funded from capital and tend to be in the form of vehicular damage, flash flooding or vandalism. At the start of the year a contingency sum from the capital allocation will be reserved to cover emergencies based on experience in previous years. This will be released for planned maintenance at the end of the year if a proportion is unused.

Schools and Non-Schools Building Maintenance

Prioritisation Methodology

Condition survey work is carried out across the property stock and classifies building and engineering maintenance items into 4 categories: D (Bad), C (Poor), B (Satisfactory) and A (Good). The categories are then given priorities highlighting recommended timescales for the work to take place: 1 – Urgent Work, 2 – Work required within 2 years, 3 - Work required within 3 to 5 years, 4 – Work outside the 5 year planning period. The priority listing is then further interrogated and validated by using a surveyor intervention check and a property future review with the Strategic Asset Management team. The budget available for the particular area of work is then allocated to the priority list and this determines that approximate number of projects that can be carried out.

Balance of Planned Maintenance and Emergency Work

Emergency work that arises means the planned maintenance programme developed from the above methodology is revised in some areas throughout the year. Projects are reprioritised and planned maintenance programmes managed to the bottom line budget.

Country Parks and Greenways, Forestry Services and Gypsy and traveller sites

Prioritisation Methodology

Maintenance will be prioritised as follows:

a) Health and Safety – in particular the duty of care under Occupiers' Liability. This also reduces claims against the Council.
b) Maintaining the visitor welcome, and in particular parking infrastructure (to maintain income) and replacement play equipment, fishery development, and visitor enhancements (to increase income).
c) Schemes that lever out match funding

Winter Works programme is developed in early autumn for delivery November - Easter. Resourcing is a blend of Country Park staff, volunteers, partners and contractors in order to maximise what is achieved within the allocation. Certain works are completed outside of that period due to ground conditions, weather etc.

Balance of Planned Maintenance and Emergency Work

Emergency work that arises is funded from revenue where there is capacity to deliver this. However, if the cost cannot be accommodated within a tightly controlled revenue budget the planned maintenance programme developed from the above methodology is revised.

Common emergency works include repairs to paths / roads / furniture / play areas affected by flooding and severe weather events. Timely repair is undertaken by Ranger teams with occasional use of external contractors.

Estate management includes surfaced paths, play areas, bridges, fencing, board walks, bird hides, fishing pegs, shelters, revetments, barriers and payment machines, signage, vehicles, plant and equipment, sculptures and art installations, habitat creation and restoration, and a host of other built and green infrastructure within the parks.

Rural Services

Prioritisation Methodology

All properties are on a rolling five year rotation for condition surveys, asbestos inspections are carried out every 2 years and water hygiene inspections every four years and all properties have Energy Performance Certificate ratings. Work will be prioritised by identifying high category items from the latest surveys/inspections. The level of risk / consequences to the tenant's business (and hence the Council's rental income) is also taken into account as part of the prioritisation process.

- Priority items, identified from condition surveys as D1s (urgent) will be dealt with immediately. Prioritisation is then given to D2s (bad - items identified as needing to be addressed within 2 years) followed by C2s (poor - to be addressed within 2 years) and C3s (poor - to be addressed within 3-5 years).
- Items that have been recommended to be removed due to potential health risks on asbestos reports are programmed as the service becomes aware of them to reduce the Council's liability.
- Properties that do not meet Minimum Energy Efficiency Standards are prioritised based on when they are due to be re-let where they do not score the minimum rating of 'E'. All properties are required to meet minimum standards by 1 April 2023.

Balance of Planned Maintenance and Emergency Work

The first call for emergency maintenance is a revenue maintenance budget of £145,000. Having a capital maintenance budget to address planned maintenance has resulted in not having to put planned maintenance on hold when emergencies arise that cannot be accommodated within the revenue budget.

Assistance towards suitable placements for Children Looked After and those who leave care through adoption and special guardianship

Prioritisation Methodology

Applications are invited from foster carers, prospective adopters, special guardians who are approved or judged to be able to provide the necessary care to the child. Social Workers of children can also apply on behalf of the birth parent following agreement from their manager. The social worker needs to be satisfied and be able to demonstrate that a real need for financial support exists and will either result in long term opportunities for additional placements or is required to ensure stability and permanence of a current placement for a child looked after. In the case of parents it must be shown that capital investment to property for example will support a child to remain at home. There is an application process, endorsed by the relevant operations manager, which is considered by a panel which is chaired by a Service Manager and include a finance representative. The decision to award the grant is made at Service Manager level within the Business Unit, with reference to and oversight from the Head of Service.

Balance of Planned Maintenance and Emergency Work

All planned Grants will be approved though the panel as described above who meet on a quarterly basis. In emergencies, the panel can convene to assess individual cases, to meet the timescales required.

Schools and Non-schools asbestos and safe water

Prioritisation Methodology

Asbestos

The prioritisation of asbestos remedial work is set out in the HSE Guidance ‘The Surveyors Guide – HSG 264’. This document provides a prioritised scoring matrix for each occurrence of asbestos and allocates a condition rating of D (Bad), C (Poor), B (Satisfactory) or A (Good). Each property is resurveyed a minimum of once every 2 years. The asbestos is scored based on the type, condition and quantity; this is called the Material Assessment. The Material Assessment is then further weighted by applying a score to elements such as location, type of location and potential number of people exposed; this is called the Prioritisation Assessment. Following completion of both of these assessments, a score is allocated to each occurrence of asbestos – the higher the score, the higher the risk and therefore the higher the prioritisation.

Water Hygiene

All properties are surveyed every two or four years, dependant on property risk type. The Water Hygiene risk assessments are reported with all remedial works banded into categories indicating, High, Medium or Low risk. This data is then input into a weighting system which allocates a weighting per item, along with a weighting for type of property, occupation density etc. The result of the methodology ranks the properties into order of the highest risk difference score that could be obtained by carrying out the remedial works and all works are carried out in this priority order.

However, emergency work can arise; resulting in a situation where the plan identified in the Asbestos Prioritised Remedial Work Plan and the Water Hygiene Risk Register developed from the above methodologies is revised in some areas throughout the year.

Balance of Planned Maintenance and Emergency Work

Emergencies throughout the year will be dealt with in two ways;

- The budget allocation for works is reduced at year start to leave a small central contingency fund in the budget. This is reallocated at an appropriate time during the year.
- The projects carried out are staggered throughout the year. If an emergency arises, the necessary funds are diverted from a planned scheme and allocated to the emergency. This will result in a planned project potentially being eliminated from the list in year.

ICT Network Infrastructure

Prioritisation Methodology

Investment is prioritised based on the need for additional facilities/capacity and the life expectancy of equipment, in terms of how long it can be used for until an unacceptable failure rate is likely to occur. The level of failure rate accepted will depend on factors such as criticality of the service and resilience and support arrangements in place.

Balance of Planned Maintenance and Emergency Work

The rolling programme of investing in the maintenance of the IT infrastructure will significantly reduce the need for emergency purchases due to the regular monitoring of the equipment. However, in the event that an emergency procurement needs to be made we would adjust the planned programme, looking to extend the life of less critical equipment.

Equipment for Fire Engines

Prioritisation Methodology

Spending is prioritised through an approved fleet replacement programme produced by consultation with manufacturer's recommendations and the Council's fleet management team.

Balance of Planned Maintenance and Emergency Work

The Fire and Rescue Service has stores which hold at least enough equipment to immediately restock a spare fire engine in the event that a front line vehicle should be lost along with its entire inventory. This is our emergency reserve which is maintained as part of the rolling capital replacement programme.

Summary of Capital Investment Programme Scheme Evaluation Criteria

Warwickshire's Communities and individuals are supported to be safe, healthy & independent

- 20% - delivery of the strategic objective
- 30% - community impact, partnership working and innovative service delivery
- 40% - achieveability, quality of evidence base, rational evaluation and challenge of options, financial viability and risk
- 10% - political, social and environmental impact

Warwickshire's economy is vibrant and supported by the right jobs, training and skills and infrastructure

- 20% - delivery of the strategic objective
- 30% - economic benefit and the likelihood of the project delivering growth, partnership working
- 40% - achieveability, quality of evidence base, rational evaluation and challenge of options, financial viability and risk
- 10% - political, social and environmental impact

Making the best use of available resources: delivery of savings/generation of income

- 20% - alignment with the organisation's other strategic objectives
- 70% - achieveability, quality of evidence base, duration of required investment, rational evaluation and challenge of options, financial viability and risk
- 10% - political, social and environmental impact

These high-level criteria are supplemented by more detailed evaluation criteria designed for each strand of the investment programme to ensure a consistent and transparent approach. Once the strategy has been approved these more detailed criteria will be brought forward to Cabinet for approval.

Annex D

Capital Investment Priorities

The table below shows the connection between the Council's capital investment plans and the organisations key objectives. Where schemes are marked with an asterisk (*), business cases are still to be completed to confirm final funding allocations and formal addition to the council's capital programme.

Outcome/Objective	Capital Investment Priorities (* indicates allocation still to be confirmed)	Link to External Funding allocations/priorities/support
Warwickshire's Communities and individuals are supported to be safe healthy and Independent		
Support our most vulnerable and disadvantaged children reducing the need for children to become, or remained looked after	• Adaptations to support child placements	
Support Warwickshire residents to take responsibility for their own health and wellbeing and reduce the need for hospital or long term health care		
Support the most vulnerable & disadvantaged adults in Warwickshire to enjoy life; achieve & live independently	• Extra Care Housing	
Work with communities to reduce crime and disorder and promote safety across Warwickshire	• Equipment for Fire Engines • Fire & Rescue HQ Leamington Spa • Training Centre - New Build	

Outcome/Objective	Capital Investment Priorities (* indicates allocation still to be confirmed)	Link to External Funding allocations/priorities/support
Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure		
Attract economic investment and maximise the rate of employment, business growth and skill levels in Warwickshire	• Transforming Nuneaton – Nuneaton ring road * • Transforming Nuneaton – Vicarage street development site * • Transforming Nuneaton – Strategic land acquisition * • Transforming Nuneaton – Nuneaton town flood model *	• Coventry and Warwickshire Local Enterprise Partnership
	• Bermuda Connectivity	• Coventry and Warwickshire Local Enterprise Partnership
	• A452 Myton Road And Shire Park Roundabouts	• S106 • Coventry and Warwickshire Local Enterprise Partnership
	• A46 Stoneleigh Junction Improvements	• Department for Transport • West Midlands Combined Authority
	• A46 Stanks Island	• Coventry and Warwickshire Local Enterprise Partnership
	• A444 Corridor Improvements - Phase 2	• S106
	• A47 Hinckley Road	• Department for Transport, S106, S278
	• Rugby Parkway * • A3400 Birmingham Road Stratford Corridor • Europa Way * • Duplex Fund	

Outcome/Objective	Capital Investment Priorities (* indicates allocation still to be confirmed)	Link to External Funding allocations/priorities/support
Manage and maintain Warwickshire's transport network in a safe, sustainable and integrated way	• Highways Maintenance and Street Lighting • Casualty Reduction * (some individual schemes approved) • Portobello Bridge	• Department for Transport
Support communities and businesses to develop the digital skills and tools they need in an increasingly digital economy	• Development of Rural Broadband (BDUK) • Information Technology Infrastructure	• Coventry, Solihull and Warwickshire District and Boroughs • BT • Coventry and Warwickshire Local Enterprise Partnership • European Regional Development Fund
Reduce household waste and increase reuse, recycling and composting rates across Warwickshire	• Household Waste Recycling Centres	
Support and enable children and young people to access a place in high quality education settings	• Schools Building Maintenance • Schools Asbestos and Safe Water • Michael Drayton Primary – Expansion • New School, The Gateway, Rugby • Water Orton Primary School • Welford on Avon Primary School • High Meadow Infant School - New Classrooms, group rooms and Toilets • Campion Phase 1 (incl Sports Hall Refurb) • Coleshill Secondary School (See main report for further discussion of future education investment planning)	• Department for Education – Schools Condition Allocation • Department for Education – Basic Need • S106

Outcome/Objective	Capital Investment Priorities (* indicates allocation still to be confirmed)	Link to External Funding allocations/priorities/support
Making the best use of resources		
Make it easy for the customers to access our information and services so they have a positive experience of our services	• Improving the Customer Experience/One Front Door Improvements	
Put our financial resources in the right place to support the Organisation's priorities	• Non-Schools Building Maintenance • Non-Schools asbestos and safe water • County Parks, Gypsy and Traveller Services • Rural Services • Replacement of Vehicles • Rationalisation of County Storage – Hawkes Point, Montague Road	
Develop our work force so that it has the right skills and capabilities to get the job done		
Pursue leadership excellence and high performance at all levels		
Reduce demand and cost through innovative and effective service redesign		