County Council

Date: Monday 8 February 2021
Time: 10.00 am
Venue: Microsoft Teams

Membership

Councillor Alan Cockburn (Chair), Councillor Peter Gilbert (Vice-Chair), Councillor Helen Adkins, Councillor Jo Barker, Councillor Margaret Bell, Councillor Parminder Singh Birdi, Councillor Sarah Boad, Councillor Mike Brain, Councillor Peter Butlin, Councillor Les Caborn, Councillor Mark Cargill, Councillor Jonathan Chilvers, Councillor Jeff Clarke, Councillor John Cooke, Councillor Andy Crump, Councillor Yousef Dahmash, Councillor Corinne Davies, Councillor Nicola Davies, Councillor Neil Dirveiks, Councillor Judy Falp, Councillor Jenny Fradgley, Councillor Bill Gifford, Councillor Daniel Gissane, Councillor Clare Golby, Councillor Seb Gran, Councillor Colin Hayfield, Councillor John Holland, Councillor John Horner, Councillor Andy Jenns, Councillor Kam Kaur, Councillor Keith Kondakor, Councillor Jeff Morgan, Councillor Maggie O'Rourke, Councillor Bhagwant Singh Pandher, Councillor Anne Parry, Councillor Dave Parsons, Councillor Caroline Phillips, Councillor Wallace Redford, Councillor David Reilly, Councillor Clive Rickhards, Councillor Howard Roberts, Councillor Kate Rolfe, Councillor Jerry Roodhouse, Councillor Andy Sargeant, Councillor Isobel Seccombe OBE, Councillor Dave Shilton, Councillor Jill Simpson-Vince, Councillor Dominic Skinner, Councillor Heather Timms, Councillor Adrian Warwick, Councillor Alan Webb, Councillor Chris Williams, Councillor Pam Williams and Councillor Andrew Wright

Items on the agenda: -

1. General

(1) Apologies for Absence

(2) Members' Disclosures of Pecuniary and Non-pecuniary Interests

(3) Minutes of the previous meeting — 5 - 24

To consider the minutes of the meeting held on 15 December 2020.

(4) Chair's announcements

2. 2021/22 Budget and 2021-26 Medium Term Financial Strategy 25 - 156

This report seeks Council approval for the 2021/22 Budget and authorisation for work to continue on ensuring that the 2021-26 Medium Term Financial Strategy is aligned with and supports the delivery of the Council's ambitions.

3. Treasury Management Strategy and Investment Strategy 157 - 234

Following consideration by Cabinet on 28 January 2021 this report is presented to Council for approval.

4. Any Other items of Urgent Business

To consider any other items that the Chair considers are urgent.

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Disclaimers

Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. A member attending a meeting where a matter arises in which s/he has a disclosable pecuniary interest must (unless s/he has a dispensation):

• Declare the interest if s/he has not already registered it
• Not participate in any discussion or vote
• Must leave the meeting room until the matter has been dealt with
• Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests must still be declared in accordance with the Code of Conduct. These should be declared at the commencement of the meeting
The public reports referred to are available on the Warwickshire Web
https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1

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County Council

Tuesday 15 December 2020

Minutes

Attendance

Committee Members
Councillor Alan Cockburn (Chair), Councillor Peter Gilbert (Vice-Chair), Councillor Helen Adkins, Councillor Jo Barker, Councillor Margaret Bell, Councillor Parminder Singh Birdi, Councillor Sarah Boad, Councillor Mike Brain, Councillor Peter Butlin, Councillor Les Caborn, Councillor Mark Cargill, Councillor Jonathan Chilvers, Councillor Jeff Clarke, Councillor John Cooke, Councillor Andy Crump, Councillor Yousef Dahmash, Councillor Corinne Davies, Councillor Nicola Davies, Councillor Neil Dirveiks, Councillor Judy Falp, Councillor Jenny Fradgley, Councillor Bill Gifford, Councillor Daniel Gissane, Councillor Clare Golby, Councillor Seb Gran, Councillor Colin Hayfield, Councillor John Holland, Councillor John Horner, Councillor Andy Jenns, Councillor Kam Kaur, Councillor Keith Kondakor, Councillor Jeff Morgan, Councillor Maggie O'Rourke, Councillor Bhagwant Singh Pandher, Councillor Anne Parry, Councillor Dave Parsons, Councillor Caroline Phillips, Councillor Wallace Redford, Councillor David Reilly, Councillor Clive Rickhards, Councillor Howard Roberts, Councillor Kate Rolfe, Councillor Jerry Roodhouse, Councillor Andy Sargeant, Councillor Izzi Seccombe, Councillor Dave Shilton, Councillor Jill Simpson-Vince, Councillor Dominic Skinner, Councillor Heather Timms, Councillor Adrian Warwick, Councillor Alan Webb, Councillor Chris Williams, Councillor Pam Williams and Councillor Andrew Wright

1. General

(1) Apologies for Absence

There were no apologies for absence.

(2) Members' Disclosures of Pecuniary and Non-pecuniary Interests

No declarations of interest were made.

(3) Minutes of the Previous Meeting

The minutes of the meeting of Council held on 13 October 2020 were considered by Council. Councillor Izzi Seccombe (Leader of the Council) moved the minutes. Councillor Jeff Clarke (Portfolio Holder for Transport and Planning) seconded. A vote was held.

Resolved:

That the minutes of the 13 October 2020 meeting of Council are agreed as a true record.

(4) Chair's announcements

1) Recent Awards

Councillor Alan Cockburn (Chair of Council) stated, “Warwickshire County Council has won a national award for a project to support new and expectant parents who are care leavers. The National Leaving Care Bench Marking Forum (NLCBMF) announced Warwickshire as joint winners of the Best Project Award at a virtual event during Care Leavers Week on 21 October.

The Baby Box Project, led by Liss Philips was launched earlier this year. It was set up to provide useful supplies to help care experienced young people who have recently become parents. Boxes include essential items such as nappies, wipes, new-born clothes, thermometers, bibs, towels and other necessities and also provides the young parents with financial support to help them buy items such as a cot, buggy or car seat. To further support care leavers, the project has a Young Parents Forum that is led by young people to raise awareness of the service and to discuss issues that are important to young parents. The project, along with other support during the COVID-19 pandemic has supported numerous young people, during challenging times. A young person who received a baby box during lockdown said: “I love all of it, it’s so useful. I am very grateful and appreciative of the gesture.” The team at the council has worked incredibly hard bringing the project together and promoting Warwickshire’s role as Corporate Parents, and now Corporate Grandparents, to care for inexperienced young people in Warwickshire.

Umar Teerab, a Family Support Worker at WCC, and a care leaver and previously an Unaccompanied Asylum Seeker, also won an award from the NLCBMF for Champion of the Year 2020 for his contribution to supporting other young care leavers”

Councillor Jeff Morgan (Portfolio Holder for Children’s Services) congratulated Liss Philips and Umar Teerab on their respective achievements adding that children and families are at the heart of the County Council.

Umar and Liss were then invited to address Council.

Umar described how he had come to the United Kingdom in 2013 as an unaccompanied asylum seeker. At that time he spoke no English. He rapidly set about learning the language winning an award from Coventry City College in 2016. In 2017 he commenced a car mechanics course but in 2018 he applied for and obtained a a role with Warwickshire County Council. In 2019 he won the Apprentice of the Year Award and at the same time he completed his apprenticeship.

Umar explained how he received much support and been encouraged to push himself. His aim is to achieve as much in life as is possible.

Liss Philips a care experienced parent and family support worker thanked Council for the invitation to address the meeting. Liss was pleased to see her recent award being recognised. Council was informed that career development opportunities are available for care experienced parents. Liss added that the past can cloud people’s views and there is a need to level the playing field to enable people to prosper. There was no shame to be had being a care experienced parent and she considered she is a good role model for her son.

She had received much support from Warwickshire County Council. In particular Liss singled out Shinderpaul Bhangal from the Children and Families Team for his encouragement and support.

2) Death of Miles Marriott and Andrew Burnham

Councillor Alan Cockburn reminded Council of the passing in 2020 of three County Councillors. He then stated,

"It is with a heavy heart and great sadness that I need to inform Council of the recent passing of two of our close colleagues in Enabling Services.

Both Miles Marriott in the Health and Safety Team and Andrew Burnham of ICT passed away over the last few weeks. Both were highly respected and valued colleagues with decades of service to our both our colleagues and residents of Warwickshire.

This has been a shock to all who knew Miles and Andrew. Miles passed away quite suddenly. He was a private man but was someone who always supported colleagues with a smile and graciousness. Some of you may remember Andrew's recovery from COVID being reported in the local and National press. To lose such a generous and warm colleague after everything he has been through has been an awful shock for his family and friends. We will keep both of their families in our thoughts.

We have passed our condolences to both families and we will continue to liaise with them to offer as much support as they need. We will share the details of the books of condolences after the meeting for any colleague who would like to share their thoughts".

A minute's silence was held for Miles Marriott and Andrew Burnham.

(5) Public Speaking

There were no public speakers at the meeting.

2. Warwickshire County Council Preparations for EU Transition

Councillor Izzi Seccombe moved the motion and reminded Council that a briefing on EU transition had recently been held. She stated that at the time of the meeting she had hoped that there would be some agreement on an EU trade deal. This had yet to happen. Warwickshire County Council had been working hard with businesses to prepare them for whichever outcome there may be. Work is ongoing with the Local Enterprise Partnership and the Chamber of Commerce.

It had been thought that there was to be a new inland border facility in Warwickshire but it has been decided that this is to be at Birmingham Airport. Trading Standards staff have been trained but there remain some concerns over capacity to manage the expected workload.

The EU Settlement Scheme is set to end in June 2021. There are currently 41000 EU nationals based in Warwickshire. Councillor Seccombe closed by explaining that the UK Shared prosperity Fund is expected to continue.

Councillor Peter Butlin (Deputy Leader of the Council) seconded the motion and reserved the right to speak.

Councillor Jerry Roodhouse (Leader of the Liberal Democrat Group) observed that EU transition should have been resolved sooner. Local government, he observed, would be left to intervene when things go wrong. Funds had been made available to the Council to help manage the transition, but these would be insufficient. He thanked officers for the recent briefing and for their hard word to date. Councillor Roodhouse added that businesses are unclear on what is required of them. The government website was cited as being particularly unhelpful. Council was informed that problems at Felixstowe docks and a global shortage of shipping containers was leading to difficulties with importing goods into the UK.

Councillor Keith Kondakor forecast that any trade deal agreed would not be comprehensive. He expressed his sympathy to those involved in manufacturing. The report he felt was too focused on business. Consideration should also be given to the wider population. For example, there is likely to be a reduction in immigration. This could have an impact in terms of recruitment to jobs.

Councillor Sarah Boad (Deputy Leader of the Liberal Democrat Group) reminded Council that the EU referendum was held four and a half years ago. People’s livelihoods are at risk either through the Pandemic or EU transition she added.

Councillor Peter Butlin expressed his disappointment that the trade deal had not been agreed. It was, he suggested, a matter of who blinks first. The only thing to be done at this stage is scenario planning, filling in the gaps where there is no knowledge. The County Council has been doing a good job. Communication is the key if people are to be helped, he concluded.

Councillor Izzi Seccombe stated that she was confident that the County Council will do its best in difficult circumstances. The UK is an entrepreneurial nation that will recover. This will, however, take time.

Vote

A vote was held. The motion was agreed unanimously.

Resolved:

That Council:

1) Notes the approach and progress made by the County Council in preparing for the end of the EU Transition Period on 31st December 2020; and

2) Notes the areas of work which will require ongoing review beyond the end of the Transition Period.

3. Education (Schools) Capital Programme 2020/21

Councillor Colin Hayfield (Portfolio Holder for Education and Learning) moved the motion and introduced the report stating that the bulk of the money to be allocated was to go to Stratford-upon-Avon and Nuneaton. That the report and proposals were not the Education Sufficiency Strategy was emphasised.

Councillor Jeff Morgan seconded the motion and reserved the right to speak.

Councillor Corinne Davies welcomed investment in schools although in some instances she considered that this was too late. The net result is that parents have to drive their children across the town to access school places. She asked whether a decision on the provider for the new Top Farm, Nuneaton school had been made.

Councillor Keith Kondakor expressed his concern over the way in which school places are assigned. Schools now have too much say in determining their numbers. In addition, government "wave funding" along with funding through the County Council leads to a degree of uncertainty. For example, in June 2019 Etone College missed out on wave funding. Nevertheless, it has taken in more pupils. There is also a case for a new school in the Weddington/St Nicholas area of Nuneaton. A proper secondary school building programme is required.

Councillor Jeff Clarke welcomed the report and the investment at Etone College. He explained that school place planning is undertaken by the County Council. Schools that expand too soon tend to attract children from across town. The key is to provide places for local children. Councillor Clarke requested that local residents around Etone College be consulted prior to any development.

Councillor Mark Cargill thanked officers and members for supporting the development at Stratford-upon-Avon High School.

Councillor Clive Rickhards welcomed the proposals for Coughton C of E Primary School in Alcester adding that an overarching system for planning school developments would be of use. In addition, there needs to be more joined up thinking between services at the Council. For example, new toilets and a classroom are proposed for Coughton Primary but thought needs to be given to traffic issues as well.

Councillor Ann Parry welcomed the proposals for Stratford-upon-Avon High School but asked that secondary allocations for Wellesbourne be reviewed. At present half of year 6 children in Wellesbourne move to Kineton whilst half go to Stratford. This means that friendship groups are split.

Councillor Jenny Fradgley welcomed the proposals for Stratford-upon-Avon High School noting the need for new primary schools associated with major development.

Councillor Jeff Morgan (who had seconded the motion) observed that the allocation of school places is one of the few statutory responsibilities left with the County Council in terms of education. He observed that when the expansion is completed Stratford-upon-Avon High School will have a roll of around 2000 pupils. He assured members that school place planning is well managed.

In closing Councillor Colin Hayfield noted that the assignment of funds for expansion is a stage in the implementation of the Sufficiency Strategy. Responding to Councillor Corinne Davies, Council was informed that a provider had yet to be identified for Top Farm School. He reminded members that it is sometimes the case that siblings have to attend different schools.

Councillor Clarke was provided with an assurance that residents close to Etone College will be consulted. Councillor Hayfield noted that school drop off and pick up is a problem at most schools. Finding solutions is the responsibility of school governors as well as the Council.

To Councillor Parry's observations regarding Wellesbourne, Councillor Hayfield agreed to take these away to reflect on.

To Councillor Fradgley Councillor Hayfield stated that the case for another school in Stratford-upon-Avon had yet to be established.

Vote

A vote was held.

The motion was carried with one vote against and no abstentions.

Resolved:

That Council:

1) Approves the addition of £16.594 million to the capital programme to deliver the schemes outlined in Section 3.

2) Authorises the Strategic Director for Communities to invite tenders and enter into the appropriate contracts on terms and conditions considered acceptable to the Strategic Director for Resources, or (where the scheme is school-led) to make the necessary funding arrangements for these schemes.

4. Emscote Road Corridor Improvements

In introducing this report Councillor Jeff Clarke explained that the scheme had already been considered and endorsed by Cabinet. Councillor Clark then moved the motion. Councillor Pam Williams seconded the motion and reserved her right to speak.

The proposals for the Emscote Road were welcomed by a number of local members including Councillor Les Caborn, Councillor John Holland, Councillor Nicola Davies, Councillor Bill Gifford, Councillor Parminder Singh Birdi and Councillor Judy Falp. Comments included the welcoming of works to improve Portobello Bridge, the need to address issues with the canal bridge junction by Tescos, the need for a clear cycling strategy, the need to engage with local residents to minimise negative impacts, a desire to see a clear timeline for this scheme and the need to progress neighbouring projects.

Councillor Keith Kondakor commended the inclusion in the appendices of information detailing the benefits of cycling and walking.

Councillor Pam Williams (who seconded the motion) commended the project adding that improvements on the Emscote Road had been needed for many years.

Councillor Jeff Clarke closed the debate by thanking officers for their hard work. He emphasised the need to keep traffic flowing and agreed that it will be necessary to engage with local residents and businesses as the project proceeds. Finally, he stressed that Portobello Bridge had presented a series of challenges but considered that the proposed new deck will provide the solution to many issues.

Vote

A vote was held. The motion was agreed unanimously.

Resolved:

That Council

1)
   a) Approves the allocation of £6.645m from the Capital Investment Fund to the Emscote Road Corridor Improvements Scheme;
   b) Adds the scheme to the capital programme at a total cost of £10.239m; and
   c) Agrees that the allocation from the Capital Investment Fund is reduced by the amount of any alternative external funding secured in the future.

2) authorises the Strategic Director for Communities to invite tenders and award all necessary contracts, on terms and conditions considered acceptable to the Strategic Director for Resources, and secure all necessary consents and take all such other steps as the Strategic Director for Communities considers necessary to deliver the scheme.

5. Appointment of Chair of Warwickshire Fire and Rescue Local Pensions Board

Councillor Kam Kaur (Portfolio Holder for Customer and Transformation) introduced and moved this report and recommendation. Councillor Izzi Seccombe seconded the motion and reserved her right to speak.

There were no questions on the matter.

Vote

A vote was held. The motion was agreed with one abstention and no votes against.

Resolved:

That Council approve the appointment of Mr Martin Reohorn, Director of Finance and Treasurer for Hereford and Worcester Fire and Rescue Service, as the Chair of the Warwickshire Fire and Rescue Local Pensions Board for a period of 3 years.

6. Notices of Motion

1) Eco Schools

Councillor Jerry Roodhouse moved the following motion.

“This Council is committed to tackling Climate Change and has declared it as a priority. Council also committed itself to work in line with the UN Sustainable Development goals of which Education is one part.

Council recognises that schools and education are a critical part of tackling climate change. It also recognises that the Eco Schools programme needs reinvigoration across Warwickshire with the ambition that all schools can achieve green flag status.

Council requests:

1.That a survey takes place of all schools across Warwickshire about their progress in achieving Eco School status, to include a question about what support they need.

and

2.That the findings are reported to the Climate Change group and Portfolio Holder with recommendations on what actions need to be taken”.

In support of the motion Councillor Jerry Roodhouse stated that he was keen to reinvigorate the eco schools initiative across Warwickshire. A survey was required in order to make informed decisions regarding progress and support.

This was seconded by Councillor Jenny Fradgley who reserved the right to speak.

Amendment

Councillor Heather Timms (Portfolio Holder for Environment and Heritage & Culture) proposed an amendment which stated,

“This Council is committed to tackling Climate Change and has declared it as a priority. Council also committed itself to work in line with the UN Sustainable Development goals of which Education is one part.

Council recognises that schools and education are a critical part of tackling climate change and would like to work with schools to encourage them to achieve the Eco Schools green flag status or equivalent. It also recognises that the Eco Schools programme needs reinvigoration across Warwickshire with the ambition that all schools can achieve green flag status.

Therefore Council requests

· Recognises that schools are currently focused on getting through the Covid crisis and on delivering the core curriculum

· Asks that a survey takes place of all schools across Warwickshire from September 2021 on activities currently undertaken relating to climate change and about their progress in achieving Eco School status or equivalent to include a question about what support they need.

· That the findings are reported to the Climate Change group and Portfolio Holder Cabinet with recommendations on what actions need to be taken.

(Strike through = deletion, Italics = addition)

This amendment was seconded by Councillor Mark Cargill who reserved the right to speak.

Debate

Councillor Keith Kondakor highlighted the role that schools have to play in setting the environment agenda. Warwickshire schools have demonstrated their commitment to the environment through tree planting and green travel initiatives. The impetus should not be allowed to slide because of the pandemic. Eco schools, he added are not simply about reducing plastic bag usage and recycling. Consideration should be given to building projects with insulation and energy use at the fore.

Councillor Helen Adkins agreed that eco school considerations should embrace energy use and insulation. She did not agree with the amendment but would support the original motion.

Councillor Jonathan Chilvers agreed that school buildings should be part of the eco school initiative.

Councillor John Holland agreed with the original motion. Council was reminded of the length of time it took to get a cycle route from the Woodloes estate in Warwick to Aylesford School. 20 years at a time when the local authority had mor influence over schools. He added that development and new builds provide an opportunity to insist on green travel plans for schools.

Councillor Clare Golby expressed her support for the amendment stating that the present focus should be on continuing education during the Pandemic. Now is the wrong time to be distracting schools with eco schemes.

Councillor Mark Cargill (seconder of the amendment) suggested that everyone supports the principle of eco schools. They are important for ecology and sustainability. Some schools plant wild flowers but there is then no follow up and the project folds. A clear business case for each project is required. Councillor Cargill concluded by stating that in his view original motion lacked the detail that the amendment offered.

Councillor Jenny Fradgley (seconder of the original motion) explained that considerations around the Pandemic should not override environmental matters. Young people, she said, see the previous generation as wasteful and irresponsible. The motion as proposed by the Liberal Democrat Group is considered to be a reasonable means of getting schools thinking. The eco school initiative provides the framework to look at all environmental issues. Since funding was withdrawn in 2011 the energy behind the scheme had been lost.

Councillor Heather Timms (proposer of the amendment) reminded the Council that as it is not an Education Authority it can only encourage schools to act in a certain way. At the moment schools are focused on managing the Pandemic. For now, it is important to develop an evidence base so that an understanding of each school's needs can be established.

Councillor Jerry Roodhouse (proposer of the motion) stated that before tabling the motion, advice was sought from officers. It was clear, he said, that members support eco schools. However, the amendment only served to build delay into the process. He agreed that the withdrawal of funding had led to a loss of impetus. However, there is a desire to see all schools having green flag status and the proposal before Council would require little funding.

Vote on Amendment

Councillor Keith Kondakor (supported by Councillors Chilvers and Holland) requested a recorded vote.

Those who voted for the amendment.

Councillors Barker, Bell, Singh Birdi, Brain, Butlin, Caborn, Cargill, Clarke, Cockburn, Cooke Crump, Dahmash, Gilbert, Gissane, Golby, Gran, Hayfield, Horner, Jenns, Kaur, Morgan, Pandher, Parry, Redford, Reilly, Roberts, Sargeant, Seccombe, Shilton, Simpson-Vince, Timms, Warwick, C. Williams, P. Williams, Wright (35)

Those who voted against the amendment

Councillors Adkins, Boad, Chilvers, C. Davies, N. Davies, Dirveiks, Falp, Fradgley, Gifford, Holland, Kondakor, O'Rourke, Parsons, Phillips, Rickhards, Rolfe, Roodhouse, Skinner, Webb (19)

There were no abstentions.

Vote on New Substantive Motion

The amended motion became the new substantive motion on which a vote was held. This was passed (48 votes for, 2 against and 2 abstentions)

Resolved:
This Council is committed to tackling Climate Change and has declared it as a priority. Council also committed itself to work in line with the UN Sustainable Development goals of which Education is one part.

Council recognises that schools and education are a critical part of tackling climate change and would like to work with schools to encourage them to achieve the Eco Schools green flag status or equivalent.

Therefore Council

· Recognises that schools are currently focused on getting through the Covid crisis and on delivering the core curriculum

· Asks that a survey takes place of all schools across Warwickshire from September 2021 on activities currently undertaken relating to climate change and about their progress in achieving Eco School status or equivalent to include a question about what support they need.

· That the findings are reported to Cabinet with recommendations on what actions need to be taken.

2) Student Finance

Councillor Dave Parsons proposed the following motion.

During the pandemic government financial support has been extended to businesses and workers. A number of Councillors have been contacted by Warwickshire students and their parents with concerns that students have received no financial help as such and have, in the vast majority of cases, received a service which is far from that which is normally provided by our university system. As a consequence, and taking into account the financial wellbeing of students living and/or being educated in Warwickshire this Council urges our national government, by means of a letter to the relevant Government Minister, to remove all interest payments on loans provided for the 2020 / 21 academic year and that no interest should be charged at any point in the future for loans covering the current academic year.

Councillor Corinne Davies seconded the motion and chose to speak. Councillor Davies informed Council that her youngest daughter had started university in 2020. It was not the experience she was expecting. She had been obliged to live in halls of residence and most of the tuition she had received had been on-line. She started her term late and was expected to leave early.

Councillor Davies added that there has been a rise in mental health problems amongst students. These have included suicides. Finally, Councillor Davies observed that some courses such as dentistry cannot be taught on line. In these instances students may be required to take the whole of their final year again.

No amendments were proposed.

Debate

Councillor Keith Kondakor expressed his support for the motion stating that students should have been tested for the virus when they arrived at university.

Councillor Peter Butlin observed that the County Council would have very little influence over the matter covered by the motion. Council was reminded that students are not required to pay back their loans until they are earning a good income. The Council’s concern should be to stimulate the local economy.

Councillor Izzi Seccombe stated that Warwick University has put extensive measures in place to support face to face teaching. It also runs a welfare fund to support students in need.

Councillor Clare Golby informed Council of the low interest rate that student loans have. This means that repayments start low at around £38 a year. The payments should be regarded as a graduate contribution. Councillor Golby added that university is not the only option for young people. Finally, she suggested that if students consider that they are receiving a sub-standard service they should take this up with their university. If they fail to do this, then the service will not improve.

Councillor Helen Adkins (who has a son at university and who is herself a university lecturer) explained that the purpose of the motion was not to criticise universities but to support students by lobbying government for support.

Councillor John Horner stated that 80% of student loans do not get paid. He questioned why the Council would write to government regarding an issue over which it has little influence. To do so repeatedly reduces the political capital of the Council.

Councillor Dave Parsons (proposer of the motion) challenged members who considered that the Council should not be writing to government on the matter. He was surprised that no one had suggested speaking to students or parents. There was, he felt, a clear reason to lobby government on the matter. It was wrong for students to be required to repay loans that are higher than mortgage rates and inflation.

Vote

A vote was held.

Votes for the motion 20
Votes against the motion 34
Abstentions 0

The motion was defeated.

3) Support for Care Leavers

Councillor Pam Williams moved the following motion.

“Warwickshire County Council has responded extremely well tothe increased pressures thrown up by the pandemic, not least in the Children and Families Service area where we have seen how two of our care-experienced young people, now employed by the Council, have been awarded national prizes for their outstanding work with other young people.

As the principal corporate parent, this Council wishes to record its thanks to everyone involved with our young people in care and requests the Chief Executive to write a thank you letter to the Children in Care Council acknowledging their efforts at this difficult time”.

Councillor Margaret Bell seconded the motion and elected to speak. She explained how when she had first become a County Councillor the first briefing she had attended was concerned with corporate parenting. She had sat of the Children and Young People Overview and Scrutiny Committee and had listened to young people from the Children in care Council. Councillor bell cited the House Project in Nuneaton which provides young people with a front door.

Debate

Councillor Clive Rickhards expressed his support for the motion and welcomed the reference to Shinderpaul Bhangal earlier in the meeting.

Councillor Jeff Morgan agreed with comments about the House Project adding that young people have made the transition to their own accommodation over time.

In closing the debate Councillor Pam Williams reminded members that the Children in Care Council is not just concerned with care leavers. It covers children of all ages.

Vote

A vote was held.

Votes for the motion 52
Votes against the motion 2
Abstentions 0

Resolved:

“Warwickshire County Council has responded extremely well tothe increased pressures thrown up by the pandemic, not least in the Children and Families Service area where we have seen how two of our care-experienced young people, now employed by the Council, have been awarded national prizes for their outstanding work with other young people.

As the principal corporate parent, this Council wishes to record its thanks to everyone involved with our young people in care and requests the Chief Executive to write a thank you letter to the Children in Care Council acknowledging their efforts at this difficult time”.

4) Universal Credit

Councillor Caroline Phillips moved the following motion.

“This council notes:

The £20 increase to the basic rate of Universal Credit (and the tax credit equivalent) announced by the Chancellor on 20th March as part of his pandemic response package reflected the reality that the level of benefits were not adequate to protect the swiftly increasing number of households relying on them as the crisis hit. They have had a positive effect on the lives of thousands of local claimants who are better able to pay for life’s essentials such as food, clothing and utilities.

The local economy has also benefited from the increase in benefit levels as claimants spend their money locally thereby supporting local businesses and jobs.

Next April the Government plans to cut the benefit level for millions of claimants by ending this time limited increase.

This council resolves to:

1. Write to the Chancellor, Rishi Sunak and to the Prime Minister, Boris Johnson demanding that the £20 increase to Universal Credit is made permanent and extended to claimants on legacy benefits.

2. Work with other local government organisations to collectively pressure the government to make the £20 increase to Universal Credit permanent"

In supporting the motion Councillor Phillips explained that in 2017 -19 the Joseph Rowntree Foundation undertook research into destitution. It was found that 81% of people who are deemed destitute do not have complex needs. There are 16 million claimants of Universal Credit but many of those are in work poverty. The higher rate of Universal Credit has helped many people from falling further into destitution.

Councillor Adkins seconded the motion and reserved the right to speak.

Debate

Councillor Alan Webb explained that Universal Credit was introduced to act as a safety net to people. Jobs have been lost and people have less money. It is not possible to survive on state handouts. Food banks are getting busier and school children are missing out on meals. In addition, connectivity is very important to families. If a child does not have access to broadband and a computer, their learning will be impeded. This all costs money.

Councillor Keith Kondakor suggested that increases to Universal Credit were only introduced once people in London and the south east began to lose their jobs. Food prices are increasing which aggravates problems for people. Councillor Kondakor observed that the country has many entrepreneurs who are working hard on solutions for Brexit and the Pandemic. These people can be supported though Universal Credit. It will not make them lazy.

Councillor John Horner observed that Universal Credit is not a matter for the Council. He suggested that if members have concerns then they should write to their local MPs to raise them.

Councillor Dave Parsons expressed his support for the motion adding that people were now living in "Foodbank Britain". The County Council, he said, has a responsibility to represent the interests of its residents.

Councillor Dan Gissane expressed his support for the motion. Many people have lost their jobs and landlords are finding that people do not have the money to pay the rent. Borough Councils have an opportunity to help businesses in town centres he concluded.

Councillor Maggie O'Rourke observed that the economic impact of the Pandemic will last for a long time. The County Council should do all it can to protect people. Mainstream benefits serve to take the pressure off local authorities so efforts should be made to retain them.

Councillor Clive Rickhards observed that the people who receive Universal Credit payments put this money back into the local economy.

Councillor John Holland said that he sensed a degree of sympathy from the Conservative members. He suggested that the Conservative Group submit an amendment calling for a letter to be sent to the Warwickshire MPs.

Councillor Helen Adkins (seconder of the motion) agreed with Councillor Holland's suggestion regarding a letter to the MPs. She expressed her disappointment that only one Conservative member had engaged in the debate. Universal Credit, she added is brutal in that it punishes the poor. The uplift of £20 per week had helped to keep many people from destitution, enabling them to cope. How will a single parent manage once the additional support is withdrawn?

Councillor Caroline Phillips (Proposer of the motion) thanked all of the speakers. She reminded all councillors that they have a responsibility as corporate parents and that child poverty was a continuing problem.

Vote

Councillor Adkins (supported by Councillors Phillips and Parsons) requested a recorded vote.

Those who voted in support of the motion.

Councillors Adkins, Boad, Chilvers, C. Davies, N. Davies, Dirveiks, Falp, Fradgley, Gifford, Gissane, Holland, Kondakor, O'Rourke, Parsons, Phillips, Rickhards, Rolfe, Roodhouse, Sargeant, Skinner, Webb (21)

Those who voted against the motion.

Councillors Barker, Singh Birdi, Brain, Butlin, Caborn, Cargill, Clarke, Cockburn, Cooke Crump, Dahmash, Gilbert, Golby, Gran, Hayfield, Horner, Jenns, Kaur, Morgan, Pandher, Parry, Redford, Reilly, Roberts, Seccombe, Shilton, Simpson-Vince, Timms, Warwick, C. Williams, P. Williams, Wright (32)

There were no abstentions.

The motion was defeated.

7. Member Question Time (Standing Order 7)

1) Question to Councillor Hayfield from Councillor Roodhouse

What assessments have or are been made of the adequacy of catch-up support for remote education and the purchasing additional devices or
more textbooks?

Answer

Councillor Hayfield replied that catch-up funding has been provided to schools. The need for pupils to catch up on their education has been recognised as a huge problem for which Ofsted has been giving advice. The scheme that provides laptops to pupils remains open. The full impact of the

Pandemic on education remains unknown and it will be some time before a clearer picture emerges.

A briefing will be provided for all members in the spring of 2021. It may be that this is a matter that the Children and Young People Overview and Scrutiny Committee would wish to explore.

2) Question to Councillor Clarke from Councillor Fradgley

As the country moves towards 20mph in urban areas what is the view of WCC to developing a policy for 20mph in the county? There is a particular need to establish 20mph around schools and a policy would assist in establishing safer zones around our schools.

Answer

Councillor Clarke replied that the County Council generally supports the principle of 20mph speed limits around schools. However, lower speed limits can, in some instances, present more problems than they solve. The County Council follows the DfT guidelines on the matter. Speed should where possible be self-enforcing. Work is currently underway on the new Local Transport Plan. A member working group has been established to support this work. All members are invited to feed into the work of the group.

In response to this latter point, Councillor Fradgley encouraged all members to engage in the development of the LTP.

3) Question to Councillor Hayfield from Councillor Gifford

Does Councillor Hayfield agree that Marle Hall for nearly 50 years has provided a wonderful learning experience for Warwickshire Children? If it was to be lost how does he feel that experience could be replicated?

Answer

Councillor Hayfield replied that Marle Hall has, over the years, provided an excellent service to the children of Warwickshire. The Council is now engaged in a staff consultation exercise regarding the closure of the site. The facility is not self-financing and is expensive to retain. The number of people that now use the site is very small. Closing the site will save money which could be used to benefit a greater number of children. It is regrettable that Marle Hall is to be closed but there are other organisations that provide the same experience and that can be used.

In response to the answer Councillor Gifford asked to be sent a link to the consultation documents. This was agreed. In addition, he asked whether the County Council was engaging with the schools that use Marle Hall. Councillor Hayfield stated that the pattern of usage varies. Some schools use the site every year and some schools less frequently. Officers would ensure that schools are made aware of the alternatives to Marle Hall. He added that the Children and Young People Overview and Scrutiny Committee may wish to look at alternative provision.

4) Question to Councillor Caborn from Councillor Adkins

Professor Chris Witty has stated that Covid highlights inequalities and thrives off inequalities. In the light of health inequalities across Warwickshire including within the BAME community can the reason behind the cancellation of the task and finish review proposed by the Labour Group be explained?

Answer

Councillor Les Caborn promised to provide a written answer to all members after the meeting.

In response, Councillor Adkins stated that a response in the meeting would have been welcome.

5) Question to Councillor Clarke from Councillor Holland

Can the Council please be provided with a timeline for all road schemes in the Warwick and Leamington area?

Answer

Councillor Clarke stated that he would ask officers to provide what information they can.

In response Councillor Holland stated that he had yet to see a Portfolio Holder decision regarding changes to parking in Warwick. He asked for an update on that.

Councillor Clarke stated that Warwick Variation No. 6 had been delayed owing to significant workloads. He promised to share a list of minor works with Councillor Holland in the new year.

6) Question to Councillor Caborn from Councillor Rolfe

Is the Portfolio Holder aware of the Integrated Care Consultation that closes on 8 January 2021 and will the County Council respond to it?

Answer

Councillor Caborn stated that he was aware of the consultation and a response will be forthcoming from the County Council.

7) Question to Councillor Butlin from Councillor Kondakor

The Local Enterprise Partnership is supporting the proposal for a new battery mega factory. Will the Portfolio Holder do something to counter the myths around emission and lifecycles for electric cars as opposed to petrol and diesel cars?

Answer

Councillor Butlin assured Council that he deals in facts only.

In response Councillor Kondakor referred Councillor Butlin to a life cycle study undertaken by Aston Martin

8) Question to Councillor Seccombe from Councillor Chilvers

Regarding the new mega lab to be established in Leamington the government has promised contracts for local suppliers. However, contact with local businesses wishing to bid for contracts has shown they cannot find out how to do so. Although officers have looked into this, I am not confident that the process will be fair and transparent for our businesses. So will Councillor Seccombe make representation to the Department of health and Social Care to make sure that local businesses get fair access to contracts.

Answer

Councillor Secombe stated that it is in everyone's interests to get a fair deal for Warwickshire. She stated that she had received letters on the same matter and from people seeking employment. Officers will be asked to pursue this. Councillor Seccombe agreed to write a letter.

9) Question to Councillor Seccombe from Councillor Parsons

Covid-19 tiers are due to be reviewed on 16 December. Will Warwickshire now be considered in its own right?

Answer

Councillor Seccombe replied that when tiering was introduced the original proposal was for Warwickshire to be included in a large West Midlands region. The end result was a tier with Coventry and Solihull. A letter had been sent suggesting that Warwickshire be regarded separately to Coventry and Solihull and early indications are promising. The incidence of Covid-19 across the county varies. At one point North Warwickshire was very high, but this figure has come down. However, increases have been seen in Warwick and Stratford. The Council is keen to protect businesses, but it must keep residents safe.

10) Question to Councillor Timms from Councillor Dahmash

How is the Winter Grant Scheme helping schools in Warwickshire?

Answer

Councillor Timms stated that vouchers were due to be despatched on 16 December. All but two Warwickshire Schools had responded, downloading information regarding free school meals. Vouchers will be sent out automatically. People do not need to apply. The Council has done a lot for people who are in hardship. Advice and support has been provided on energy and clothing and personal hygiene products have been distributed. If people are struggling there is an 0800 number they can ring. The Council is keen to ensure that everyone has a happy Christmas.

A briefing will be sent out to all members once the vouchers have gone out.

11) Question to Councillor Caborn from Councillor Kondakor

It is good to see Covid-19 vaccination being rolled out at UHCW. Can the Portfolio Holder provide and indication when vaccination will commence in Nuneaton and Bedworth?

Answer

Councillor Caborn stated that he could not provide and answer at present. However, as soon as the information is available this will be distributed.

In reply Councillor Kondakor asked that updates be placed on the member dashboard on a weekly basis.

12) Question to Councillor Clarke from Councillor Chilvers

There has been an increase in delivery vehicles in towns. Often engines are left running when deliveries are made. Can the Portfolio Holder explore ways in which low emission zones can be used to encourage companies towards the use of electric vehicles which are suited to this type of delivery?

Answer

Councillor Clarke stated that he was happy to liaise with delivery companies regarding the use of electric vehicles. That vehicles are left running is a matter for the police as it is an enforcement issue.

The use of low emission zones is something that can be investigated as part of the development of the Local Transport Plan.

8. Any Other items of Urgent Business

None

The meeting rose at 1.22 pm

……………………………
Chair

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2021/22 Revenue Budget Proposal

Conservative Amended Recommendations to County Council

The County Council is recommended to plan its budget framework for 2021/22 on the following basis:

Section 1: Financial Direction of Travel

Add the following as paragraph 1.16 to the Conservative original budget proposal and renumber the following paragraphs accordingly:

1.16 We recognise the increased demand for services to support victims of domestic abuse, both locally and nationally, during the Pandemic. We will allocate £0.100 million in-each of the next two years and remove the need to deliver £0.100 million savings in 2022/23. We expect the £0.100 million saving still to be delivered and the funding reinvested in the service, including in prevention activity.

Section 4: Revenue Allocations

Delete paragraphs 4.1 and 4.3 and replace as follows:

4.1 To reflect the significant pressures on communities and the increasing demand for services we are responsible for, whilst ensuring we continue to develop so we can deliver the public services expected for the future, we are making allocations totalling £37.069 million.

4.3 In addition to meeting the estimated cost of inflation we will also provide £26.451 million to meet additional spending need, of which £4.549 million is time limited. Details of the allocations and how we expect the funding to be used are also detailed in **Appendix A** for permanent allocations and **Appendix B as amended by Annex B1** for time-limited allocations.

Section 5: Funding Sources

Replace paragraph 5.4 as follows:

5.4 Our plan for budget reductions will generate savings of £7.969 million in 2021/22 and a further £40.242 million over the period of the Medium Term Financial Strategy. Approval is given to the plans for the delivery of these savings detailed in **Appendix D as amended by Annex D1**. If during 2021/22 any of the budget reductions do not materialise to the degree shown, the Assistant Director in conjunction with their Strategic Director and Portfolio Holder should identify alternative proposals to ensure the required levels of reduced spend are delivered and report this as part of quarterly monitoring.

Replace paragraph 5.9 as follows:

5.9 We will use £6.735 million of reserves in 2021/22 to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax taxbases.

Section 6

Replace paragraph 6.7 as follows:

6.7 We recognise our MTFS means significant challenges for the organisation, including the changing way in which people want to access services. Our proposals recognise that this will take time and investment and a broad engagement with all those affected, both inside and outside the organisation. Our MTFS requires the use of £32.9 million of reserves, including £6.7 million in 2021/22, to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax taxbases. The availability of this level of reserves is consistent with our Reserves Strategy, attached at Appendix C.

Section 8

Delete Section 8 and replace as follows:

8. Summary of Service Estimates

8.1 Approval be given to the individual service net revenue estimates shown below, which will be finalised for the service estimates to be presented to Cabinet in March 2021 of:

	Base Budget £	Additional Investment £	Funding Sources £	Total £
Education Services	122,187,154	6,355,000	(44,000)	128,498,154
Environment Services	25,863,439	266,000	(352,000)	25,777,439
Fire and Rescue Service	21,851,946	436,000	(385,000)	21,902,946
Strategic Commissioning - Communities	21,184,330	1,773,000	(95,000)	22,862,330
Adult Social Care	153,127,335	8,181,000	(1,867,000)	159,441,335
Children and Families	60,760,274	9,139,000	(1,632,000)	68,267,274
Strategic Commissioning – People	33,356,498	1,443,000	(287,000)	34,512,498
Business and Customer Services	18,303,246	120,000	(524,000)	17,899,246
Commissioning Support Unit	6,042,401	128,000	(46,000)	6,124,401
Enabling Services	24,807,801	688,000	(1,118,000)	24,377,801
Finance	5,379,891	150,000	(16,000)	5,513,891
Governance and Policy	1,976,785	0	(358,000)	1,618,785
Other Services – spending	29,711,490	8,390,000	(1,245,000)	36,856,490
Other Services - schools and funding	(88,719,000)	0	(139,681,000)	(228,400,000)
	435,833,590	**37,069,000**	**(147,650,000)**	**325,252,590**
Contributions to/(from) reserves:				
- Earmarked Reserves	3,719,000	0	0	3,719,000
- General Reserves	0	0	(6,735,412)	(6,735,412)
Budget Requirement	**439,552,590**	**37,069,000**	**(154,385,412)**	**322,236,178**

All other sections/paragraphs remain unchanged.

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Council

8 February 2021

2021/22 Budget and 2021-26 Medium Term Financial Strategy

Recommendation

That Council agrees the 2021/22 Budget and authorises work to continue on ensuring the 2021-26 Medium Term Financial Strategy is aligned with and supports the delivery of the Council's ambitions as set out in the Council Plan.

1. Key issues

1.1. Cabinet received reports on the options for the 2021/22 budget at their meeting on 10 December 2020 and a further update at their meeting on 28 January 2021. Cabinet were requested to use this information to issue their 2021/22 revenue and capital budget proposals. These form part of the agenda papers for this meeting and the statement from the Strategic Director for Resources that accompanies the resolutions comments on the robustness of the proposals.

1.2. At the time of writing information from the district/borough councils on the County Council's share of business rates income for 2021/22 is still outstanding. The statutory deadline for the receipt of this information is 31 January 2021. However, the districts/boroughs have got to accommodate a number of significant changes to business rates before figures can be finalised and therefore, we propose that the Council uses our current estimates for business rates for the purposes of budget setting. Provision has been made in the Strategic Director for Resources reserves risk assessment to reflect this risk.

1.3. Members are reminded when making decisions of the need to take into account their equality duties and consider any relevant equality impact assessments when formulating proposals.

2. Timescales associated with the decision/next steps

2.1. Following this meeting the formal 2021/22 precept notifications will be sent, under seal, to the District/Borough councils to allow them to prepare consolidated council tax bills for households across Warwickshire.

2.2. Services will complete their work on how they intend to use the resources allocated in the budget resolution to deliver the core purpose and priorities in the Council Plan and the Recovery Plan. The information will be reported to Cabinet in March 2021, seeking their agreement to the detail of the proposed use of resources. The agreed use of resources will then form the basis of budget monitoring reports to Members during 2021/22.

3. Financial Implications

3.1. The 2021/22 revenue and capital budget resolutions that are part of the agenda papers for this Council meeting will, once approved, form part of the Council's budget and policy framework for 2021/22. All financial decisions made during 2021/22 will be in accordance with these resolutions, unless otherwise agreed by a subsequent Council meeting.

4. Environmental Implications

4.1. There are no immediate environmental implications for the Authority from this report. There will be environmental implications that flow from the individual allocations and proposals agreed as part of the Council's approved budget and these should be considered by Members as part of reaching their decisions.

5. Background Information

5.1. None.

	Name	**Contact Information**
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Portfolio Holder	Peter Butlin	peterbutlin@warwickshire.gov.uk

No elected members have been consulted in the preparation of this report.

2021/22 Revenue Budget Resolution

Conservative Recommendations to County Council

The County Council is recommended to plan its budget framework for 2021/22 on the following basis:

1. Financial Direction of Travel

1.1. We plan our budgets over the medium term. This time last year we agreed a Medium Term Financial Strategy (MTFS) that achieved a balance of ambition and robustness. It was a financial strategy that could underpin the delivery of the outcomes and objectives we set out in our Council Plan.

1.2. Within a month of agreeing the MTFS we entered this unusual and unprecedented time. It means we have now had to reset our budget and future plans in the midst of a global pandemic which will have long term and societal impacts. We are likely to face significant pressures on our resources, the economic situation is hugely challenging and, at least partly as a direct result, we will continue to be faced with demand for services rising much more quickly than our resources. The direct and indirect impacts on the County Council as well as our partners are both unknown and highly volatile at this stage.

1.3. Our approach of ensuring our financial resilience and medium-term financial sustainability, has placed the Authority in a strong position to respond to the uncertainty and financial commitments created by Covid-19 and meet ambitions to invest to support recovery for the benefit of residents and communities. We are confident our approach will mean Warwickshire's communities and economy are able to recover and build back better.

1.4. We will remain robust, ambitious and prudent in setting both next year's budget and our MTFS, with a focus on outcomes and social value. Given that current economic uncertainties remain we will continue to look for efficiencies to drive better value for money for our taxpayers. We will invest our resources to ensure 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.

1.5. We will redouble our efforts to bring inward investment and private and public sector businesses into the County for the benefit of employment and prosperity of our residents and the future of their children.

1.6. Our budget for 2021/22, is the first year of a 5-year rolling MTFS that will align the resources of the Authority to the objectives and ambitions set out in the Council Plan and Recovery Plan.

1.7. We have had to make difficult decisions and choices in developing these proposals. We have not taken decisions to address the short-term challenges we face that undermine our financial sustainability over the medium term or leave financial 'gaps' to be closed in future years. We have recognised that our plans, whilst remaining robust and ambitious also need to be flexible to handle most plausible scenarios, whilst recognising it is impossible to guarantee this.

1.8. To ensure the finances of the Council are robust and sustainable we will:

- Directly invest £9.1 million in our children's social care services, providing resources to meet costs arising from: the higher numbers of Looked After Children; the limited options to tackle the foster care / placement mix; and additional support for those moving from care to independent living;
- Invest £8.2 million to protect our elderly citizens and vulnerable adults to fund additional demand and manage the cost of placements whilst continuing to make progress on our vision of greater integration between health and social care;
- Invest £3.8 million to continue to support children and young people with disabilities placements and to ensure they can access appropriate support within their communities;
- Invest £1.5 million in home to school transport to ensure we continue to provide services in line with our policy whilst being able to respond to the increasing demands on the service;
- Provide £1.3 million to offset the loss of income earned on investing our cash balances given the continued low interest rates and the proposed alternative use of our cash balances limiting the potential for investment returns;
- Invest £0.6 million to meet our cost of the health service's Agenda for Change programme on our public health contracts;
- Invest £0.4 million to increase the capacity of our out-of-hours social care team; and
- Invest £0.3 million in the Waste Management service to meet the increased demand as a result of housing growth.

1.9. We will provide £1.5 million to meet the operating cost to the Council of the Warwickshire Property and Development Company in its first year and to ensure effective governance capacity is in place to manage the financial and commercial risks. By the end of the MTFS we expect the Company to be delivering a surplus of £3.4 million a year.

1.10. We intend to continue and extend the approach adopted last year to investing our short-term resources to support the priorities of the Council Plan and to invest in Warwickshire's future. All will have an added focus on supporting recovery. We will merge the Place Shaping and Economic Growth Fund with the Commercial Fund to ensure greater clarity of purpose and replace the Sustaining Prevention Fund with a Preventing Vulnerability Fund to give a greater emphasis on invest-to-save investments that deliver community benefits.

1.11. We are determined to make the best use of the funding we have available ensuring investments are supported by robust business cases and realise benefits and help address long-term issues such as climate change. With evidence-based decision-making we are looking to make step changes towards the delivery of our service objectives whilst ensuring any allocations do not cause difficulties with sustainability over the medium term. We will continue with the rigorous prioritisation and evaluation processes before funding allocations are confirmed.

1.12. Our Investment Funds contain £15m revenue funding which will be topped up during the five-year period as our finances allow. The first opportunity will be alongside the 2020/21 outturn, when we have greater clarity about the costs of our Covid-19 response. These allocations are deliberately flexible and may be varied as bids emerge and are prioritised, subject to Cabinet consideration and approval.

1.13. We will bring forward proposals for a dedicated 'community wellbeing fund', to sit within the overall Preventing Vulnerability investment fund. This will support our outcome that communities and individuals are supported to be safe, happy and independent. A key priority for our response and recovery from the Pandemic is around local mental health support in our communities, ranging from support for children and young people to younger adults with autism and mental health needs, including those who self-harm, to services for older people with dementia. This aligns with the key priority in our Health and Wellbeing Strategy to 'help people improve their mental health and wellbeing, particularly around prevention and early intervention in communities'.

1.14. We will bring forward proposals, funded from our Place Shaping and Economic Growth Fund, for a 'social/community endowment fund' that will act as a catalyst for building stronger communities by funding significant initiatives to help communities help themselves whilst delivering our outcomes for a stronger economy and better lives.

1.15. Our Investment Funds and the key projects that we expect to see come forward for approval are:

- Preventing Vulnerability Investment Fund
  To pump prime up-front investment in demand management and early intervention initiatives prior to financial benefits accruing. As well as our community wellbeing fund, we expect proposals to be brought forward to support the next phase of SEND programme delivery, to promote positive mental health, to provide targeted family/parental support, to mitigate the impact of the second Covid-19 lockdown through early help and youth provision, to continue our partnership working on tackling substance misuse and homelessness across Warwickshire and to create a challenge fund for schools in deprived areas to help them deliver extra-curricular activity that will stretch and develop learners.
- Climate Change Fund
  To invest in coordinating and pump priming work across the revenue and capital budget to implement the priorities flowing from the Council Plan and Recovery Plan that protect our residents and the County's environment for future generations. Initial priorities will be taking forward the eco-school's resolution agreed by this Council, a review of the Council's waste strategy and the development of business cases for further renewable energy schemes.
- Place Shaping and Economic Growth Fund
  To support strategic investment in Warwickshire's economy and improving quality of life for residents and communities. Further projects we expect to be brought forward for consideration include the development of an economic recovery programme/plan for the county of Warwickshire, investment in 5G, continuing to push outcome-focussed commercial activity in specific and limited areas including the development of a Warwickshire Recovery and Investment Fund, an enhanced economic recovery programme focussed on skills and (re)-training to get back into work, particularly targeted at young people and business support programmes.

1.16. We will continue to be responsible and commit ourselves to targeting resources that will support our vision to make Warwickshire the best it can be, sustainable now and for future generations. As well as identifying where we want to invest in services, we have also focussed on identifying where services to residents can be broadly maintained albeit delivered in a more cost-effective way in the future. We expect the Chief Executive to continue to drive forward our internal organisational change programme, investing the Change Fund, to ensure there is sufficient capacity to invest in ways to be more efficient and effective in maximising outcomes from local and national taxpayers' money, by driving savings/headcount reduction through digital, data and automation, setting financial return and pay-back periods for invest-to-save proposals and rationalising the County's estate, to meet the changing needs of our communities and the cost-effective delivery of services.

1.17. We will deliver £8.0 million of budget reductions in 2021/22, increasing to £48.3 million by 2026, through better procurement, improvements in efficiency, increased income and delivering reductions in demand. We all use the services the County Council provides. We also represent and will deliver value for money for the tax payers of Warwickshire.

1.18. We do acknowledge the need for an increase in local tax. We will use the opportunity provided by the government to levy an additional 3% council tax, phased across two years, to provide additional ring-fenced resources to fund adult social care services. We will take 1% of this additional levy in 2021/22 and propose to take the balance in 2022/23. In addition, we require an increase of 1.99% on the council tax for all other services. In total, this means a 2.99% council tax increase for 2021/22, equivalent to an increase of 86p per week for a Band D dwelling.

2. Adult Social Care

2.1. Adult social care is our highest spending service. In December 2020 the Government announced that local authorities would be able to levy an additional 3% on top of their normal council tax increase, spread across the two years of 2021/22 and 2022/23, with this additional funding to be ring-fenced for use in adult social care.

2.2. We intend to take the additional 3% levy for adult social care, spread as 1% in 2021/22 and 2% in 2022/23 and will increase the resources available to deliver adult social care by at least the amount raised from the levy. The allocations we are making in 2021/22 and the indicative allocations for 2022/23 deliver on this commitment. We know that, both locally and nationally, this is a top priority for citizens, but we also recognise that taking all of the levy in the first year would be a significant additional financial burden for taxpayers in the current economic climate. We expect the Service to manage within the funding allocated in this resolution, including the additional funding provided by the Government through the Better Care Fund to meet demographic, statutory and inflationary pressures. We expect the Service to continue to work with partners to manage the extent of any emerging demand-led spending pressure, thereby reducing the level of savings needed.

Warwickshire County Council

2.3. We believe this approach provides the flexibility needed by the Service to manage its resources in the most effective way. Our focus is the transformation of adult social care pathways, the enhancement of information and advice to enable people to shape their own solutions and working with communities to build capacity to manage demand. This decision will protect Warwickshire adult services at a time of long-life expectancies.

3. Dedicated Schools Grant

3.1. We continue to expect the cost of funding schools and relevant pupil-related services to be contained within the level of the Dedicated Schools Grant (DSG). Our policy remains that we do not intend to subsidise the DSG from our own resources. We will continue to allocate resources to schools and other educational settings in accordance with the National Funding Formula for schools and early years.

3.2. We recognise that meeting our policy aspirations in relation to high needs services and support can only be achieved over the medium term; given the nationally growing demand for services and the lack of capacity in the system. We have established an ambitious and substantial transformation programme to tackle the significant pressures on the DSG budget. These substantial pressures reflect the national position.

3.3. The Schools Forum have agreed to transfer 0.5% (£1.824m) of DSG funding for schools to support high needs services in 2021/22 and we thank them for their support as we work together to identify solutions to help bring the high needs budget back into balance. We will continue to invest in building capacity locally, for example through the Warwickshire Academy in Exhall, and our wider transformation programme.

3.4. However, with the Government requiring all schools and early years services to be provided within the level of DSG allocated we recognise more still needs to be done to ensure the budget for these services is robust and sustainable. We require that a further report is brought to Cabinet, for approval, by September 2021 that sets out the next stage of our plans for how the DSG can be brought back into balance following consultation with partners across the sector, alongside an update on the benefits being delivered from the current improvement plan.

3.5. Whilst the next stage of the improvement plan is developed and implemented, or the Government brings forward proposals for funding DSG deficits at a national level, we will ensure the Authority's overall financial resilience is maintained. We will set aside sufficient funding in reserves to create an equal and opposite position to offset the projected deficit until a sustainable solution is in place.

4. Revenue Allocations

4.1. To reflect the significant pressures on communities and the increasing demand for services we are responsible for, whilst ensuring we continue to develop so we can deliver the public services expected for the future, we are making allocations totalling £36.969 million.

4.2. We will provide £10.618 million for the estimated cost of pay and price inflation in 2021/22, allocated between Services as shown in **Appendix A**. In making this allocation it is acknowledged that the allocation to Services for inflation is an approximate cost, recognising that some costs will increase above the standard rate and some below. Once the overall allocation has been agreed, a Service will have the opportunity to allocate the funding provided to reflect where inflation will impact at a local level.

4.3. In addition to meeting the estimated cost of inflation we will also provide £26.351 million to meet additional spending need, of which £4.449 million is time-limited. Details of the allocations and how we expect the funding to be used are also detailed in **Appendix A** for permanent allocations and **Appendix B** for time-limited allocations.

4.4. Allocations for future years, as listed in Appendices A and B, are indicative at this stage. They are detailed as part of ensuring that our budget proposals are robust and sustainable over the medium term. We require the need for, and level of, all these allocations to be reviewed as part of the 2022/23 Medium Term Financial Strategy refresh.

4.5. We expect Services to manage all other issues in 2021/22 from within existing financial resource levels and support the planned use of £3.719 million of earmarked reserves to provide capacity to invest in service change and to allow space to effectively implement service redesign/reprioritisation.

5. Funding Sources

5.1. Over recent years we have taken the decisions necessary so we can continue to provide services to the residents and communities of Warwickshire whilst continuing to innovate and invest in ensuring our services are fit for the future. We are financially resilient and hold reserves to manage financial risk and promote financial sustainability. However, we recognise the need to control the amount of scarce resources held in reserves and refine our approach to managing reserves to maintain a proportionate, sustainable, flexible and risk-based approach.

Warwickshire County Council

5.2. Our approach to the effective use of reserves is set out in **Appendix C**. It provides for increased transparency and accountability around reserves and ensures the framework is in place to align decision-making around the use of reserves with the Council Plan. We will continue to consider the advice and recommendations of our Strategic Resources for Director (Section 151 Officer) bi-annually as part of budget setting and after closing our accounts. We will look to utilise our reserves prudently whilst also recognising that this is taxpayers' money.

5.3. We will provide sufficient resources to ensure the level of General Reserves is at least consistent with that stated by the Strategic Director for Resources as the minimum level of general reserves given the financial risks facing the authority. We will retain the Revenue Investment Funds set up last year to deliver our investment proposals over the period of the Medium Term Financial Strategy and will undertake a further review at the end of each financial year to identify where there is scope to release further resources to support our investment proposals.

5.4. Our plan for budget reductions will generate savings of £7.969 million in 2021/22 and a further £40.342 million over the period of the Medium Term Financial Strategy. Approval is given to the plans for the delivery of these savings detailed in **Appendix D**. If during 2021/22 any of the budget reductions do not materialise to the degree shown, the Assistant Director in conjunction with their Strategic Director and Portfolio Holder should identify alternative proposals to ensure the required levels of reduced spend are delivered and report this as part of quarterly monitoring.

5.5. We will fund the £1.438 million deficit on previous years' council tax collection and retain the provision for further losses over the next few years until the economy and house building recovers.

5.6. Just under a third of the Authority's spending each year is on staffing. The proposals to deliver budget reductions will require, in some areas, a reduction in the number of posts. Policies and processes are in place to enable us to effectively redeploy people. However, it has to be recognised, some redundancies may be necessary. We will retain our £7.9 million Redundancy Fund for realigning services, or more specifically to fund the up-front costs of redundancy, should this be needed. All allocations from the Fund must be made in accordance with the protocol issued by the Strategic Director for Resources.

5.7. Included within the roll-forward budgets are a number of other grants we receive from the Government for specific purposes. Any variations to the levels of funding received will be matched by an equivalent adjustment in the budget for the respective service.

Warwickshire County Council

5.8. We will use business rates funding of £67.695 million to support the overall budget of the County Council. We recognise that the level of income we will receive from business rates remains a material financial risk, despite the additional hardship funding provided by the Government. In the event of business rates funding being above or below this level the variation will be managed by an adjustment to the Business Rates Volatility Reserve during 2021/22.

5.9. We will use £6.635 million of reserves in 2021/22 to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax taxbases.

5.10. **The council tax will increase by 2.99%**. With the other funding resources identified, this will fund the proposals contained within this resolution.

6. Medium Term Financial Strategy

6.1. We will continue to operate with a rolling five-year MTFS where we can demonstrate that the finances of the authority are allocated in accordance with the priorities of the organisation and that the underpinning finances remain robust and our service delivery sustainable for the benefit of the residents and businesses of Warwickshire. We have a track record of delivering savings and this has served us well as we have steered the Authority through some undoubtedly challenging financial times. Looking forward we will be operating in an environment of increased uncertainty over both funding and demand as we strive to deliver on the objectives and outcomes as set out in the Council Plan and Recovery Plan.

6.2. We recognise that changes to the system of local government finance and the increasing moves towards self-sufficiency means our financial planning processes will need to change as the level of income from local taxation will become increasingly variable and unpredictable. Alongside supporting residents, individuals and businesses as society and the economy recovers from the Pandemic, technological developments, changing national and international economic relationships, the opportunities for commercial investment and the long-term challenge of climate change also mean our plans need to be more flexible than ever and able to adapt to change at pace whilst retaining a focus on our longer-term goals and ambitions.

6.3. Our Council Plan and Covid-19 Recovery Plan set out our ambitions and our operating model provides the framework to deliver them. We ask Corporate Board to develop commissioning strategies, action plans, key business measures and performance management requirements aligned and consistent with the available resources of the authority.

6.4. The indicative future spending allocations and planned reductions we have set out deliver a balanced MTFS over the period of the Council Plan through to 2026. To do this requires a 1.99% annual increase in the council tax and taking the 3% flexibility allowed through the adult social care levy, phased 1% in 2021/22 and 2% in 2022/23. We accept that without this level of increase in council tax, or if future spending needs exceeds the indicative levels, further budget reductions will need to be identified and delivered to ensure the budget remains sustainable.

6.5. We therefore expect the focus of change to be on invest-to-save projects that will release the resources needed to invest in our ambitions. We require services to focus on the preventative agenda to manage demand downwards, so we can secure even more value for money. Investment decisions should be based on a more commercial approach, aligned with the recently approved commercial strategy. This work should drive the options for further budget reductions over the period of the MTFS.

6.6. We expect the MTFS to reflect on and respond to the Council's key strategic risks of:

- The heightened economic and political uncertainty due to external factors, including the continuation of the Covid-19 pandemic into 2021;
- The pace and ability to influence post-Covid economic recovery, and the impact of new European Union trading regimes on key sectors, 'place', local businesses, employment levels and re-skilling;
- The widening inequalities, including learning gaps, and worsening health and well-being outcomes for communities;
- The continuing demand and cost pressures on social care services and disruption to the care markets;
- The safeguarding of children and vulnerable adults;
- The continuing demand pressure on special educational needs and disability provision;
- Changing how we work, taking advantage of opportunities to innovate and make the best use of our resources;
- The delivery of our ambitions on the declared Climate Emergency; and
- The impact of Local Government Reform.

6.7. We recognise our MTFS means significant challenges for the organisation, including the changing way in which people want to access services. Our proposals recognise that this will take time and investment and a broad engagement with all those affected, both inside and outside the organisation. Our MTFS requires the use of £32.4 million of reserves, including £6.6 million in 2021/22, to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax taxbases. The availability of this level of reserves is consistent with our Reserves Strategy, attached at Appendix C.

6.8. Whilst we have an excellent track record of delivering savings, we acknowledge that this needs to continue if our 2021/22 budget is to remain balanced and be sustainable over time. We ask Corporate Board to review the arrangements for the oversight of the delivery of the savings plan to ensure there is clarity about delivery and, where there are areas of concern, any necessary corrective action is put in place at the earliest opportunity.

7. Strategic Director for Resources: Statement

7.1. The following statement from the Strategic Director for Resources is noted:

"The 2003 Local Government Act places specific responsibilities on me, as "Chief Financial Officer", to report on the robustness of the budget and the adequacy of proposed financial reserves when the authority is considering its budget requirement. The Council is required to have regard to this report when it sets the budget. There are a range of other safeguards that I must also consider to prevent the Local Authority from over committing itself financially, including:

- *the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992);*
- *the legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs (section 151 of the Local Government Act 1972).*

The uncertainties of the economic environment, the fact we are awaiting a multi-year Spending Review settlement, the scale of the expenditure reductions required and the growing demands on services, mean that there are significant risks facing the Authority in delivering a balanced budget. In fulfilling the various responsibilities placed on me as Chief Financial Officer, I have set out below, what I see as the key risks associated with the proposed budget and how they can be managed, so that Members are clear on the risks associated with these budget proposals when making their budget decision.

Risk 1 – Delivery of the Planned Budget Reductions

The planned budget reductions need to be fully implemented to ensure the Council's 2021/22 budget remains balanced and sustainable into the future. To mitigate this risk:

- *Key policy changes associated with major savings proposals in 2021/22 have been identified;*

- *Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders have been charged with ensuring that processes are in place to ensure that the planned budget reductions are delivered to the required timetable;*
- *If the planned budget reductions are not delivered, Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders are required to identify alternative ways of balancing the Service and/or Directorate budgets; and*
- *Monitoring of the delivery of the planned budget reductions will be extended to include the monitoring of project delivery milestones to ensure decisions are taken in a timely manner and implementation timescales are met.*

Risk 2 – On-going Impact of the Covid-19 pandemic

This budget is being agreed at a time when the country remains in a national lockdown. The Council is currently in the midst of the response phase to the additional demand for services from residents and communities. The timing and potentially phased relaxation of the current restrictions is currently unknown, and this will determine how and when we can transition from response to recovery. Although we are due to receive £10.8 million Government support into 2021/22 the level of uncertainty means we do not know if this will be sufficient or, if it is not, whether additional funding from the Government will be forthcoming. There is also a lack of clarity as to the extent of any on-going support from health for the additional adult social care costs being experienced and any extension of the current levels of support for businesses and individuals, including the furlough scheme.

The potential additional costs and loss of income need to be managed to ensure the Council's 2021/22 budget remains balanced and sustainable into the future. To mitigate this risk:

- *All Covid-related funding received is managed corporately, with decisions on the allocation of any resources requiring Corporate Board approval to ensure the effective use of resources;*
- *The prioritisation of investment to support recovery in the use of the revenue and capital investment funds;*
- *The creation of a taxbase volatility reserve, alongside the existing business rates appeals reserve to provide for any deficits on the collection of the council tax and business rates from the current economic downturn; and*
- *The reflection of a gradual economic recovery in projections of future resource levels in the Medium Term Financial Strategy.*

Risk 3 – Repayment of Overspends

Arrangements will need to be put in place, as part of the financial outturn report to Cabinet and this budget resolution, to stabilise the financial position of those services overspending. If overspends occur in future years, services will need to deliver additional budget reductions to repay overspends as well as delivering the planned budget reductions in 2021/22. The flexibility to manage this through reserves is reduced as a result of the use of reserves proposed in this resolution.

However, the retention of directorate risk reserves, equivalent to 3% of their net budget, should enable services to manage any in-year overspends without impacting on service delivery.

Risk 4 – Dedicated Schools Grant Deficits

There is a financial risk to the Authority as a result of the new provisions that local authorities will not be permitted to fund any part of the DSG deficit without the authorisation of the Secretary of State, in the absence of any extra funding to resource any deficit. This has been mitigated by an equal and opposite provision in reserves to offset the projected deficit, but this does not provide a long-term solution or remove the need to identify options for bringing spending into line with the level of DSG received.

Risk 5 - Treasury Management

The level of interest receipts and return on Treasury Management activities and borrowing costs are subject to market rates. Members are advised of this risk each year and this is mitigated by application of the Council's annual Treasury Management Strategy. However, actual interest returns/costs are determined by a variety of factors largely outside the Council's control.

The capital programme, setting up of the Warwickshire Property Company and the support for the proposed development of a Warwickshire Recovery and Investment Fund, highlighted in this budget resolution and the accompanying capital budget resolution, will create additional financial risk for the Council from the associated treasury management and investment activity. These risks have been mitigated as far as possible through the governance arrangements that are, or will be, put in place, but the risk cannot be completely removed. Collectively the proposals will see a material increase in the Council's borrowing and, alongside the significant use of reserves proposed in the Medium Term Financial Strategy, this will increase the requirement to ensure we have sufficient liquid cash balances to manage our day-to-day activity.

It will mean decision-making will need to take a broader range of financial risk criteria into account than has traditionally been necessary.

Risk 6 – Uncertainty of the National Funding Position

There is uncertainty around the national funding position for local government as a result of the lack of a three-year Comprehensive Spending Review, wider economic uncertainty given the need to agree and work within new EU and international trade agreements. This means we need to have a higher level of general reserves, and may face more significant revenue pressures until the multi-year spending review which it is hoped will be received later this year.

Risk 7 – Local Government Funding Reform
The changes to the funding of local authorities, making us more dependent on the level of business rates collected locally, is likely to result in volatility to the Council's funding to a greater extent than in previous years. This places greater importance on the need to maintain reserves to manage any volatility. There is also greater uncertainty with the pending Fair Funding review of local government and how this may affect the resources available to the Council.

Risk 8 – Pensions
Given the range of possible changes to the Local Government Pension Scheme, this remains a key risk for the Council, in terms of possible costs arising from any new scheme and the financial consequences of large numbers of staff leaving the scheme.

Risk 9 – Impact on the Medium Term Financial Strategy
The Medium Term Financial Strategy (MTFS) outlines the significant additional financial challenge to the authority in future years. The indicative future spending allocations and planned reductions deliver a balanced MTFS over the period of the Council Plan with a 1.99% annual increase in the council tax in future years plus the additional 2% adult social care levy in 2022/23. Without this level of increase in council tax, or if future spending needs exceeds the indicative levels, further budget reductions will need to be identified and delivered to ensure the budget remains sustainable. Given this challenge Members are advised it is important that decisions taken in agreeing the 2021/22 budget do not increase this financial risk. The commitment of Members to meet the financial challenges ahead and take the decisions needed to ensure the finances of the authority remain robust into the future is welcomed.

The budget information used in preparing this budget resolution has undergone extensive scrutiny by:

- *Assistant Directors and their staff;*
- *Staff within the Finance Service; and*
- *Corporate Board.*

In addition to this I have worked closely with members in preparing this budget resolution. In overall terms I am of the view that this revenue budget has been prepared on realistic assumptions in an uncertain environment and that as such it represents a robust, albeit challenging, budget.

I have also undertaken a risk analysis of the adequacy of financial reserves, taking account of the financial risks above. This highlighted the need to retain a minimum of £21.4 million in general reserves in 2021/22. This resolution makes provision for this level of reserves. I am therefore of the view that this budget does provide for an adequate level of reserves."

8. Summary of Service Estimates

8.1. Approval be given to the individual service net revenue estimates shown below, which will be finalised for the service estimates to be presented to Cabinet in March 2021 of:

	Base Budget £	Additional Investment £	Funding Sources £	Total £
Education Services	122,187,154	6,355,000	(44,000)	128,498,154
Environment Services	25,863,439	266,000	(352,000)	25,777,439
Fire and Rescue Service	21,851,946	436,000	(385,000)	21,902,946
Strategic Commissioning - Communities	21,184,330	1,773,000	(95,000)	22,862,330
Adult Social Care	153,127,335	8,181,000	(1,867,000)	159,441,335
Children and Families	60,760,274	9,139,000	(1,632,000)	68,267,274
Strategic Commissioning – People	33,356,498	1,343,000	(287,000)	34,412,498
Business and Customer Services	18,303,246	120,000	(524,000)	17,899,246
Commissioning Support Unit	6,042,401	128,000	(46,000)	6,124,401
Enabling Services	24,807,801	688,000	(1,118,000)	24,377,801
Finance	5,379,891	150,000	(16,000)	5,513,891
Governance and Policy	1,976,785	0	(358,000)	1,618,785
Other Services – spending	29,711,490	8,390,000	(1,245,000)	36,856,490
Other Services - schools and funding	(88,719,000)	0	(139,681,000)	(228,400,000)
	435,833,590	**36,969,000**	**(147,650,000)**	**325,152,590**
Contributions to/(from) reserves:				
- Service Reserves	3,719,000	0	0	3,719,000
- General Reserves	0	0	(6,635,412)	(6,635,412)
Budget Requirement	**439,552,590**	**36,969,000**	**(154,285,412)**	**322,236,178**

9. Council Tax Requirement

9.1. Approval is given to a council tax requirement and a Band D Council Tax for the County Council for the year ending 31 March 2022 as follows:

	£
Budget Requirement	322,236,177.65
Less Council Tax Surplus on Collection	1,438,435.00
Council Tax Requirement for the year ended 31 March 2022	**323,674,612.65**
Divided by aggregate Council Tax Base for the County Area	211,067.82
Basic Amount of Council Tax (Band D)	**1,533.51**

10. Council Tax

10.1. The council tax for 2021/22 is increasing by 2.99%. Therefore, approval is given to Council Tax amounts for each category of property as follows:

	£
Band A	1,022.3400
Band B	1,192.7300
Band C	1,363.1200
Band D	1,533.5100
Band E	1,874.2900
Band F	2,215.0700
Band G	2,555.8500
Band H	3,067.0200

11. Precepts

11.1. The Chief Executive is authorised to issue the 2021/22 precepts on the Warwickshire billing authorities, as follows:

	£
North Warwickshire Borough Council	32,312,696.56
Nuneaton and Bedworth Borough Council	58,899,205.43
Rugby Borough Council	59,401,245.94
Stratford-on-Avon District Council	87,312,569.43
Warwick District Council	85,748,895.29

12. Budget Management

12.1. The Chief Executive is directly responsible for the implementation of the budget.

12.2. Cabinet will continue to receive quarterly reports on service performance, financial performance and progress on the delivery of the savings plans.

12.3. The Chief Executive and Strategic Director for Resources are authorised to vire revenue budgets between Services where such virements are as a direct consequence of the specific spending allocations, delivery of the planned net reductions and funding strategies contained in this resolution and the accompanying capital budget resolution.

12.4. The Chief Executive and Strategic Director for Resources, in consultation with the Leader, are authorised to reverse allocations made as part of this budget process where the investment does not progress.

12.5. The Chief Executive and Strategic Director for Resources are authorised to draw down from reserves and vire money between reserves where these adjustments are as a direct consequence of the specific spending allocations, delivery of the planned budget reductions and funding strategies contained in this resolution and the accompanying capital budget resolution.

12.6. The Chief Executive and Strategic Director for Resources are authorised to make the necessary budget adjustments to fund the new responsibilities given to the County Council during the year, or where responsibility for services transfers out, up to the level of Government funding provided/withdrawn.

12.7. The Chief Executive is instructed to remind the Strategic Directors, the Chief Fire Officer and Assistant Directors that budgets must not be overspent and that effective budget management arrangements should be the cornerstone of Services' work to secure value for money.

12.8. Services, and also schools, are encouraged to take a medium term view of spending commitments and ensure a prudent approach is adopted in entering into initiatives which create commitments in future years and developing clear strategies for the utilisation of service reserves.

12.9. All member bodies, Members and officers are instructed to comply with the prescriptive legal duties placed upon the Council. The Chief Executive, Strategic Directors, Chief Fire Officer and Assistant Directors are instructed to ensure that the implementation of policies complies with legal requirements.

12.10. That authority is given for all necessary tenders to be obtained and contracts to be completed to give effect to this budget, subject to compliance with Contract Standing Orders, Financial Regulations and the key decision regime.

13. Pay Policy

13.1. Section 38 of the Localism Act 2011 requires us, as a local authority to prepare and approve an annual pay policy statement by 31 March, immediately preceding the year to which it relates.

13.2. The pay policy statement must set out the authority's policies for the financial year relating to the remuneration of chief officers (which, in the case of the County Council, includes the Chief Executive, Strategic Directors and Assistant Directors) and the remuneration of employees who are not chief officers.

13.3. Our pay policy statement that meets these statutory requirements is set out in **Appendix E** and the County Council agrees the application of these remuneration policies for the financial year 2021/22.

Warwickshire County Council

Appendix A

2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Education Services					
Inflation - An allocation to meet the cost of net price inflation across the Service.	536	547	559	569	581
Home to school transport - An allocation to meet the demand for home to school transport for pupils and students; thereby ensuring that eligible children have a seat to get to and from school.	1,517	1,288	1,453	1,400	1,500
Direct payments for children with disabilities - An allocation to continue to support the children and young people with disabilities who already receive a direct payment and to reflect the continuing growth in overall numbers. The increase will enable children and young people to access the appropriate support within their own community; promoting learning, inclusion, social opportunities, independence and skills for life.	308	50	53	56	59
Placements for children with disabilities - An allocation to continue to support current placements and to meet the expected demand for future placements. This will ensure looked after children are in appropriate specialist places to meet their need.	3,457	478	198	206	215
Education psychology service - An allocation to increase capacity in the service to meet the growth in the number of Education Health and Care referrals and to engage in more preventative work with longer term benefits for students and the budget.	200	0	0	0	0
Total Education Services	**6,018**	**2,363**	**2,263**	**2,231**	**2,355**

Appendix A

2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Environment Services					
Inflation - An allocation to meet the cost of net price inflation across the Service, including the cost of highways maintenance contract inflation above the level of general provision for price inflation.	266	274	278	283	288
Total Environment Services	**266**	**274**	**278**	**283**	**288**
Fire and Rescue					
Inflation - An allocation to meet the cost of net price inflation across the Service**.**	71	73	74	75	77
Firefighter pension fund – An allocation to meet the administration cost of the Firefighter Pension Fund required to be accounted for separately rather than as part of the Warwickshire Pension Fund**.**	65	0	0	0	0
Total Fire and Rescue	**136**	**73**	**74**	**75**	**77**

2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Strategic Commissioning for Communities					
Inflation - An allocation to meet the cost of net price inflation across the Service, including the cost of waste management contract inflation above the level of general provision for price inflation.	568	584	509	516	522
Waste management - An allocation to address the increased waste management costs being incurred as a result of housing and population growth within the county and as set out in the District and Borough Council Local Plans.	300	300	300	300	300
Civil parking enforcement - An allocation to reduce the budgeted income from civil parking enforcement following the Cabinet decision not to fully implement proposed increases in parking charges.	198	0	0	0	0
Infrastructure and sustainable communities resource - An allocation to increase the staffing capacity of the team to support for the Authority's activity around the national cycling tours, infrastructure development and HS2.	96	0	0	0	0
Total Strategic Commissioning for Communities	**1,162**	**884**	**809**	**816**	**822**

Appendix A

2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Adult Social Care					
Inflation - An allocation to meet the cost of net price inflation across the Service, including the cost of average care provider inflation above the level of general provision for price inflation.	4,450	4,614	4,673	4,726	4,844
Care demand for adults - An allocation to meet the cost of increase in demand for adult social care due to population growth, the increased length of support and intensity of care need as a result of increased life expectancy and the estimated reduction in people who can fund their own care over time.	3,354	3,680	4,000	4,000	3,800
Liberty Protection Standards - An allocation to meet the estimated cost of implementing the new legislative requirements around Liberty Protection Standards from 1 October 2020.	250	0	0	0	0
Emergency duty team capacity - An allocation to increase capacity of the out of hours social care team to meet the demand increases seen across Children and Adults. The total £0.4m cost is split between Children's Services, Adult Social Care and Business Support.	127	0	0	0	0
Total Adult Social Care	**8,181**	**8,294**	**8,673**	**8,726**	**8,644**

Appendix A

2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Children and Families					
Inflation - An allocation to meet the cost of net price inflation across the Service.	715	730	744	758	774
Child allowances - An allocation to meet the costs of increased demand for Special Guardianship Orders, Residential Orders and Child Arrangements Orders to support children to leave or avoid care through allowances for extended family members caring for children.	275	102	124	85	98
S17 children - An allocation to meet the increased costs associated with support for parents and children to remain together at home, providing support for families who are destitute.	55	11	12	11	12
Children leaving care supported accommodation - An allocation to fund the increased cost of supported accommodation for those aged 16 plus, particularly care leavers, due to continued increases in the complexity of placements driving cost increases.	1,026	107	113	120	127
Children's placements (exc. children with disabilities) - An allocation to meet the impact of fostering/placements framework contracts and changes to the placement mix on costs.	5,839	1,276	722	763	799
Legal cost pressures - An allocation to meet the increased cost of legal fees as a result of increases in the number of cases requiring court action and in the timescales for these proceedings to be carried out.	250	0	0	0	0

Appendix A

2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Homelessness support service for care leavers to age 25 - An allocation to replace the previous DfE grant funding and so allow continuation of the statutory service at the current level.	95	0	0	0	0
MASH capacity - An allocation of further resource needed to provide oversight, leadership and capacity within the Multi-Agency Safeguarding Hub.	265	0	0	0	0
Emergency duty team capacity - An allocation to increase capacity of the out of hours social care team to meet the demand increases seen across Children and Adults. The total £0.4m cost is split between Children's Services, Adult Social Care and Business Support.	199	0	0	0	0
Children's other pressures - An allocation to meet a range of additional cost pressures across the service, including the Privileged Access Management system replacement, targeted staffing across Children's social care, removing internal charging for Youth community centres.	420	0	0	0	0
Total Children and Families	**9,139**	**2,226**	**1,715**	**1,737**	**1,810**
Strategic Commissioning for People					
Inflation - An allocation to meet the cost of net price inflation across the Service.	566	578	589	601	613
Agenda for Change - An allocation to meet the increased cost of Public Health contracts with the NHS to fund the health sector pay uplift.	627	0	0	0	0
Total Strategic Commissioning for People	**1,193**	**578**	**589**	**601**	**613**

Appendix A

2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Business and Customer Support					
Inflation - An allocation to meet the cost of net price inflation across the Service.	46	47	49	50	50
Emergency duty team capacity - An allocation to increase capacity of the out of hours social care team to meet the demand increases seen across Children and Adults. The total £0.4m cost is split between Children's Services, Adult Social Care and Business Support.	74	0	0	0	0
Total Business and Customer Support	**120**	**47**	**49**	**50**	**50**
Commissioning Support Unit					
Contract management and quality assurance - An allocation to provide for increased capacity to progress commissioning savings across the Council.	128	0	0	0	0
Total Commissioning Support Unit	**128**	**0**	**0**	**0**	**0**
Enabling Services					
Inflation - An allocation to meet the cost of net price inflation across the Service.	264	269	274	280	286
Licence and cloud costs - An allocation to meet the additional licence and cloud costs as a result of the new approach to the delivery of ICT, including as a result of the move from Google to Microsoft.	240	300	0	0	0

Appendix A

2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Recruitment - An allocation to the HR Service to recentralise aspects of the recruitment process that is currently delegated to managers to improve the efficiency and effectiveness of the process and reduce the pressure on managers.	120	0	0	0	0
Pensions payroll - An allocation to increase the capacity of the service to meet the requirements of the Warwickshire Pension Fund**.**	64	0	0	0	0
Total Enabling Services	**688**	**569**	**274**	**280**	**286**
Corporate Services					
Inflation - An allocation to meet the cost of net price inflation across the Service**.**	85	86	89	90	92
Insurance - An allocation to meet the estimated additional cost of the Council's insurance as a result of schools moving to a nationally administered scheme reducing economies of scale and adverse market conditions, reduced market capacity and emerging Covid-related claims.	0	647	125	138	154
Coroners Service - An allocation to meet the County Council's share of the appointment of a part time Area Coroner appointment.	40	0	0	0	0
Interest income reduction - An allocation to offset the loss of income earned on investing our cash balances as a result of continued low interest rates and alternative use of cash balances limiting the potential for investment returns.	1,313	500	500	0	0

Appendix A

2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
DSG deficit offset funding - An allocation to ensure that the Authority's overall financial position is sustainable over the medium term by setting aside sufficient resources to fund the structural deficit in the DSG High Needs budget.	0	0	0	0	7,798
Provision for pay inflation - A provision for the cost of a 2% pay uplift for all Services pending final decisions on any pay award for 2021/22 and beyond.	3,051	3,111	3,175	3,242	3,241
Provision for future indicative spending pressures - A provision for future unknown and unquantified spending need to mitigate future potential costs as part of ensuring the Council's services are sustainable over the medium term.	1,000	5,250	5,250	5,250	5,250
Total Corporate Services	**5,489**	**9,594**	**9,139**	**8,720**	**16,535**
Total Annual Permanent Spending Allocations	**32,520**	**24,902**	**23,863**	**23,519**	**31,480**
Cumulative Permanent Spending Allocations	**32,520**	**57,422**	**81,285**	**104,804**	**136,284**

Appendix B

Time-limited Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Education Services					
Specialist Provision in Nuneaton and Bedworth (Warwickshire Academy) - A time-limited allocation to increase state-funded specialist education provision in Warwickshire to meet population growth. This provides for short-term funding for the Dedicated Schools Grant place funding lag. Together with the allocation below for the property costs, the project will result in the better use of resources by educating young people with SEND in provision in-County.	337	982	673	0	0
Total Allocation - Education Services	**337**	**982**	**673**	**0**	**0**
Fire and Rescue					
Fire Protection - Second year of a two-year allocation to restructure Fire Protection team in anticipation of the conclusion of the Hackitt review and meet the increasing level of demand for statutory inspections. Once the team is fully developed they will be in a position to roll out a wider offer to local businesses which should generate income and make the activity sustainable.	300	0	0	0	0
Total Allocation - Fire and Rescue	**300**	**0**	**0**	**0**	**0**

Appendix B

Time-limited Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Strategic Commissioning for Communities					
LEP Growth Hub - Second year of a two-year allocation to continue Warwickshire County Council's investment in the Coventry and Warwickshire Growth Hub. The allocation supports a simplified, co-ordinated and coherent approach to business support across the Coventry & Warwickshire area, making it easier and more likely that businesses will access support to help them grow.	128	0	0	0	0
HS2 - Annual allocation to continue work to mitigate the impacts of HS2 on Warwickshire residents and communities, offset by ensuring contributions from HS2 are maximised.	133	103	103	103	103
City of Culture - Years two and three of a three-year allocation to continue investment on the City of Culture to deliver economic benefits to Warwickshire's communities and businesses.	250	250	0	0	0
Cycle-racing - Second year of a two-year allocation to continue to provide funding to support the cycling events.	100	100	0	0	0
Total Allocation - Strategic Commissioning for Communities	**611**	**453**	**103**	**103**	**103**
Strategic Commissioning for People					
Homelessness - Final year of a three-year allocation to continue joint investment project with Rugby Borough Council.	150	0	0	0	0
Total Allocation - Strategic Commissioning for People	**150**	**0**	**0**	**0**	**0**

Appendix B

Time-limited Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Finance					
Invest to save for Redesign - A time-limited allocation to provide additional capacity for process redesign and to implement new digital and automation technologies including IT systems investment costs. This investment is required to support the delivery of the Finance Service savings proposals.	150	100	100	100	0
Total Finance Service	**150**	**100**	**100**	**100**	**0**
Corporate Services					
DSG deficit offset funding - A time-limited allocation to ensure that the Authority's overall financial position is sustainable over the medium term by setting aside resources on an annual basis to need the forecast deficit until a sustainable solution is put in place.	1,364	6,181	6,601	8,005	0
Warwickshire Property and Development Company - A time-limited allocation to provide sufficient funding to meet the cost to the Authority in the first two years of the company's operation, prior to it becoming profitable and providing resources to help in balancing the budget.	1,537	1,084	0	0	0
Total Corporate Services	**2,901**	**7,265**	**6,601**	**8,005**	**0**
Total Time-Limited Allocations	**4,449**	**8,800**	**7,477**	**8,208**	**103**

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Appendix C.

Reserves Strategy 2021-26

Introduction

Councillor Peter Butlin
Deputy Leader and Portfolio Holder for Finance and Property

I am delighted to be able to endorse this reserves strategy. It provides a clear framework for making sure the 'rainy-day' money we hold is effectively managed to meet the financial risks and uncertainties we face whilst enabling us to hold less overall and providing capacity for investing in the delivery of the Council Plan.

It faces head-on Members' concerns about the number of reserves, the amount of money tied up and the lack of clarity about how specific financial risks are being managed. Most importantly it supports the building of a common understanding that balances ensuring we remain a financially resilient authority with identifying whether resources could be released for investment in the objectives we are working towards.

Rob Powell
Strategic Director for Resources

Part of my role, as Strategic Director for Resources and the Council's s151 officer, is to report on the adequacy of the Authority's financial reserves and that they are sufficient to ensure the Authority remains financially sustainable and resilient over the medium-term.

This reserves strategy sets out why effective management of reserves is important, how we make decisions about the level of reserves to hold and how our approach enables us to deliver on this.

Our approach will be a success if across the Council it is understood that the money we have in reserves is proportionate to the risks and uncertainties we face, promotes financial resilience and is actively managed to identify where one-off resources that can be invested in support of our outcomes and key objectives.

Section 1: The Purpose of our Reserves Strategy

What are Reserves?

Reserves are revenue resources we have accumulated over time and set aside for a particular purpose as part of an integrated approach to the financial management of the Authority over the short, medium and long-term.

What is a Reserves Strategy?

A reserves strategy sets out the choices we make in relation to the level and purposes for which we hold the reserves we have accumulated. It is made up of three key elements:

1. Our strategic intent – what we are seeking to achieve through holding reserves;
2. Our programme – the level of reserves we hold and our plans for their use over the period of the 2021-26 Medium Term Financial Strategy (MTFS); and
3. Our framework – the way we will determine the level of reserves we need, manage those reserves and plan for their use in line with best practice and statutory requirements.

Together these elements set out our ambition for reserves, the nature of that ambition and how we provide assurance.

Why do we need a Reserves Strategy?

We plan over the short term and medium term how we will use the resources we are allocated and raise to deliver services for and to the residents and communities of Warwickshire. As a large, complex organisation there will always be variations between our actual spending/income and our plans due to variations in demand, demographic change, changes in costs and funding decisions of third parties as well as needing to deliver projects and investments spanning more than one financial year.

To ensure we can manage these financial risks whilst being able to maintain services requires that the Authority holds funds in reserve to meet these costs as and when they arrive. A reserves strategy enables us to do this in a planned way.

How does it fit with our other strategies?

The reserves strategy is part of a suite of supporting strategies that supplement the 2021-26 Council Plan and MTFS. All the supporting strategies are aligned to the Council Plan and MTFS and provide an additional level of granularity that help create a bridge between the high-level over-arching plan and operational delivery. As such it forms part of a collective accountability framework for the management of the Authority's financial resources.

Maintaining the current high standards of financial management across the organisation is critical to the successful delivery of the 2021-26 Council Plan and MTFS. Any weakening of financial management has a direct impact on the level of reserves needed to offset the risk of services overspending and/or the non-delivery of savings targets. The central role in the management of the Authority's reserves lies with Strategic Directors, both individually and collectively, with support and advice from Finance.

Section 2: Our Reserves

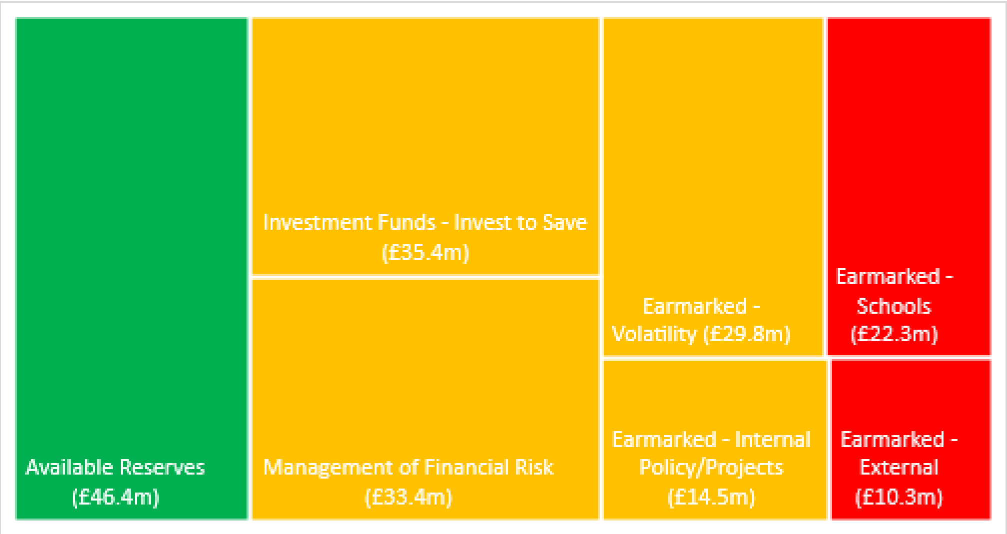
Our drivers for holding reserves are to:

a) Manage financial risk so that the risk materialising does not undermine the Authority's overall financial position or impact on service delivery;
b) Plan for the effective use of project resources over time;
c) Ensure we meet funding conditions in our use of any available resources; and
d) Retain any other accumulated underspends prior to decisions on their use.

We will always need to retain reserves for each of these reasons. All reserves that do not fall into categories a) to c) automatically fall into category d).

Our reserves are forecast to be £192.1 million at the end of 2020/21. We are holding the £192.1m for the following reasons:

a) £63.2 million to manage financial risk, including volatility;
b) £49.9 million for investment in projects to drive forward the delivery of the Council's objectives;
c) £32.6 million to meet externally set funding conditions; and
d) £46.4 million available for investing to pump-prime the delivery of the Council's key objectives



Key	
Not available for use	(red)
To be reviewed on an annual basis	(amber)
Available for investment	(green)

Section 3: Our Reserves Framework

The Reserves Framework sets out our accountability and governance arrangements around the retention and use of reserves. In doing so it balances speed of decision-making with Member oversight and accountability for decisions about the effective use of the Council's resources.

Guiding principles for managing and using Reserves

Our guiding principles for managing and using reserves are:

- The primary purpose is to manage financial risk and promote financial sustainability.
- Subject to meeting this requirement we will:
  - Maximise the ability to use reserves flexibly to deliver the organisation's priorities;
  - Control the amount of scarce resources held in reserves; and
  - Hold reserves at a corporate/directorate level unless there is a business/technical reason for not doing so.
- The planned use of reserves will be agreed as part of the annual budget setting and medium-term financial planning process. Other than in exceptional circumstances the planned use of reserves is only expected to change in year as a result of:
  - Change projects approved by Corporate Board/Members; and
  - Adjustments to reflect the impact of the previous year's outturn that were not known at the time the budget for the year was agreed.
- Service risk reserves will be held at Directorate level to manage in-year financial risk and to cover any over/underspends across the Directorate at the end of the year.
- All reserves will be subject to a year-end review to ensure the reason for holding the reserve and the plans for its use aligns with the MTFS and this strategy.
- Reporting on each reserve and seeking approval for any variations or to create a new reserve will form part of the quarterly monitoring report to Corporate Board and Cabinet.

Year-end review of reserves

All reserves will be subject to a year-end review by the relevant Strategic Directors in conjunction with the Assistant Director - Finance. At the end of each financial year for each reserve a delivery plan will be prepared that sets out:

- Plans for use of the reserve including sunset clauses/closure dates
- Benefits to be delivered from the investment
- Without an approved delivery plan in place a reserve cannot be accessed

The outcome of this review will be a report to Cabinet in June each year seeking approval for further use of reserves in the current financial year and to identify where there are additional reserves to support the MTFS roll-forward.

Managment of Financial Risk - Corporate

- Level of reserve set by the Strategic Director for Resources (as Section 151 officer) as the minimum amount required, based their assessment of the financial risks facing the orgnaisation and the extent to which these are covered elsewhere
- Allocations approved by full Council based on a recommendation from Cabinet or the Strategic Director for Resources
- Any approved use to be replenished up to the minimum level as part of setting the Council's budget for the following financial year

Management of Financial Risk - Directorate

- To manage in-year financial variations e.g. fluctuations in demand, financial risks associated with the delivery of the savings plan and to manage any overspend
- Maximum of 3% of the Directorate net revenue budget
- Held at Directorate level with the Strategic Director accountable
- Decisions and proposals reported to Cabinet as part of the outturn report each year with any use replenished as part of setting the Directorate's financial planning for the following financial year

Volatility

- To manage areas of spending where cost in any one year is variable and unpredictable but where annual fluctuations are averaged out over the medium-term
- The continued need for and level of all volatility funds will be subject to an annual review. Held at both Directorate and Corporate level with accountability at Assistant Director level
- In-year governance arrangements approved by the Strategic Director as part of the Council's scheme of delegation

Earmarked

- To manage external funding received for specific purposes where the decsions on how the funding is used is not wholly within the control of the Council
- Held at Service level with accountability at Assistant Director level
- Governance arrangements agreed as part of the approval process for setting up the reserve, but will be determined by the requirements of the individual ring-fence

Investment Funds

- Funds set up to provide pump-priming investment to deliver on the Council's key objectives
- Held at Service level with accountability at Assistant Director level
- Governance arrangments agreed as part of the approval process for the investment if the project plan is to straddle more than one financial year
- All Investment Fund reserves expected to be time-limited and subject to annual review

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Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Education Services					
Education change programme - Process efficiencies in provision of Education Services from the Special Educational Needs and Early Years transformation programmes	0	55	336	721	721
Attendance service - Review of delivery of the pupil attendance statutory services.	0	0	10	0	0
Further savings on third party spend - Review of services purchased from third parties to ensure value for money.	34	29	32	32	0
Maximise traded income from Education Service - Increase traded income from Governor and Attendance service as well as review and modernise music services.	10	10	12	0	0
Vacancy management - Recognise natural underspends from staff turnover and operating under-capacity.	0	100	0	0	0
Total Reductions - Education Services	**44**	**194**	**390**	**753**	**721**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Environment Services					
Expansion of traded income across the service - Areas to be targeted for increased income include improving efficiencies and increasing income from external contracts, new future external contracts and MOT sales to public, enforcement income from network management, ecology surveys and the forestry service.	200	360	285	80	80
Further savings on third party spend - Review of services purchased from third parties to ensure value for money	152	130	143	143	0
Management of cost of Environment Service provision - Management of the budgeted cost increases of externally purchased services	0	182	185	189	197
Management of highways maintenance costs - Including review of highways maintenance spend, road conditions survey work and capitalisation of contract overheads	0	575	0	0	0
Review of trading standards community safety provision - Efficiencies in community safety provision	0	0	45	0	0
Winter gritting service review - Review of winter gritting service with a view to reducing expenditure through more efficient services including the use of thematic routes to optimise services.	0	0	0	250	0
Total Reductions - Environment Services	**352**	**1,247**	**658**	**662**	**277**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Fire and Rescue Service					
Day crew plus fatigue mitigation - Review of the level additional funding allocated to mitigate the fatigue risk posed by the day-crewed-plus crewing system. The change delivers a long term saving of £140,000 a year, with higher savings possible as the service change is implemented in 2021/22.	370	(230)	0	0	0
Fleet transport savings - Revenue savings from purchase of Fire transport vehicles, ending lease agreements	0	0	60	7	0
Further savings on third party spend - Review of services purchased from third parties to ensure value for money	15	13	14	14	0
	385	**(217)**	**74**	**21**	**0**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Strategic Commissioning for Communities					
Country parks income review - Apply commercial approach to Country Parks income streams	0	30	45	25	0
Further savings on third party spend - Review of services purchased from third parties to ensure value for money	37	32	35	35	0
Household waste recycling centre storage - Purchase of storage containers to remove revenue cost of hire	38	0	0	0	0
Income from S106 monitoring - Ensure S106 contributions are efficiently and effectively generated and collected	0	0	25	0	0
Increased income from business centres portfolio - The introduction of virtual office space so that businesses can use the mail/phone/meeting space functions at the Business Centres but not physically rent a unit. A greater range of facilities and options at business centres, that would be beneficial to local businesses and wider partners.	0	100	0	50	0
Parking - Implementation of business parking permits from 2022/23, with all other additional parking charges removed pending the outcome of the Member Working Group.	0	445	0	0	0
Review of staffing from further service redesign - A restructuring of teams across Communities (Strategy & Commissioning) to create a flatter structure and more agile service areas, enabling resources to be better focussed on key priority areas and to exploit opportunities to lever in external funding and to the net cost of posts in the establishment.	0	0	285	0	0
Road safety advice income - Maximising income opportunities from road safety advice	0	100	100	0	0
Transport network service review - Remove external consultancy support for transport network reviews	20	0	0	0	0
Total Reductions - Strategic Commissioning for Communities	**95**	**707**	**490**	**110**	**0**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Adult Social Care					
Business support and direct payments - Reduced cost of business support as part of the wider organisation review of support functions and the introduction of the new payments system.	300	0	0	0	0
Commissioning approach for younger adults - Redesign the commissioning approach for younger adults to ensure a more efficient arrangement and an improved brokerage function.	200	300	0	0	0
Further savings on third party spend - Review of services purchased from third parties to ensure value for money.	217	186	204	204	0
Housing with support for older people - Further develop the housing with support offer to reduce reliance on residential provision for all ages; including consideration of capital investment to secure revenue savings.	200	500	500	500	0
Integrated commissioning with Health - Efficiencies through joint working and increased purchasing power for externally commissioned care. Arrangements will form part of the Coventry and Warwickshire Integrated Health and Care Partnership and associated system plan.	0	0	0	667	0
Management of cost of adults service provision - Management of the budgeted cost increases of externally commissioned care	700	1,000	1,499	2,000	2,064
Prevention and self-care - Develop and implement a prevention and self care strategy and invest in programmes, projects and services that reduce people's reliance on paid care and support.	0	0	167	167	0
Reduce demand for adult social care support - Implementing the service change and transformation activities underway across adult social care. These include an improved early intervention and prevention offer, further refinement of the in-house reablement offer and further development of assistive technology.	250	800	1,000	1,539	935
Total Reductions - Adult Social Care	**1,867**	**2,786**	**3,370**	**5,077**	**2,999**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Children and Families					
Further savings on third party spend - Review of services purchased from third parties to ensure value for money	52	44	49	49	0
House project - Review accommodation solutions for young people to reduce reliance on more expensive fostering and supported accommodation	0	0	200	0	0
Manage demand for children's services - Implementing the service change and transformation activities underway across Children's Services, aimed at a reduction in the number of children needing care, single assessments and Children in Need.	0	0	1,741	2,603	1,073
Maximise income and contributions to care packages - Efficient collection of health contributions to children in care placements and income from safeguarding training	275	200	150	0	0
More efficient use of legal support - Reduce legal costs through a reduction in initiation of care proceedings.	0	0	200	0	0
New ways of working in children's services - Expected reductions in staff travel, room hire, client travel and expenses from new ways of working post-Covid	315	56	92	0	0
Recalibration and reduction of staff - Reduction of posts across the Children Families Service through natural wastage and redeployment alongside recognising natural underspends from staff turnover and operating under capacity.	889	0	0	0	0
Rightsize Children's and Families budgets - Remove contingency budget for Early Help and replace boarding school budget with existing budget in Children's Services.	101	10	14	0	0
Total Reductions - Children and Families	**1,632**	**310**	**2,446**	**2,652**	**1,073**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Strategic Commissioning for People					
Further savings on third party spend - Review of services purchased from third parties to ensure value for money	103	89	97	97	0
Health, wellbeing and self-care - Rationalise the public health offer, preserving budgets for mandated public health functions, and rationalising the non-mandated public health offer including redesign, removal and rightsizing of current service offer.	115	115	130	0	0
Integrated and targeted support - Review of expenditure on domestic abuse, smoking cessation and falls prevention targeted support.	69	100	0	0	0
Integrated commissioning with Health - Efficiencies through joint working and increased purchasing power for externally commissioned care. Arrangements will form part of the Coventry and Warwickshire Integrated Health and Care Partnership and associated system plan.	0	0	0	666	0
Maximise income and contributions to care packages - Ensure partner contributions are efficiently and effectively generated and collected.	0	100	0	0	0
Prevention and self-care - Develop and implement a prevention and self care strategy and invest in programmes, projects and services that reduce people's reliance on paid care and support.	0	0	166	166	0
Redesign the housing related support offer - Replace housing related support service offer with appropriate care delivery consistent with standard council provision.	0	0	0	500	500
Review subsidy of community meals service - Review subsidy of non-statutory community meals for residents.	0	0	160	0	0
Total Reductions - Strategic Commissioning for People	**287**	**404**	**553**	**1,429**	**500**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction 2021/22 £'000	Indicative Additional Future Reduction 2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Business and Customer Support					
Business and Customer process efficiencies - Efficiencies through ongoing service redesign and automation.	0	0	0	0	200
Community development - Efficiencies in the delivery of the internal community development function.	0	0	20	0	0
Customer support service redesign - Review and rationalisation of the organisation's approach to customer support.	150	266	94	0	0
Further savings on third party spend - Review of services purchased from third parties to ensure value for money.	14	62	13	13	0
Reduced use of printing and stationery - Future reductions in spend on printing and stationery predicated on digitisation work.	100	100	100	0	0
Vacancy management - Recognise natural underspends from staff turnover and operating under-capacity.	260	0	0	0	0
Total Reductions - Business and Customer Support	**524**	**428**	**227**	**13**	**200**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Commissioning Support Unit					
Business intelligence transformation - Future reductions in the cost of delivering business intelligence across the organisation following the introduction of new technology and refinement of information requirements. Delivery of this saving will be apportioned across all services, co-ordinated by the Commissioning Support Unit.	0	640	0	0	0
Commercial approach to contracting - Securing rebates due to the Council through commercial contracting.	0	0	0	148	148
Further savings on third party spend - Review of services purchased from third parties to ensure value for money.	7	6	7	7	0
Management of cost of CSU service provision - Management of the budgeted cost increases of externally purchased services.	18	18	18	19	19
Reduction in use of consultancy, subscriptions and apprentices - Review of the use of subscriptions, consultants and apprentices to ensure value for money.	21	54	7	0	0
Training and conferences - Efficient procurement of training and conferences through centralisation of contracts.	0	0	86	0	0
Total Reductions - Commissioning Support Unit	**46**	**718**	**118**	**174**	**167**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Enabling Services					
Implementing automation and robotics - Use of automation and robotics to drive efficiencies in processes.	0	0	50	0	50
Enabling services delivery review - Review of expenditure on staffing, expenses, projects in Enabling Services, including the medium term implementation of a single Enabling Service Centre for ICT, HR and property.	633	1,092	40	50	150
Facilities cost savings from property asset rationalisation - Facilities management and maintenance cost savings linked to asset rationalisation	44	98	100	102	127
HR and Organisational development activity review - Reduction in core Learning and development activity, including the administration of the Apprenticeship scheme.	0	0	0	0	234
ICT applications migration and rationalisation - Migrating workloads to Azure to derive efficiencies from ICT application management alongside an on-going focus on the rationalisation of applications to reduce licence and maintenance costs.	0	120	50	0	0
ICT Service delivery review - Review past ICT budget growth and focus on efficiencies through development projects.	64	69	240	208	90
Management of cost of Enabling Service external provision - Management of the cost increases of externally purchased services including a review of services purchased from third parties to ensure value for money.	147	126	139	445	12
Property service delivery review - Ensure effective mix of staff and agency use, drive efficiencies in facilities management resource spend and maintenance budget, including the closure of the Northgate House café.	100	50	95	32	90
Review of maintenance and engineering work profile - Drive efficiencies in the work planning and prioritisation across maintenance and engineering.	130	70	0	0	0
Total Reductions - Enabling Services	**1,118**	**1,625**	**714**	**837**	**753**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Finance Service					
Finance process efficiencies - Efficiencies through ongoing service redesign and automation.	0	25	50	75	0
Further savings on third party spend - Review of services purchased from third parties to ensure value for money.	6	5	6	6	0
Management of cost of Finance Service provision - Management of the budgeted cost increases of externally purchased services.	10	10	10	10	10
Total Reductions - Finance	**16**	**40**	**66**	**91**	**10**
Governance and Policy					
Electronic record keeping - Reduced storage requirements as a result of the move to electronic record keeping.	10	10	10	10	0
Further savings on third party spend - Review of services purchased from third parties to ensure value for money.	7	6	7	7	0
Legal services additional trading surplus - Additional surplus from external trading with other local authorities and public sector bodies.	0	40	60	60	0
Paper free meetings - Reduction in the cost of printing as a result of moving to paper free meetings.	0	10	10	0	0
Vacancy management - Recognise natural underspends from staff turnover and operating under-capacity.	341	45	45	45	45
Total Reductions - Governance and Policy	**358**	**111**	**132**	**122**	**45**

Appendix D

2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Corporate Services					
Digital solutions - Efficiencies across Resources Directorate through investment in digital solutions and process redesign. *(Delivery will be the responsibility of the Assistant Director - Enabling Services).*	0	0	0	150	300
Early Invoice Payment Rebates - Increased take-up of early invoice payment offer. *(Delivery will be the responsibility of the Assistant Director - Finance)* .	185	18	2	3	2
Reduction of asset sales contingency - Remove budget held to cover risk of delays in sales of assets. *(Delivery will be the responsibility of the Assistant Director - Finance).*	135	0	0	0	0
Treasury Management - A target to increase returns on investment by 10 basis points based on a more pro-active approach to treasury management. *(Delivery will be the responsibility of the Assistant Director - Finance.)*	175	175	0	0	0
Warwickshire Property and Development Company - Forecast income stream for the Authority resulting from the successful delivery of the company business plan.	0	0	126	2,856	433
Release of unused contingency	750	0	0	0	0
Total Reductions - Corporate Services	**1,245**	**193**	**128**	**3,009**	**735**
Total Annual Reductions	**7,969**	**8,546**	**9,366**	**14,950**	**7,480**
Total Cumulative Reductions	**7,969**	**16,515**	**25,881**	**40,831**	**48,311**

Appendix E

Warwickshire County Council – Pay Policy Statement 2021/22

1 Statutory Requirement

1.1 Section 38 of the Localism Act 2011 requires that local authorities must prepare and approve an annual pay policy statement, applicable to all staff except those employed in schools, by 31 March immediately preceding the year to which it relates.

1.2 The pay policy statement must set out the authority's policies for the financial year relating to:

- The remuneration of its Chief Officers (which for the purposes of this Act and in the case of the County Council, includes the Chief Executive, Strategic Directors, Assistant Directors and the Chief Fire Officer);
- The remuneration of its lowest paid employees; and
- The relationship between:
  - the remuneration of its chief officers; and
  - the remuneration of its employees who are not chief officers.

1.3 The pay policy statement must state:

- The definition of "lowest paid employees" adopted by the authority for the purposes of the statement; and
- The authority's reasons for adopting that definition.

1.4 The statement must include the authority's policies relating to:

- The level and elements of remuneration for each chief officer;
- Remuneration of chief officers on recruitment;
- Increases and additions to remuneration for each chief officer;
- The use of performance-related pay for chief officers;
- The use of bonuses for chief officers;
- The approach to the payment of chief officers on their ceasing to hold office under or be employed by the authority; and
- The publication of and access to information relating to the remuneration of chief officers.

1.5 A pay policy statement may also set out the Authority's policies relating to the other terms and conditions applying to the authority's chief officers.

1.6 The following paragraphs seek to meet these statutory requirements by setting out County Council policy in the above prescribed areas, having firstly summarised the background to pay issues within this Authority.

2 Remuneration Policies

2.1 The Council operates the National Living Wage for all staff regardless of age.

2.2 The County Council's policy in respect of the vast majority of its employees is to pay staff in accordance with pay frameworks and terms and conditions agreed by the national negotiating bodies representing local authorities and recognised trade unions. Review of Pay and Conditions and any discretionary pay awards to Hay graded staff are agreed by the Staff and Pensions Committee which has delegated authority for all issues relating to remuneration of staff.

2.3 For the majority of its employees the Council's policy is to implement the pay framework and terms and conditions, unless locally agreed otherwise, prescribed by the National Joint Council for Local Government Services ('NJC'). For Hay graded staff pay awards ordinarily follow the NJC national recommended award.

2.4 The Council's policy is to evaluate posts in accordance with the job evaluation scheme agreed by the NJC and then to incorporate these posts into the relevant pay bands accordingly within the salary spine.

2.5 It is the Council's policy to pay a temporary and reviewable 'market supplement' to salary levels within the NJC pay framework where there is clear and demonstrable evidence that the salary level otherwise attached to the post creates substantial recruitment, retention or 'market uncompetitiveness' difficulties.

2.6 Other groups of employees are paid in accordance with salaries or salary scales agreed by the relevant national negotiating bodies. These groups include uniformed fire and rescue staff, youth workers, craft workers and those falling within the ambit of the Soulbury Committee or School Teachers' Pay and Conditions agreements.

2.7 For all groups of staff paid in accordance with pay frameworks agreed by the national negotiating bodies, the Council's policy is to implement such salary increases as are agreed by those bodies without further local negotiation. Staff and Pensions Committee will consider pay and remuneration which falls outside of the recognised national frameworks and recommendations.

2.8 The only exception to the Council's policy of determining remuneration in accordance with national pay agreements, relates to senior professional or managerial employees, where a framework of locally determined incremental salary grades (known as 'Management Bands'), or in the case of the Chief Fire Officer a 'spot' salary payment, applies. Each post is evaluated using a proprietary job evaluation scheme devised by Hay Management Consultants and used widely in the public and private sectors both in the UK and abroad, known as the Hay Grading Scheme.

2.9 The policy of the Council is to evaluate the following posts using the Hay Grading Scheme:
- Chief Executive
- Strategic Directors
- Assistant Directors
- Chief Fire Officer
- Tier 3 Management Roles
- Tier 4A management roles where the requirements of the Hay Grading scheme are met.
- Posts which are evaluated at more than 760 points under the NJC job evaluation scheme and that meet the requirements of the Hay Grading scheme. (The relationship between posts covered by the NJC pay framework and this group of employees was supported by the Staff & Pensions Committee on 27 May 2010.)

2.10 Any pay awards to the salary levels attached to each Management Band are reviewed in line with the outcome NJC agreements and where applicable they are applied with effect from the 1st January each year. Currently, the pay framework for Management Band staff covers a salary range from £43,380 to £194,711.

2.11 The above policies apply save in cases where the operation of the Transfer of Undertakings (Protection of Employment) Regulations, or other statutory provision, dictate otherwise.

2.12 Where a person is appointed under a 'contract for service', rather than as an employee, the Council's Contract Standing Orders are followed to ensure that maximum value for money is secured.

2.13 The County Council will apply the remuneration policies set out above for the financial year 2021/22.

3 Relationship between the highest and lowest paid employees

3.1 The policy of the Council to pay employees in accordance with the NJC pay framework means that its 'lowest paid employees' are paid an annual salary of £17,842 p.a., or on a pro-rata basis if they work for less than 37 hours per week. This definition does not include those working as apprentices undergoing a recognised national training scheme, those on work experience or those on other placements related to training, which are not established posts within the Council. The reason for excluding those individuals from the definition of 'lowest paid employees' is that the primary aim of their engagement is training and as such, they are not considered to be carrying out the full range of duties when compared to employees in established posts.

3.2 This means that the 'salary ratios' between the Council's lowest paid staff and its Chief Executive and Strategic Directors are 1:10.6 and 1:8.2 respectively.

3.3 The salary differentials between the highest and lowest paid staff in the County Council, and local government in general, are very much less than in similar sized private sector businesses.

3.4 The salary ratios between the Council's median salary level (£27,041 pa) and that of the Chief Executive and Strategic Directors are 1:7 and 1:5.4 respectively.

4 Specific policy and practice: The level and elements of remuneration for each chief officer

4.1 The Chief Executive is paid on a four-point incremental scale (£179,299 – £194,711). Progression within the scale is determined by a performance management framework. No other salary payments are made to the Chief Executive. The Chief Executive is the Council's Returning Officer. The Returning Officer is eligible to receive a fee for undertaking this role. The Council does not include the fee in the Chief Executive's overall salary. The Chief Executive has declined to take the fee.

4.2 The Chief Fire Officer is paid a 'spot' salary of £132,228 pa based on Hay evaluation. No other salary payments are made to the Chief Fire Officer. A car is provided for this role.

4.3 Each of the Strategic Directors are paid on the same five-point incremental scale under Hay, currently £135,669 - £150,492 as agreed in December 2015 and in accordance with independent advice from Hay Management Consultants. Progression within the scale is determined by a performance management framework. No other salary payments are made to the Strategic Directors.

4.4 Assistant Directors are paid on a twelve-point incremental scale (£88,076 - £119,760). Progression within the scale is determined by a performance management framework.

4.5 Subject to the approval of the Chief Executive or Strategic Directors for Assistant Directors and Chief Fire Officer; Chief Executive for Strategic Directors; Staff and Pensions Committee for the Chief Executive, a temporary honoraria payment may be made where a Chief Officer undertakes duties outside the scope of their normal job.

4.6 It is not the Council's policy to increase the pension benefits of the Chief Officers.

4.7 It is not the Council's policy to provide benefits in kind to Chief Officers other than a car to the Chief Fire Officer which is necessary for their role.

4.8 The maximum car mileage allowance paid to Chief Officers is the County Council's mileage rate which is in line with the HMRC Tax free approved rate, currently 45p per mile for the first 10,000 miles and 25p per mile thereafter. (Agreed by Staff and Pensions Committee December 2020.)

4.9 Details of the salary scales attached to the roles of the Chief Officers are accessible on the Council's website.

4.10 The appointment of all employees is made in accordance with the Council's Officer Employment Standing Orders.

5 Specific policy and practice: Remuneration of Chief Officers on recruitment

5.1 Where recruitment is to a new post or the duties of the post have changed significantly, the post is re-evaluated and placed on the appropriate Management Band salary scale. Otherwise, the recruitment is to the existing salary scale.

5.2 Appointments will be to a relevant point on the scale recognising skills, experience and market consideration.

5.3 Where a new salary package exceeds £100,000 this will require specific approval by the Council in advance of adoption.

6 Specific policy and practice: Increases and additions to remuneration for each Chief Officer

6.1 The salary scale attached to a post currently occupied would only increase in the event that the duties attached to the post changed significantly and this resulted in a fresh job evaluation suggesting that the post should be on a higher Management Band.

6.2 Any increases to the salary levels attached to Management Band salary scales are made in accordance with paragraph 2.10 above.

7 Specific policy and practice: The use of performance-related pay for chief officers

7.1 The performance progression of staff, in positions within Tiers 0-3 of the organisational structure, will be managed by the performance management framework. For all other staff this is managed via the appraisal process. Pay progression for all positions below Tier 3 level is to be through incremental pay scales and is on an annual basis, save that progression to the final two points of the scale for Hay positions below Tier 3 is subject to service in the post being certified as fully satisfactory by their line manager.

8 Specific policy and practice: The use of bonuses for chief officers

8.1 It is not the Council's policy to make bonus payments to the Chief Officers.

9 Specific policy and practice: The approach to the payment of chief officers on their ceasing to hold office under or be employed by the authority

9.1 The Council's policies in respect of the payment of the Chief Officer ceasing to hold office are the same as for its other employees, as follows:

- In the case of an employee whose employment is terminated on grounds of redundancy or efficiency, any redundancy or severance payment should be based upon actual earnings;
- In the case of an employee whose employment is terminated on grounds of redundancy and who is aged 54 or less or is aged 55 or over and is unable to immediately access accrued pension benefits, a severance payment based on applying a multiplier of 1.75 to the statutory redundancy payment formula, should be made; and
- In the case of an employee whose employment is terminated on grounds of redundancy and who is aged 55 or over and is able to immediately access accrued pension benefits, a severance payment based on applying a multiplier of 1.75 to the statutory redundancy payment formula, should be made for the first £26,539 of the employee's salary. Thereafter, the following multiplier should be used at the following ages:
    - 55 - 1.65
    - 56 - 1.55
    - 57 - 1.45
    - 58 - 1.35
    - 59 - 1.25
    - 60 - 1.15
    - 61 - 1.05
    - 62 - 0.95
    - 63 - 0.85
    - 64 - 0.75
    - 65 - 0.65
    - 66 - 0.55
    - 67 - 0.45
    - 68 - 0.35
    - 69 - 0.25
    - 70 - 0.15

9.2 In the case of an employee whose employment is terminated on grounds of efficiency, Strategic Directors (or where the employee is a Strategic Director, the Chief Executive; or where the employee is the Chief Executive, the Staff & Pensions Committee) have discretion to make severance payments up to the levels described above.

9.3 Regulation 31 of the LGPSR 2013 allows a scheme employer to award to a) an active member or b) a member who was an active member who was dismissed by way of redundancy or business efficiency additional pension in total not more than £6,500. It is the County Council's Policy that the award of additional pension should only be applied in exceptional circumstances where this is necessary to address a situation where there would otherwise be a significant risk of harm to the County Council's services or objectives.

9.4 The County Council will no longer apply the abatement rule save in exceptional circumstances where it determines that to not abate the pension in payment could lead to a serious lack of confidence in the public service.

9.5 Where an employee has to give up work in order to care for a chronically ill spouse or partner the Council's policy is to give consideration to waiving the actuarial reduction that would otherwise attach to the early payment of pension benefits.

9.6 Other discretions are exercised in accordance with the Council's scheme of delegation on a case by case basis.

9.7 The redundancy/severance payments and any pension strain costs associated with the early release of accrued pension benefits referred to in 9.1 to 9.3 above are currently subject to The Restriction of Public Sector Exit Payments Regulations 2020 ("Regulations"). The Regulations (while they remain in force) apply a cap (currently £95,000) on the value of exit payments that may be made to employees in most public sector organisations.

9.8 While the Regulations remain in force, the Council will propose that ministers agree to relax the cap under the Regulations in circumstances where the Chief Executive is satisfied that such proposal is being made on one or more of the permitted grounds identified by the relevant government departments from time to time and, where applicable, that the savings which the relevant exit contributes to need to be made to ensure the delivery of the service within budget and that the payment concerned will be recouped within two years or in exceptional circumstances, with the approval of the relevant Portfolio Holder, within three years.

10 Specific policy and practice: The publication of and access to information relating to the remuneration of chief officers

10.1 The Council's policy is to provide information on the remuneration of the Chief Executive, Strategic Directors and Assistant Directors on its website (www.warwickshire.gov.uk) in accordance with the Code of Recommended Practice for Local Authorities on Data Transparency and as required by s.7 of the Accounts and Audit (England) Regulations 2011.

11 Specific policy and practice: The Council's policy relating to the other terms and conditions applying to chief officers

11.1 Except in respect of pay and pay related arrangements (see paragraphs 2.10 and 2.13 above), and car allowances, the terms and conditions that apply to the Chief Executive, Strategic Directors and Assistant Directors are those agreed by the Joint Negotiating Committee for Chief Officers of Local Authorities.

2021/22 Capital Budget Resolution

Conservative Recommendations to County Council

1. Financial Direction of Travel

1.1. The value of our assets is £1.2 billion. Each year we need to spend money to ensure these assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements, and deliver the Council's vision to make Warwickshire the best it can be, sustainable now and for future generations, and strategic objectives as set out in the Council Plan. This investment forms the basis of our capital programme and maximising value for money for our residents and the taxpayer pound.

1.2. Our Capital Strategy (**Appendix A**) has been developed alongside the Council Plan, Recovery Plan and Medium-Term Financial Strategy. It sets out how we aim to use our capital resources and deliver our priorities by providing:

- The funded plans to deliver the Council's aspirations of our capital investment, defining the outcomes we are seeking to achieve;
- The programmes and projects to be funded to deliver these plans; and
- The way in which we will manage capital spend and the capital programme to deliver these outcomes at the pace expected by our residents

Much of the detail is included in the technical annex to the Capital Strategy (**Appendix B**). It provides the structure of the capital-programme, outlines how we determine the content and finance of our capital programme and provides an overview of how our capital programme is managed to deliver on the Council's outcomes and measure our performance. This meets the requirements of the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities and is aligned to the Treasury Management and Investment Strategies.

1.3. We will create a more strategic and commercial focus to our approach to capital and investment aligned to the medium and longer-term place-shaping of Warwickshire.

1.4. We will continue with our benefit-driven, strategic approach to determining our capital investment priorities, ensuring our scarce resources are used in the most effective way. We continue to expect all proposals to be subject to a robust scrutiny process prior to approval to ensure widespread support for capital investments, a strong business case and the deliverability of the project to ensure benefits for those who live, work and visit Warwickshire.

1.5. We will supplement our externally leveraged capital resource with £35 million a year of borrowing. We will continue to consider invest-to-save and commercial investments in excess of this where the investment will deliver revenue savings or create additional resource for investment. We will continue with the separation of maintenance and investment programmes that has brought benefits by reducing bureaucracy.

1.6. We will use our capital resources to deliver capital schemes that support the vision and objectives set out in the Council Plan. As a priority, over the next 12 months, we expect investment proposals for the following to have been brought forward for decision:

Supporting people	• Investment in new school places, and in particular special educational needs provision within the county, including in the south of the county, similar combined provision to the new school/social care facility in Exhall for special educational needs and children's social care. • Help for residents to lead a healthy lifestyle, including assistive technology to support health, care and well-being and the development of our country parks. • Investment in safer travel to schools.
Shaping places	• Ambitious schemes to shape Warwickshire and individual parts of it, progressing housing and area regeneration schemes, though our Warwickshire Property and Development Company. • Supporting business innovation, investment and inward investment through the development of proposals for a Warwickshire Recovery and Investment Fund as part of our place shaping to help residents prosperity. • Investment which contributes towards building employment skills and skills development for those impacted by the economic consequences of the pandemic. • Investment in 5G/broadband to connect our residents and support businesses across Warwickshire. • Building stronger communities by helping communities to help themselves. • Further developing our network of cycle paths.
Optimising delivery and maximising our resources	• Investment to maximise the effectiveness of our property estate as part of a future plan for the use of our buildings. • Investment in developing the Fire and Rescue Service aspects of our estate.

	• Investment in digital technology to improve the quality and efficiency of accessible services to residents, communities and staff.
Climate Change	• Defending Warwickshire against flooding. • Greening our fleet and electric charging points. • Investment to reduce the Council's carbon footprint. • Support for communities and businesses to reduce their environmental impact, energy usage and emissions.

1.7. Our revenue recommendations maintain our Place Shaping and Capital Feasibility Fund that will support the development of robust proposals that will to enable us to bring forward creative and innovative investments to deliver on the ambitions of our Council Plan and supporting creation of a strong pipeline of future projects.

1.8. We have included a borrowing facility of £120.100 million over the next five years in our capital programme to support the delivery of the Warwickshire Property and Development Company (WPDC) annual business plan. Successful delivery will provide additional residential units and square feet of office, industrial and other commercial space to support the recovery and growth of Warwickshire for the benefit of residents and communities.

1.9. We require £3.000 million of the schools' capital grant to form a contribution towards the cost of maintenance of the school estate, with the balance of the grant to be used to meet the growing demand for school places, alongside contributions from developers.

2. 2021/22 Capital Programme

2.1. Approval is given to a capital programme of £692.906 million. Of this £253.193 million is for 2021/22 and £439.713 million for future years. There is £104.458 million in the Capital Investment Fund that will be allocated to specific schemes, in line with our priorities, as bids are developed and considered over the five years of the 2021-26 Medium Term Financial Strategy.

2.2. Table 1 shows the breakdown of the programme across services, with the full detail of the capital programme attached at **Appendix C**.

Table 1: Capital Programme - Summary by Service						
Service	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**Total £m**
Education Services	40.743	27.263	11.836	11.803	11.803	103.448
Environment Services	105.493	42.449	17.249	17.249	17.249	199.689
Fire and Rescue Service	4.231	0.120	0.120	0.120	0.120	4.711
Strategy - Communities	58.208	26.001	4.545	1.232	0.480	90.466
Adult Social Care	0.313	-	-	-	-	0.313
Children and Families	0.549	0.125	0.125	0.125	0.125	1.049
Strategy - People	0.313	-	-	-	-	0.313
Business and Customer Services	0.192	0.250	1.199	-	-	1.640
Enabling Services	20.239	14.512	10.776	10.581	10.581	66.688
Governance and Policy	2.606	0.356	0.356	0.356	0.356	4.030
Total Allocations	**232.885**	**111.077**	**46.206**	**41.466**	**40.714**	**472.348**
WPDC	-	13.716	27.216	41.153	38.015	120.100
Capital Investment Fund	20.308	16.030	21.221	17.985	24.914	100.458
Total Programme	**253.193**	**140.823**	**94.643**	**100.604**	**103.643**	**692.906**

Note: Table may not sum due to roundings.

3. Financing the Capital Programme

3.1. The capital programme will be financed by a mixture of capital grants, capital receipts, revenue and self-financed and corporate borrowing. A deduction will be made from services' revenue budgets for self-financed projects funded from borrowing. Table 2 provides a breakdown of the financing of the capital programme between years.

Table 2: Financing the Capital Programme						
Service	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Capital grants	72.221	27.613	22.739	22.739	22.739	168.051
Third party contributions	49.690	17.337	0.275	-	-	67.302
Capital receipts	15.292	3.945	25.972	22.966	60.557	128.732
Revenue	1.133	-	-	-	-	1.133
Borrowing	114.857	91.928	45.657	54.899	20.347	327.688
Total Financing	**253.193**	**140.823**	**94.643**	**100.604**	**103.643**	**692.906**

Note: The borrowing figure is greater in 2021/22 as it includes the funding of capital spend financed by borrowing that was originally planned for in earlier years.

3.2. We recognise that the expansion of our investment programme will result in additional borrowing costs and we have made full provision for this within our revenue budget resolution. Our modelling of future debt levels leaves the Council with significant headroom against its Operational Boundary and Affordable Limit, two of the key indicators within the Prudential Framework. 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.

4. Prudential Guidelines and Limits

4.1. The Affordable Borrowing Limit and other Prudential Indicators consistent with the capital programme for 2021/22 form part of the Treasury Management and Investment Strategies elsewhere on today's agenda.

5. Strategic Director for Resources: Statement

5.1. The following statement from the Strategic Director for Resources is noted:

"As "Chief Finance Officer" the Local Government Act 2003 requires me to report on the robustness of the estimates made for the purposes of the budget calculations. In overall terms I am of the view that this capital programme has been prepared based on realistic assumptions about risk and affordability and that it represents a robust and realistic programme."

6. Delegations

6.1. That the Council confirms the delegated powers to the Leader as follows:

- That the Leader or person(s) or body nominated by her are authorised to:
  - Agree any increases or reductions in capital starts/payments totals as part of the quarterly capital review process;
  - Approve the addition to the capital programme of projects costing less than £2 million, which are fully funded from external grants, developer contributions or from revenue;
  - Approve individual projects of less than £2 million within the allocations made by Council, including schemes that are an allocation from the Capital Investment Fund; and
  - Approve loans to the Warwickshire Property and Development Company, triggered by the approval of a site development plan by Cabinet, where this still enables the delivery of the approved business plan within the provision in the capital programme.

6.2. In addition. the Strategic Director for Resources is authorised to vire capital projects between Services where such virements are as a direct consequence of a restructuring within the County Council.

6.3. The Strategic Director for Resources, in consultation with the Leader, is authorised to reverse allocations made as part of this budget process where the investment does not progress.

7. Budget Management

7.1. The Chief Executive is directly responsible for the implementation of the capital programme.

7.2. The Chief Executive is instructed to remind all Strategic Directors, the Chief Fire Officer and Assistant Directors that budgets must not be overspent and that effective budget management arrangements should be the cornerstone of each Service's work to secure value for money.

7.3. The carry forward regime, which reviews whether all uncommitted capital spend at the end of the financial year remains a priority, will continue. Any funding released through this process will be used to enhance the Capital Investment Fund.

7.4. All member bodies, members and officers are instructed to comply with the prescriptive legal duties placed upon the Council. The Chief Executive, Strategic Directors, the Chief Fire Officer and Assistant Directors are instructed to ensure that the implementation of policies complies with legal requirements.

7.5. Authority is given for all necessary tenders to be obtained and contracts to be completed to give effect to this budget, subject to compliance with Contract Standing Orders, Financial Regulations and the key decision regime.

7.6. The Chief Executive, Strategic Directors, the Chief Fire Officer and Assistant Directors, in the following circumstances and with approval from the Strategic Director for Resources, are given authority to let contracts where the tender price would cause the project to exceed its approved budget:

- If the project is and remains fully funded from external sources; and
- If all funding is ring-fenced to that specific project by a third party.

7.7. That, with the exception of the circumstances outlined in 7.6, the Council reconfirms the requirement for Strategic Directors, the Chief Fire Officer and Assistant Directors to seek Member approval to proceed with a project if, at the tender stage or any subsequent decision point, the contract price would cause the project to exceed its approved budget by more than tolerances in Financial Regulations prior to committing the Council to proceed with the project. In any event, any increase in the expected project cost should be reported to Members as soon as possible via the quarterly Financial Monitoring Report.

7.8. Strategic Directors, the Chief Fire Officer and Assistant Directors, with approval from the Strategic Director for Resources, are given approval to use capital receipts to fund replacement assets:

- Where the receipt is less than £100,000; and
- Where the receipt is generated from the sale of vehicles, plant, equipment or software; and
- Where the replacement asset provides the same service as the item sold; and
- Where the remaining cost of the replacement asset is fully funded from self-financed borrowing, revenue contributions or third-party funding that is ring-fenced to that specific asset by a third party.

7.9. In any event, capital expenditure on the replacement asset should be reported to Cabinet via the quarterly Financial Monitoring Report.

8. Managing the Maintenance Programme

8.1. Each maintenance allocation will be monitored and reported to Members at the level approved in the Medium-Term Financial Strategy (MTFS) and Capital Strategy. Within those allocations, detailed budget management is delegated to the responsible Assistant Director, in line with the agreed criteria and prioritisation approved by Council in the MTFS and Capital Strategy.

8.2. Maintenance allocations may be vired in accordance with the scheme of capital virement to an investment project where that project incorporates elements of work which would otherwise be funded from the maintenance budget. The entire project would be treated as an investment project for approval and reporting purposes.

9. Managing the Investment Programme

9.1. Allocations made to Services under the investment programme are for individual and specific projects. Any funding allocations may not be committed until individual projects are approved by the Leader or person(s) or body nominated by her.

9.2. Virements between projects in the investment programme are expected to be relatively small in number. Services are expected to manage variations in total project costs with the appropriate approval under Financial Regulations.

9.3. Virements can only take place between two existing projects. Any new project will require the Leader or person(s) or body nominated by her approval, irrespective of whether its proposed funding is taken from an existing allocation.

Investing in Warwickshire-

Capital Strategy 2021-31

Warwickshire County Council

Introduction

Cllr Peter Butlin
Deputy Leader and Portfolio Holder for Finance and Property

Rob Powell
Strategic Director for Resources
Warwickshire County Council

Investing in Warwickshire is a fundamental part of our role as a County Council. We want Warwickshire to be the best it can be, sustainable now and for future generations.

As a county, we boast a broad range of strengths that make Warwickshire a great place to be. We benefit from a buoyant economy, significant business and housing growth, considerable community capital, much valued natural environment and town centres that are a vital part of local life. But looking ahead, we also face significant challenges, including the impact of Covid-19, demographic pressures and climate change.

As an organisation, we are equally well placed but face uncertainty over future funding levels and our ability to meet growing demand for the services we provide.

Together, these factors influence our approach to capital investment. To respond effectively, we need to take a strategic and holistic approach to the use of our capital investment fund and assets to deliver our key priorities.

Our refreshed Capital Strategy 2021-31 aims to optimise the way in which we generate, manage and allocate the capital funds at our disposal.

It forms a critical part of our policy and financial planning process. It is an integral part of the Medium Term Financial Strategy to help deliver our Council Plan 2025.

Our new approach aims to maximise the use of capital resources to continue to make Warwickshire an attractive place to live, work, visit and do business, ensuring good stewardship and opportunities for sound investment when they arise.

This capital strategy has been developed to ensure that our long-term approach to investment takes proper account of prudence, value for money, risk, sustainability and affordability. It is supported by a robust delivery and governance framework to guide expenditure and investment decisions; performance will be monitored at overall, programme and project levels to track progress and achievements against priorities.

Together these ensure compliance with the CIPFA Prudential code.

We recognise the lasting impact and legacy of good, evidence-based capital investment and the Capital Strategy 2021-31 sets out our approach to making this happen in and for Warwickshire.

1.

Purpose of our Capital Strategy

What is Capital?

Within local government, capital is funding which is used to purchase or upgrade specific assets such as buildings, machinery, equipment, ICT, vehicles or intangible assets.

Unlike for revenue funding, these are investments that last a number of years and deliver long term benefit to the community, place and council.

Such capital investment is funded by borrowing, grants, capital receipts, developer contributions council contributions etc.

What is a Capital Strategy?

A capital strategy sets out the choices we make in relation to the amount and nature of the capital investment we spend. It is made up of three key elements:

1. **Strategic intent** – Sets out the aspiration and direction for our capital investment, defining the outcomes we are seeking to achieve through investment(Why).
2. **Programme** – Sets out the activity, programmes and projects that are funded by our capital investment (What).
3. **Framework** – Sets out the way we will plan and prioritise investments; manage capital spend and the capital programme in line with best practice and statutory requirements; execute the delivery of projects; manage risks and measure performance (How).

Together these elements set out the ambition for investment, the nature of that investment and the assurance of delivery.

2.

Why do we need a capital strategy?

Our Capital strategy sets out the direction, nature and focus of the capital programme and the framework which we operate to.

As a public body, we have a statutory duty to produce a capital strategy. An effective Capital Strategy helps ensure that the Council's capital and revenue expenditure on the asset portfolio is directed to deliver our key priorities.

The Council Plan 2025 has a clear vision to make **Warwickshire the best it can be, sustainable now and for future generations.**

Our capital investment will be aimed at delivering our Council Plan and its priority outcomes using the draft investment criteria below:

Warwickshire's communities and individuals are supported to be safe, healthy and independent (Supporting people) - invest to:

- **manage long-term demand through innovation**, sustainable service redesign, new technology and digital solutions;
- **strengthen community assets and community resilience** by investing in community capacity, self-help and capability, supporting local actions and priorities like climate change;
- **keep communities, including children, safe** by investing in safety, providing early support, preventing harm and helping to reduce crime;
- **meet future demand** through early intervention and timely provision of capital assets to support vulnerable people to live well (school places, independent living accommodation).

Strengthening our strategic focus

Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure (Shaping places) - invest to:

- make Warwickshire sustainable now and for the future through actions to secure carbon reduction, mitigate against climate change, increasing recycling, reducing waste, using products from sustainable sources and encouraging community actions;
- help economic growth by supporting the recovery from Covid, rebuilding confidence in our towns and visitor economy, reducing unemployment, improving skills, improving education provision, supporting business growth, local industries and attracting investment to Warwickshire;
- enable infrastructure improvement to support economic growth and investment, improve connectivity, enable modal shifts in travel, maintain networks etc;
- support local economic resilience through local area regeneration, sustaining town centres;
- enhance Warwickshire as a place to live and visit improving Warwickshire's attractiveness, public spaces, natural parks, visitor assets and community places.

Matching our programme to our ambition

Making the best use of our resources (Maximising our resources) - invest to:

- **generate income** through investment that generates tax revenue, grow revenue streams or deliver enhanced capital receipts;
- **create social value** through our procurement, commissioning, service delivery and estate management to produce wider social, economic or environmental benefits for our communities and
- **ensure good stewardship of Council assets** through timely maintenance, appropriate use of technology and energy efficiency.

Optimising Delivery

Our enhanced approach is to adopt:

- a portfolio view;
- a holistic and outward looking focus;
- investment to transform services;
- a streamlined approach and
- a medium/long term perspective.

Benefits of an effective capital strategy

- look to the long term future;
- influence the decisions and choices we make;
- create opportunities and influence agendas;
- focus on our place-shaping role and working with partners and
- create consistency and coherence to our investment.

How does this fit with other strategies?

The capital strategy is a key part of our strategic framework and a critical element of our Medium Term Financial Strategy (MTFS), which is in turn aligned to the Council Plan 2025.

Whilst the MTFS covers a rolling 5-year period, the capital strategy reflects the long-term nature and benefit of capital investment and is fixed over a longer timeframe, stretching to 2031, and addresses how we intend to pay for our capital investments and activities.

Our approach to capital investment is informed by our:

- Risk management strategy;
- Reserves strategy; and
- Treasury management strategy.

The outcomes are aligned to the core strategies to influence wider agendas and partnership working such as the Warwickshire Property and Development Company, the Warwickshire Recovery Investment Fund, the Health and Wellbeing Partnership, the West Midlands Combined Authority, the Coventry and Warwickshire Local Enterprise Partnership, the City of Culture, the Commonwealth Games and other local authorities.

3.

Drivers for Capital Investment

Local and national factors that will shape the need for capital investment during the next 10 years include:

- The impact from the Coronavirus pandemic has had significant impact on the UK, its businesses and its communities. The sudden impact of the pandemic caused GDP to drop by over 19% during 2020. Even though the economy has returned to some level of growth, most economic sectors remain below their February 2020 peak.
- The capital strategy can play a key role in supporting the recovery of key sectors such as construction, as well as playing a role working with partners such as the Coventry and Warwickshire Local Enterprise Partnership to invest in projects and infrastructure which will give the local economy the confidence and certainty to invest and grow. It will do this through the prioritised allocation of resources to initiatives which best meet the recovery outcomes.

Supporting People

- Warwickshire continues to be an attractive place to live, work and visit, which will experience significant population and housing growth other the next 20 years. Population growth is forecast to increase by at least 7.2% by 2041 and may well exceed this in view of housing development trends.
- The main growth will be in older age groups: those aged 70 and over are projected to increase by almost 50% by 2041 and those aged 85 plus will more than double.
- A growing ageing population is likely to see increases in those living with disabilities and other long-term health conditions, leading to additional demand pressures on public services including health, social care and fire to protect, prevent and support vulnerable people.

This will require us to work differently; to invest in early interventions, demand management encourage service innovation, reduce costly care packages and enable more self-help and resilience in our communities.

- The number of Children Looked After by the Council is projected to continue to rise, reflecting population increases and national trends.
- Our school age population is projected to increase by 3% by 2025 but this will then slow down by 2041. There is an estimated need for an additional 8,000 school places by 2025.
- The growth in population and households will mean a need for additional infrastructure requirement, particularly transport, waste and school places including special education needs.

Shaping Warwickshire

Shaping Warwickshire as a place to live, work and visit

- The Council has declared a climate change emergency and is developing an action plan in recognition of its role as community leader, service provider and estate manager.
- The number of households is projected to increase by 13% to 271,497 by 204. Each of the 5 District /Borough areas are projecting growth in households of 10,000 or more by 2033.
- Managing and maintaining Warwickshire's transport network poses several challenges including: the need for new infrastructure, improving connectivity, securing a modal shift away from cars, dealing with the impacts of congested town centres and improving road safety.
- Our ambitions for Warwickshire are being driven through our place-based programme which will identify specific opportunities and needs to be addressed.
- Despite Warwickshire's strong economic foundations, the impact of the Covid-19 pandemic presents challenges for our key sectors. The automotive and advance manufacturing sectors face short-term impacts in terms of disruption to work and supply chains, whilst our tourism sector faces significant pressures which could see unemployment rise as government support schemes (such as Furlough) come to an end.

Climate Change

- The capital strategy plays a critical role in recovery by supporting key sectors through specialist land and facilities, enabling the adjustments within sectors to respond to new opportunities such as green technology and transport, and adaptations in working patterns.
- The West Midlands has been selected as the preferred partner for the government's Urban Connected Communities project to develop a large-scale, 5G pilot across the region, with a hub in Coventry. 5G mobile connectivity is expected to revolutionise the digital environment, with benefits to business, public services and society, attracting investment, talent and contributing to innovation.
- Population growth helps increase the Council tax base and positively impacts on our ability to borrow for capital investment.
- Strong partnership efforts and investment will be needed to sustain the role of our town centres inthe face of Covid-19, changing consumer habits and emergingopportunities.

Optimising delivery and maximising our resources

- We need to work in different and innovative ways to reduce costs and optimise use of our assets to aid our sustainability in the face of growing demand and an uncertainfinancial climatefor localauthorities.
- There are opportunities and challenges to leverage external contributions (grants, developer contributions etc.) for our capital programme.
- We need to optimise our commercial approach and activities to generate income and grow the taxbasein ordertodeliverwideroutcomes for Warwickshire.
- Technological advances and changes in the way customers interact with service providers, willleadus to maximise the use of digital and othertechnologies acrossourservices.
- Our asset management strategies and estate modernisation plans will help sustain our core assets, supportmodernflexiblewaysof working, our climate change commitment and our people strategy.

4.

Guidingprinciplesforour capitalinvestments.

Approach

This capital strategy represents a step chance in our approach to capital investment, and is guided by these three key principles:

1. Strengthening our strategic focus

and role as a shaper of place for Warwickshire by applying a holistic, forward looking and externally focused approach to our capital investment

2. Matching our programme to our ambition

Right sizing the capital programme to ensure it reflects the broad range of our ambition and outcomes

3. Optimising Delivery

Strengthening our performance in relation to capital projects, adopting commercial principles and practices which enhance evidence-based decision making and robust benefit realisation

The key principles of our Capital Strategy are:

Strengthening our strategic focus

Focusing on our core purpose, helping the achievement of the Council's priority outcomes and supporting Warwickshire's

The capital strategy exists to deliver the Council's Corporate Plan priority outcomes, strategic objectives and to help implement our key strategies. It will take a holistic, balanced and joined up view on investment across the full spectrum of Council objectives as outlined in the Council Plan 2025.

Matching the programme content to our ambition

Taking a holistic view and ensuring strategic fit: The capital strategy will drive the right prioritisation of capital investment through an integrated approach across the Council, to drive recovery from Covid, innovation and creative solutions for managing demand, improving productivity and reducing cost. It will support good investments, maximise returns and exploit opportunities. Our capital programme will make the best use of resources and mechanisms to meet current needs, deliver a sustainable future for the next generation and be affordable.

Being risk aware: Our capital programme will be guided by our risk appetite and tolerances. We will be risk aware, ensuring compliance with our statutory duties and providing proportionate and appropriate scrutiny to drive improvement. We will operate within agreed tolerances for risk, reading across the entire capital programme and learning from the delivery of individual projects.

Optimising delivery

Building a commercial and business-like approach to investment: The capital strategy is critical to embedding a more strategic, business-like and risk-aware approach, as encapsulated by our new commercial strategy. It will be informed by a long-term pipeline of investment and external funding opportunities. All capital investments will be supported by a robust business case, setting out the requirement, objectives of the capital expenditure, intended outcomes and benefits, the costs and the risks.

Our Warwickshire Property and Development Company will play a key role in optimising delivery of our investment strategies for our land and property assets in support of the Council Plan.

Assurance: The capital strategy must drive a capital delivery programme which maximises the return (social value and financial benefits) from our capital investment. It will be supported by the right capabilities, plans and delivery management to minimise slippage, accelerate benefits realisation and achieve value for money.

5.

Capital Programme

The Council maintains an approved rolling capital programme, that covers a 5-year period, which is subject to an annual update as part of the budget process and Medium Term Financial Plan. The capital programme incorporates:

- the roll forward of existing approved capital projects;
- an annual 'rightsizing' of approved capital budgets to ensure optimal allocation of corporate resources;
- allocations for rolling, annual maintenance programmes; and
- a single investment pot to fund new priorities.

The effect of investment priorities is reflected in both the Medium-Term Financial Strategy and Treasury Management Strategy.

Capital Programme approval process

The capital programme is developed in line with the Medium-Term Financial Strategy and approved as part of the Capital Budget Resolution by Full Council in February each year.

The Corporate Board will review the draft future capital programme, consider its affordability and make recommendations to the Cabinet.

The Cabinet is responsible for considering the capital programme, along with recommendations on how it should be financed as a whole, its affordability and priorities, and will recommend a revenue budget and a capital programme to the Full Council for approval.

Project approval

Capital projects will be brought to Members for approval throughout the year. Capital approval rules allow for this, meaning that the capital programme evolves throughout the year.

Assessment of bids for investment will take place through the established capital governance process.

Once a need for a new asset/project has been identified, it will be developed in line with the Council's project management framework and standards. This will involve preparing an outline business case to enable an assessment of the desirability and affordability of the project.

If approved, a full business case is developed and submitted for approval through our Gateway Process via a Technical Panel of in-house independent experts from finance, legal, property, project management and independent front line services.

The full business case will include an options appraisal and will ensure that the full implications of every proposal are clearly understood to enable decisions on whether to proceed with the project and to prioritise the application of capital against our investment criteria. It will also ensure that capacity to deliver the project, risks associated with the project, and value for money have all been considered.

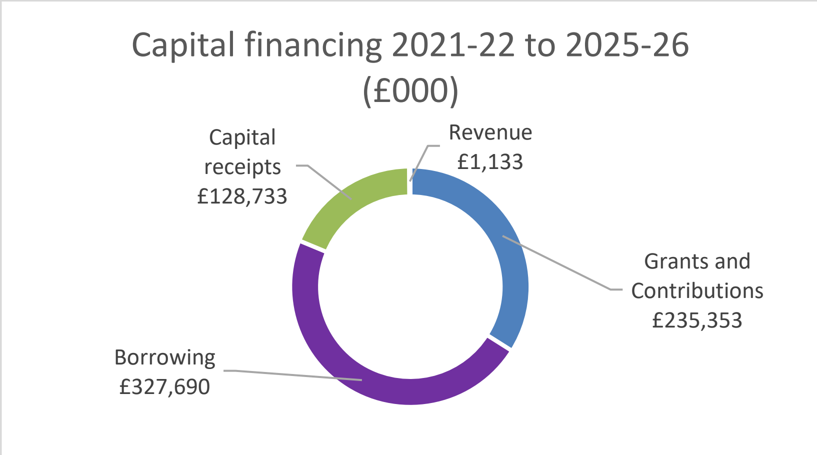
Once approved, these will be added to the Capital Programme.

Financial Monitoring

The technical appendix sets out how the capital programme is monitored to ensure that our capital spending is effectively managed to deliver value for money, together with the capital governance framework.

The funding of capital expenditure and funding principles

Our main capital resources are service specific grants, third- party contributions, capital receipts, contributions from revenue and borrowing. 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. We aim to optimise the use of all other available sources before using borrowing to fund our capital programme. The funding of the capital programme is outlined in the chart below:



Based on current estimates, WCC is expecting to spend £692.9m over the next 5 years. A breakdown of the capital programme is attached to the capital budget resolution and analysis of the allocations is included in the technical appendix. Future capital priorities not yet included in the capital programme are included in Annex D to the technical appendix.

The Council's strategy for its borrowing is set out in the Treasury Management Strategy Statement and takes account of factors such as interest rates and the spreading of loan repayment dates to reduce risk. The technical appendix outlines the approach taken to assessing sustainability and affordability of the capital programme and illustrates the effect of borrowing decisions on the revenue budget. Prudential indicators will be approved as part of the capital budget resolution.

The basis for the delivery of the overall capital programme are subject to Member approval:

- £35.600 million new borrowing annually, funded as part of the Revenue Plan proposals for the 2021-26 Medium Term Financial Strategy.
- £10.682 million of maintenance allocations funded from a top slice of this borrowing and are strictly cash limited.
- The balance of the £35.600 million annual borrowing (£24.918 million a year) will be allocated to the Capital Investment Fund where services will be invited to submit business cases to bid for funding throughout the year.
- All capital receipts (excluding those from the disposal of schools) are used to offset the need for additional borrowing. 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 larger levels of offsetting additional borrowing or greater revenue savings than would have been achieved by simply offsetting planned debt (or if previously agreed by Members as being earmarked for a particular purpose).
- The disposal profile of capital receipts will be used to inform the MTFS and revenue savings targets by offsetting the revenue cost impact of new borrowing.
- 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. Circa £3 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 maximised and applied to appropriate schemes ahead of Council resources whenever possible.

CIPFA Prudential Code

The 2017 edition of the CIPFA Prudential Code for Capital Finance in Local Authorities introduced the requirement for authorities to produce a capital strategy. The purpose of the capital strategy is to place decisions about borrowing in the context of the overall longer- term financial position of the authority and to provide improved links between the revenue and capital budgets. The guidance is not prescriptive and allows the capital strategy to be tailored to the individual authority’s circumstances. The Council has adhered to this guidance in this Capital Strategy.

6.

Capital Framework

Our Capital Framework covers:

- how we plan for capital investment, identifying priorities, inter-relationships and a long- term pipeline;
- the selection of projects, sub-programme priorities and the total capital programme;
- governance, including decision-making, risk management, assurance and control;
- the planning and execution of projects (using PMO, Prince2 & RIBA standards); and
- performance measurement using KPIs (financial, technical, economic, environmental & social metrics) to track progress at different stages, delivery, benefits/ achievements, reporting and lessons learnt.

The capital framework includes a methodology to classify the different stages of a project based on recognised industry standards along with other best practice.

We will provide a clear definition about what performance is, and how it will be measured to allow us to assess whether our projects and investments are on track. KPIs and benchmarking will be used to capture our position and how well we are doing.

We will ensure governance through established arrangements that include a Gateway process and Investment Panel where senior officers review project proposals at project inception and at full business case stage. Projects will be scrutinised by appropriate experts and recommendations on whether to approve will be made to Corporate Board, and where appropriate to Cabinet before delivery commences.

We will use our council-wide project system (to record and manage all projects. Project delivery will be through cross-directorate delivery boards, led by strategic directors who will support and challenge progress. These Boards are also responsible for assuring delivery of projects and programs to time, cost, quality, benefits and risk manage.

7. Making it happen

The following are some key actions that will help the delivery of the strategy over the next 12 months.

Focusing on our core purpose and supporting the Council's priority outcomes

Taking a holistic view and ensuring strategic fit

- Refine our strategic planning and pipeline development process and build a longer term pipeline to better inform future investment
- Refine the allocation, assessment and prioritisation processes to better deliver our ambition
- Compare project and sub-programme anticipated benefits for investment prioritisation
- Further progress the alignment between the technical and strategic assessment processes (through Verto)

Being risk aware

- Align the risk profile of the capital programme to the Risk Management Strategy
- Use early warning system to strengthen delivery

Building a commercial and business-like approach to investment

- Assess opportunities and options for investment
- Set clear investment criteria

Ensuring delivery and performance

- Enhance delivery capacity
- Performance and delivery framework
- Use of standardised recording and reporting (through Verto)

Our Capital strategy will be reviewed annually alongside the annual refresh of the Capital Programme

The enhanced assurance framework will ensure that the programme and framework and constantly reviewed and relevant.

Performance will be reported quarterly to Cabinet. February 2021

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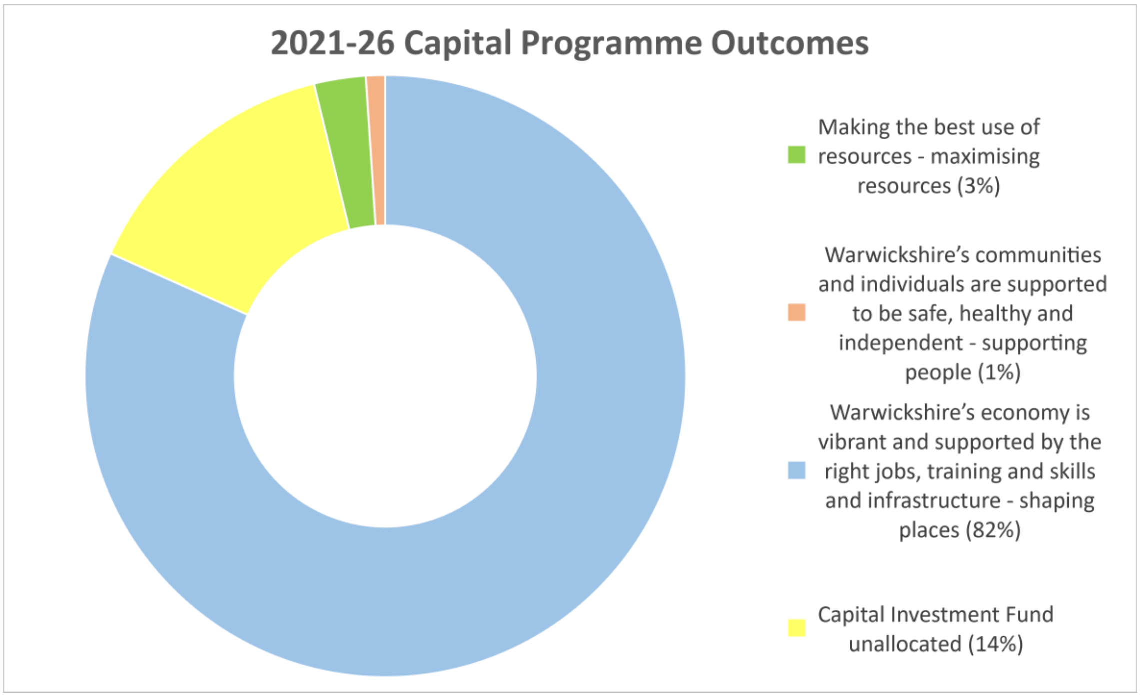
Appendix B

Investing in Warwickshire
Capital Strategy 2021-2031 – Technical Appendix

Why do we need a Capital Strategy?
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. Our capital investment is aimed at delivering our priority outcomes for which the current gearing of our capital programme is as follows:



This technical appendix to the Capital Strategy provides the structure of our capital programme, describes how we determine the content of and finance the programme and provides an overview of how our capital programme is managed to deliver our outcomes.

What is Capital?
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 the 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 CIPFA Code requirements for accounting treatment to ensure it does not increase the net assets shown on our Balance Sheet.

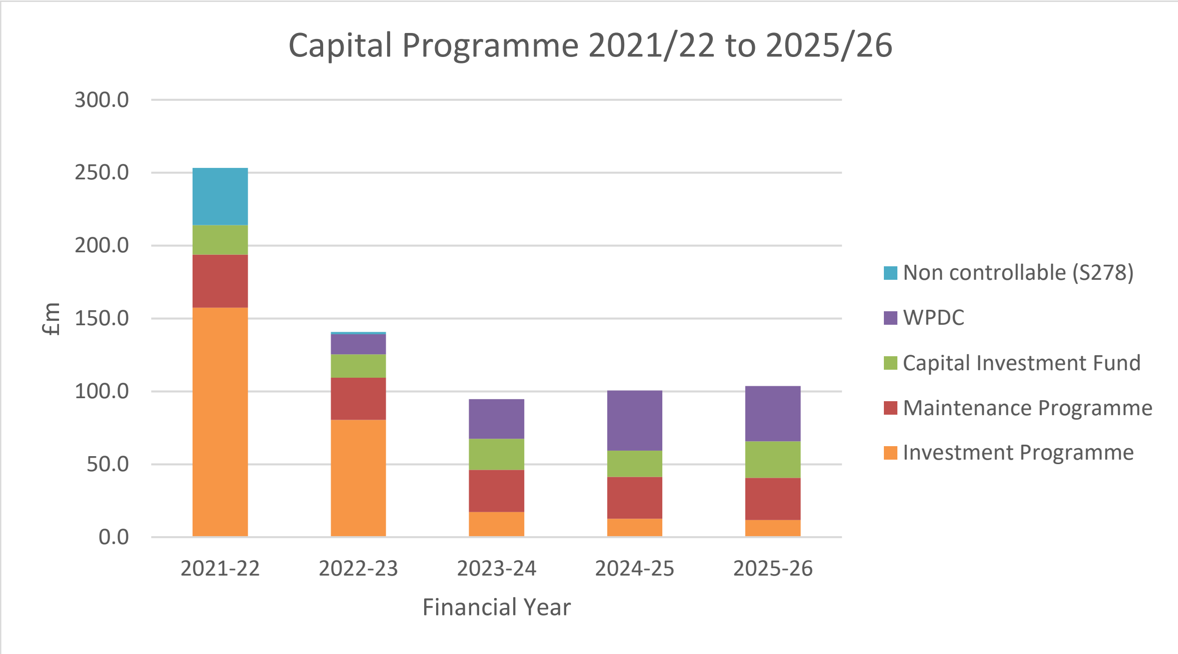
We operate a general de minimis of £6,000 on a project-by-project basis (£3,000 where the spend relates to primary schools or nurseries); expenditure below this level is treated as revenue and not part of the capital programme, unless under exceptional circumstances. Further details of our capitalisation policies can be found in the Accounting Policies section of our Statement of Accounts, published on our website.

Our Capital Programme

There are five broad strands to our capital programme. Each strand has a number of elements that ensure a clear focus on the purpose of capital spending and the prioritisation of proposals. The strands are:

- A recurring maintenance programme that ensures our assets continue to be fit for purpose and able to support the delivery of services;
- Non-controllable projects, generally funded from developer contributions and not wholly within the Council's control;
- An investment programme that creates and develops new assets through individual projects;
- Corporately held investment funds for allocation as business cases are submitted and approved; and
- Investment to increase the value delivered from our land and property assets through the Warwickshire Property and Development Company.

The chart below shows our planned capital programme over the next five years across the five strands of the capital programme. Future non-controllable (developer-led) spend cannot yet be timetabled with accuracy and so has been excluded from future years capital programmes at this time. Overall, we would expect the level of spend on such schemes to be broadly comparable with forecasts for 2021/22.



The reduction in forecast investment capital spending does not represent a planned reduction in activity, it merely represents the capital planning horizon. Actual planned spending for each year ahead is expected to rise to a higher level by the time planning for that year arrives. Also, the high level of investment spend planned for 2021/22 reflects investment schemes approved in, and reprofiled from, earlier years.

Section 25 of the Capital Financing Regulations, which govern the content of our capital programme, requires that expenditure incurred on the acquisition, production or construction of assets by other than the local authority which would be capital expenditure if those assets were acquired, produced or constructed for use by the local authority must be treated as capital expenditure. As a result, any loans we make to Warwickshire Property and Development Company for the development of assets will form part of our capital programme.

Guiding principles for our Capital Maintenance Spending

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 are required to incur over the medium term to keep such assets operational. Each element of the maintenance programme has a fixed annual allocation. This approach allows Services 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; or
- Annual cost of equipment and/or vehicle replacement programmes.

Our annual maintenance programme totals £28.911 million of which £10.682 million a year is funded from borrowing plus a £3.000 million allocation from the Government's Schools Condition Grant received for schools and the grant received from Government for highways maintenance of £15.229 million. The split of this annual maintenance allocation between Services, including schools' elements, but not containing £2.000 million delegated to members for their areas, is shown below.

Maintaining assets to ensure continued service delivery

- Household Waste Recycling Centres £80,000
- Highways maintenance and street lighting £ 14,879,000
- Non schools building maintenance £2,122,000
- Country Parks maintenance £200,000
- Gypsy and Traveller Services £20,000
- Rural services £356,000
- Schools building maintenance £6,988,000

Health and safety and other regulatory requirements

- Highways Maintenance - Casualty reduction £350,000
- Adaptations to support child placements £125,000
- Non schools asbestos and safe water £325,000
- Flood Defence £200,000
- Schools asbestos and safe water £746,000

Equipment and vehicle replacement programmes

- Information technology infrastructure £400,000
- Equipment for fire engines £120,000
- Replacement of vehicles £ variable

Annex C summarises the prioritisation methodology that will be used through to 2026 for each of the elements of the rolling maintenance programme.

Guiding principles for our Capital Investments

Capital Investment: Non-Schools

Any capital spending not included in the recurring 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 Authority towards the delivery of the Council's outcomes and ambitions.

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, delivering benefits for the people, communities and businesses across Warwickshire.

We operate a clear and transparent approach to the prioritisation of all capital spending.

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 are 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 or the Deputy Leader, as Portfolio holder for Finance and Property, for approval. For vehicles, plant and equipment this approval is delegated to the Assistant Director - Finance. Schemes costing above £2 million require the approval of Full Council, regardless of funding source or expenditure type, this includes any schemes that are an allocation from the Capital Investment Fund. Where the approval of a Warwickshire Property and Development Company site development plan by Cabinet triggers a loan from the provision in the capital programme further Full Council approval is only required where the loan would take lending above the provision in the capital programme.

To ensure widespread support for the investment programme all proposals are subject to an officer technical scrutiny process and Gateway Group endorsement prior to being considered by Corporate Board and ultimately by Members, as required under the Council's Financial Regulations. 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.

The technical scrutiny process and Gateway Group use a structured evaluation process that assesses:

- What we are trying to achieve for Warwickshire residents, businesses and visitors by investing;
- 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 schemes to Members for approval. If the total cost of a scheme is less than £2 million this approval is by the Leader or Cabinet. Schemes over £2 million require the approval of Full Council. A summary of the evaluation criteria and their relative weighting is attached at **Annex A.** In response to the

Council declaring a climate change emergency, the evaluation criteria specifically require that every new investment scheme explains how it will contribute to addressing climate change.

Annex B lists our capital investment priorities. Business cases will be completed and assessed through the evaluation process outlined above before funding allocations are approved and projects formally added to the Council's capital programme.

The Council does not 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.

Warwickshire Property and Development Company

On 7 February 2020 Council approved work to commence on the feasibility of a wholly owned Property and Development Company to increase the value generated through a more effective use of our land and property assets in support of the Council's key objectives and outcomes.

In October 2020, following consideration of the business case, Cabinet approved the creation of the wholly owned company. The set-up of the company and implementation of the first annual business plan, following its approval by Cabinet, is now underway. Proposals to develop the individual sites in the business plan will go through an evaluation and assurance process by the Council, as the shareholder, that will include consideration of the affordability and prioritisation of the investment proposals relative to other elements of the Medium Term Financial Strategy and capital investment priorities. Only once this process takes place and the individual site development plan is approved will any loans to the company that constitute capital expenditure be made from the facility in the capital programme.

Any such approvals will increase the Council's underlying need to borrow. The strategy for borrowing externally in order to finance the company and associated capital expenditure is reflected in the Treasury Management and Investment Strategies.

Warwickshire Recovery and Investment Fund

The concept of the Warwickshire Recovery and Investment Fund (WRIF) is supported by the Council. The business case demonstrating that the WRIF is both affordable and supports the delivery of the Councils outcomes and ambitions and any subsequent delivery plan are still in development. Any aspect of the WRIF which constitutes capital expenditure will be required to be included in an updated capital programme and capital strategy including detail on how this will be funded. It will also be reflected, if needed, in updated Treasury Management and Investment Strategies.

Capital Investment: Schools and Educational Facilities

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 Council's sufficiency 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 as it is the Council's statutory duty to ensure the sufficiency of school places.

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 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, we 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 in a period of significant growth, with large scale housing development proposed across the county over the next 10 years and beyond. It is expected this will require additional education provision for Warwickshire children. As development progresses across the county there will be a 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 and Learning Sufficiency Strategy – see **Annex D**.

Guiding principles for our Capital Funding

Capital Receipts

Through our approach to asset management planning (see **Annex D**), 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; and
- The impact on Council policies and the promotion of key strategic policies.

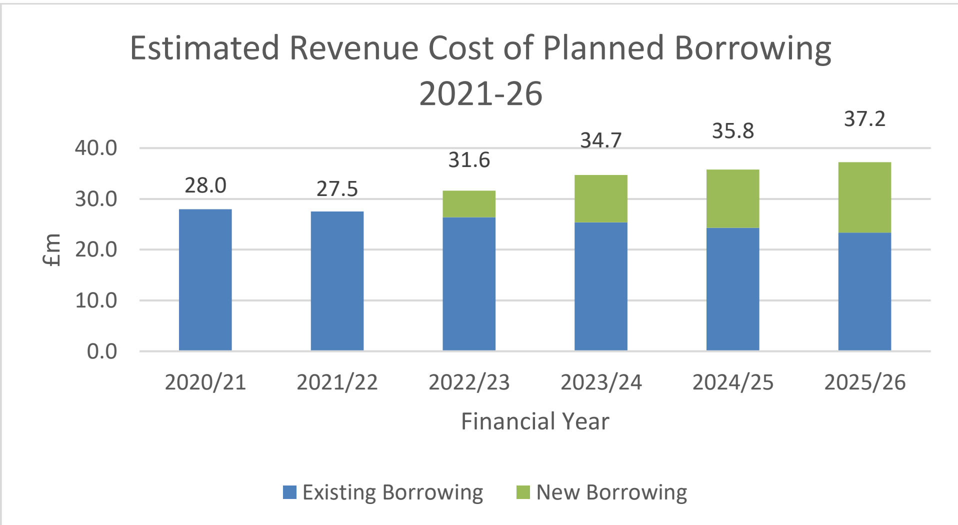
All capital receipts, apart from school receipts which are reinvested, are used to offset the requirement for additional debt, with a consequent reduction in the Council's borrowing costs. Capital receipts are inherently volatile and the timing of when the money is received is uncertain and unrelated to the timing of any need to incur capital spend. Therefore, our approach to the use of capital receipts enables a proportion of our capital spend to be financed before we need to take out additional borrowing. This delays the need to incur additional borrowing and therefore avoids incurring the requisite revenue costs to finance the borrowing.

Borrowing

We are required, by statute, to base our approach to borrowing money for financing the capital programme 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.

Incurring an additional £35.600 million borrowing each year is affordable within the 2021-26 Medium Term Financial Strategy and is deemed to be the minimum level of borrowing needed over the medium term to support the delivery of the Council Plan objectives. The impact on the Revenue Plan 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, its main financial management purpose is to ensure sufficient funds are set aside to repay the principal amount of borrowing when loans mature.

To forecast future years' revenue costs as a result of borrowing, we must consider both historic levels of expenditure funded from borrowing, the full cost of the existing capital programme funded from borrowing, 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 increase by 33% over the period of the 2021-26 Medium Term Financial Strategy, as follows:



Provision for these estimated costs are included as part of the Medium Term Financial Strategy. The figures include the cost of borrowing to support the activity of the Warwickshire Property and Development Company, which will be funded over the medium/long term through charges to and surpluses generated by the Company.

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 our Treasury Management Strategy (**see Annex D**). Our modelling of future debt levels, detailed within the Treasury Management Strategy, can be compared to our 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 we will remain financially sustainable and that we will not commit the Council to future costs it cannot afford by committing 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 and council tax taxbases and providing the additional infrastructure needed as a result of housing growth. Where affordable, we will use the additional revenue resources from growth in the taxbase above the level assumed in the 2021-26 Medium Term Financial Strategy to expand our Capital Investment Fund. Through this approach we are able to support an expanded capital programme and drive economic growth and activity across the county.

Capital Financing Requirement

Where capital expenditure is to be financed from borrowing, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically but yet to be financed, similar to a house mortgage.

At 31 March 2020 our Capital Financing Requirement was £289.8 million. The Council sets aside annual amounts from its revenue budget called Minimum Revenue Provision of circa £12.0 million to reduce this balance. This means it will take an estimated 25 years to clear the current balance. This figure is reviewed periodically to ensure it is aligned to the average useful life of our assets. The Council's current strategy to reduce this balance is to continue to set aside the annual charge whilst utilising available capital receipts to offset any further need to borrow as a result of increasing capital programme activity.

The planned annual increase in borrowing of £35 million plus the WPDC loan facility means that capital receipts alone will not be able to finance the increased capital programme in the medium term, therefore, provision has been made in the Medium Term Financial Strategy to increase the annual revenue charge to pay down the forecast increase in the Capital Financing Requirement.

Capital Investment Fund

Our flexible approach to utilising the 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, through the agreed capital framework. 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, a further year's allocation of £24.9 million is included as part of the MTFS for 2025/26.

Accounting for Leases

On 1 April 2022 we will adopt a new accounting standard for leases (IFRS16). This means that for all leases where we are the lessee, our right-to-use the asset will be recognised and we will account for the leased asset on our Balance Sheet as though we had purchased the asset. There are two exceptions to this where the value of the asset leased is below our £6,000 de minimis or the remaining term of the lease is less than a year.

Existing leases will be brought onto the balance sheet. The introduction of increased numbers of leases onto the balance sheet will increase the level of capital spend to be financed i.e. the Capital Financing Requirement. Without any other change this would increase the amount we are required to set aside in the revenue budget to repay debt. However, we are already making lease rental payments from revenue budgets for these assets and therefore, to avoid paying for the leased assets twice, a technical adjustment will be made to ensure a "net nil" effect on the revenue budget.

For assets under contracts entered into from 2022/23 onwards, the annual MRP charge will match the element of the rent/charge that goes to write down the balance sheet liability, to reflect accounting changes under IFRS16.

Making It Happen

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 reprofiling 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 a scheme.

In order to ensure our staff are equipped with the right training and knowledge to deliver the capital programme, a suite of e-learning materials and guidance notes are made available to all project managers and finance staff explaining the rules and principles underpinning capital expenditure and financing. Guidance on monitoring and approval processes is made available to all staff on our intranet.

The implementation of our capital framework includes a methodology to classify and define stages/ phases of delivery for our capital investments and build understanding of the quality of capital programme delivery. It will continue to use the following mechanisms to ensure our capital spending and the delivery of our capital 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 that need more detailed consideration or investigation, 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; and
- Post-contract appraisal is carried out to provide feedback on the success, or otherwise, of the design solution, procurement process and customer satisfaction levels.

Annex A

Summary of Capital Investment Fund Scheme Evaluation Criteria

Warwickshire's communities and individuals are supported to be safe, healthy & independent	Warwickshire's economy is vibrant and supported by the right jobs, training and skills and infrastructure	Making the best use of available resources: delivery of savings/generation of income
10% - delivery of the strategic objective	10% - delivery of the strategic objective	10% - alignment with the organisation's other strategic objectives
40% - Alignment with the investment criteria of the capital strategy (Supporting People)	40% - Alignment with the investment criteria of the capital strategy (Shaping Places)	40% - Alignment with the investment criteria of the capital strategy (Optimising Delivery and Maximising Resources)
40% - achievability, quality of evidence base, rational evaluation and challenge of options, financial viability and risk	40% - achievability, quality of evidence base, rational evaluation and challenge of options, financial viability and risk	40% - achievability, quality of evidence base, duration of required investment, rational evaluation and challenge of options, financial viability and risk
10% - Sustainability, climate change and environmental impact	10% - Sustainability, climate change and environmental impact	10% - Sustainability, climate change 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 evaluation criteria will be approved by Gateway Group which will ensure that the bidding/evaluation process considers:

- Whether the preferred option/approach is the best one for environmental sustainability, even where environmental sustainability is not a big issue, and comment and filter schemes accordingly;
- The clarity over the measurable benefits to be delivered and how these will be assessed both during construction and when the asset is operational;
- The alignment/incorporation of any financial benefits into the Medium Term Financial Strategy; and
- The deliverability of the scheme within the proposed timeframe both in terms of the scheme itself and the overall capacity to deliver the capital programme.

Capital Investment Priority Outcomes

The table below shows the Council's capital investment priorities. Business cases are still to be completed that demonstrate the contribution of the new assets to the delivery of the corporate outcomes and the Recovery Plan, the financial costs and benefits over the short, medium and long term funding allocations are approved and projects formally added to the Council's capital programme.

Pillars	Capital Investment Priorities
Supporting People	✓ Quality and accessible education spaces for all school children in Warwickshire ✓ Special Educational Needs and Disabilities and Inclusion transformation programme ✓ Demand management in social care services, including supported accommodation and accommodation with support ✓ Management of the market for social care, including the rising cost of placements ✓ Help for residents to lead a healthy lifestyle
Shaping Warwickshire	✓ Improvements the Fire and Rescue Service aspects of our estate ✓ Ambitious schemes to shape Warwickshire and individual parts of it, progressing housing and area regeneration schemes targeting Rugby, Nuneaton and North Warwickshire ✓ The future role and sustainability of town centres ✓ Business innovation and investment to drive economic growth ✓ New employment space for the growing gaming and digital creative sector in Leamington ✓ Initiatives which contribute towards employment skills and skills development ✓ Building stronger communities by helping communities to help themselves
Optimising Delivery and Maximising our resources	✓ Better ways of delivering services, such as libraries and heritage/culture ✓ Effective and accessible services to residents, communities and staff through investment in digital, ICT services and capacity ✓ Investment to maximise the effectiveness of our property estate as part of a future plan for the use of our buildings ✓ Maximising our commercial approach to generate income and grow the tax base to support benefits for Warwickshire. ✓ Making best use of our assets for service delivery, data and information strategy
Climate Change	✓ A transport network that supports a low carbon future and rural connectivity to places of work, reducing congestion and enabling growth in housing ✓ Support for businesses to reduce their environmental impact, energy usage and emissions

Pillars	Capital Investment Priorities
	✓ Increase the amount of renewable energy generation in the county as well as decrease emissions of carbon dioxide ✓ Increase biodiversity and ecology through green corridors, environment banks and tree planting ✓ A safer schools programme that encourages sustainable and healthy travel to school for pupils across Warwickshire ✓ Investment to support active travel and the positive benefits of outdoor activity

Annex C

Prioritisation of the Annual Maintenance Programme

Given the announcement of a climate change emergency, all annual maintenance programmes are expected to consider how the programme of works can contribute towards addressing climate change.

Flood Defence

Prioritisation Methodology

Capital spend on Flood Risk Management in Warwickshire is primarily through the delivery of Flood Alleviation Schemes.

These schemes are funded through Flood Defence Grant in Aid (FDGiA), and Local Levy as part of the Environment Agency (EA) led six-year national programme. This funding is based on the number of properties better protected from flood risk, and other assets such as highway and private land do not attract such funding.

The locations for capital schemes are prioritised using the outputs from the Warwickshire Local Flood Risk Management Strategy (LFRMS) and Surface Water Management Plan (SWMP). These documents assessed the flood risk across the County using both historical reports and predicted risk to produce a ranking score of risk for every square kilometre of the county. Areas at the highest flood risk have been prioritised for feasibility assessments for potential schemes. These schemes are then submitted to the EA to secure an indicative allocation within the six-year programme. To unlock this allocated funding, WCC must produce a business case for approval that shows the scheme is viable and meets the funding rules. Due to the dispersed nature of the villages at risk in Warwickshire, the schemes are smaller in nature and a contribution from WCC is usually required to secure the funding. A bid is made into the Capital Investment Fund for this contribution when required.

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 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.)

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 and Street Lighting

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 3' and, therefore, achieving the highest 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 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 Maintenance

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 parking infrastructure (to maintain income) and replacement play equipment, fishery development, and visitor enhancements (to increase income); and
c) Schemes that lever out match funding.

The 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 the planned maintenance programme developed from the above methodology is revised.

Common emergency works include repairs to paths, roads, furniture and 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.

Gypsy and Traveller Sites Maintenance

Prioritisation Methodology

Maintenance will be prioritised to meet health and safety requirements, in particular, the duty of care under Occupiers' Liability. This also reduces claims against the Council.

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; and
- 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 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; and
- 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, if 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 if 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.

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
- County Fleet Replacement Strategy
- Fire Service Integrated Risk Management Plan
- Digital & Technology Strategy
- WCC Waste Core Strategy
- Local Flood Risk Management Strategy
- Customer Experience Strategy
- WCC Economic Strategy & CWLEP Strategic Economic Plan

Treasury Management and Investment Strategies

- The Treasury Management Strategy
- Investment Strategy
- Minimum Revenue Provision Policy

Other relevant strategies, plans and documents

- The Council Plan
- Commercial Strategy
- Risk Management Strategy
- Reserves Strategy
- WPDC Business Plan
- Local Transport Plan
- Children's Services Business Plan

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Appendix C

2021-26 Capital Programme

Service	Scheme Title	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Investment Programme							
Warwickshire's communities and individuals are supported to be safe, healthy and independent - supporting people							
Environment Services	Redevelop and upgrade three WCC owned Gypsy and Traveller sites at Griff Hollows, Pathlow and Alvecote	508	152	0	0	0	660
Fire and Rescue Services	Fire & Rescue HQ Leamington Spa	2,187	0	0	0	0	2,187
	Fire & Rescue training programme	1,453	0	0	0	0	1,453
	Emergency services network preparedness	388	0	0	0	0	388
Adult Social Care	Extra care housing and accommodation with care	313	0	0	0	0	313
Children & Families	Accommodation for children in care and care leavers	240	0		0	0	240
Strategy & Commissioning - People	Adult social care modernisation and capacity building	63	0	0	0	0	63
	Improving mental health	250	0	0	0	0	250
	Total for supporting people	**5,402**	**152**	**0**	**0**	**0**	**5,554**

Appendix C

2021-26 Capital Programme

Service	Scheme Title	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Warwickshire's economy is vibrant and supported by the right jobs, training and skills and infrastructure - shaping places							
Education Services	Welcombe Hills	442	0	0	0	0	442
	Long Lawford - permanent expansion	394	0	0	0	0	394
	The Ferncumbe Primary - temporary classroom	20	0	0	0	0	20
	Kineton High - refurbishment phase 1	112	0	0	0	0	112
	High Meadow Infant	33	0	0	0	0	33
	Early years capital fund / Dunchurch Infants	10	0	0	0	0	10
	The Gateway, Rugby - new school	2,760	2,365	0	0	0	5,125
	Planning and development costs	33	33	33	0	0	99
	Long Lawford - studio hall	602	0	0	0	0	602
	Kingsway Primary - relocation of nursery and children's centre	3,119	2,046	0	0	0	5,165
	Ridgeway School - reconfiguration of classrooms	0	0	0	0	0	0
	Round Oak School - Reconfiguration of classrooms	212	0	0	0	0	212
	South Leamington - new school planning application	150	0	0	0	0	150
	Campion School - expansion	5,785	2,852	0	0	0	8,637
	Stratford upon Avon School - dining facilities	1,179	0	0	0	0	1,179
	Whitnash Primary - expansion of 2 additional classrooms	940	0	0	0	0	940
	Henley In Arden - resourced provision	573	0	0	0	0	573
	Early years - Wincks	0	0	0	0	0	0
	Burton Green CofE Academy	290	0	0	0	0	290
	Stratford Upon Avon School - expansion	5,786	5,787	0	0	0	11,573
	Etone College - expansion	2,376	2,377	0	0	0	4,753
	Bridgetown Primary - SEN provision	38	0	0	0	0	38
	Coughton CofE Primary School - bulge class	85	0	0	0	0	85
	Lighthorne Heath Primary School - relocation design	146	0	0	0	0	146
	Warwickshire Academy - expansion of SEN provision	3,855	0	0	0	0	3,855
	Schools Access	400	400	400	400	400	2,000
	Basic need unallocated funding	11,403	11,403	11,403	11,403	11,403	57,015
Environment Services	M40 Junction 12	45	192	0	0	0	237
	Rugby Gyratory - improvement scheme	25	0	0	0	0	25
	A444 Coton Arches, Nuneaton	10	114	0	0	0	124
	A46 Stanks Island, Warwick	400	0	0	0	0	400

Appendix C

2021-26 Capital Programme

Service	Scheme Title	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Environment Services (continued)	A444 Corridor Improvements - phase 2	4,046	20	0	0	0	4,066
	A3400 Birmingham Road, Stratford - corridor improvements	6,115	0	0	0	0	6,115
	A46 Stoneleigh - junction Improvement	18,020	4,286	0	0	0	22,306
	Lawford Road /Addison Road - casualty reduction	1,536	0	0	0	0	1,536
	A47 Hinckley Road - corridor scheme	1,758	1,215	0	0	0	2,973
	Flood alleviation - Welford on Avon	105	0	0	0	0	105
	Replacement bollards in Stratford, Nuneaton and Bedworth	370	0	0	0	0	370
	Historic bridge maintenance programme	3,420	2,230	0	0	0	5,650
	Rugby, Hunters Lane - through route New Tech Drive to Newbold Rd	129	180	0	0	0	309
	A444 - variable message signs (Prologis)	82	0	0	0	0	82
	Bridleways improvements Brownsover Rugby	6	0	0	0	0	6
	Rights-of-way scheme, Long Shoot Nuneaton	6	0	0	0	0	6
	A46 / A4071 Avon Mill Roundabout, Rugby - improvement scheme	679	140	0	0	0	819
	A452 Myton Road and Shire Park roundabouts	3,654	0	0	0	0	3,654
	A452 Europa Way - south of Olympus Avenue to Heathcote Lane roundabout	0	7,426	0	0	0	7,426
	A452 M40 spur west of Banbury Road	0	7,583	0	0	0	7,583
	Replacement of 15 bus fleet vehicles (home to school transport)	885	0	0	0	0	885
	MOVA operation - traffic junction at Tesco's	130	0	0	0	0	130
	A452 Europa Way Warwick - traffic signals	522	0	0	0	0	522
	A452 Europa Way / Olympus Avenue - traffic signals	884	0	0	0	0	884
	Flood alleviation - Pailton, Fenny Compton, Galley Common, Bermuda, Brailes	1,036	0	0	0	0	1,036
	C9878 A452 Europa Way dualling, The Asps	100	0	0	0	0	100
Strategy & Commissioning - Communities	Nuneaton town centre - Queens Road West improvements	62	0	0	0	0	62
	Kenilworth Station	789	0	0	0		789
	Bermuda Connectivity project	4,349	0	1,000	700	0	6,049
	Leamington Station infrastructure improvement	910	35	0	0	0	945
	A446 Stonebridge Junction, Coleshill	1,858	0	0	0	0	1,858
	Access to finance, duplex fund and small business grants	1,713	289	328	0	0	2,330
	Nuneaton to Coventry cycle route	954	0	0	0	0	954
	Hinckley to Nuneaton cycle route	392	0	0	0	0	392
	Library and Business Centre, Nuneaton	1,002	18,024	297	0	0	19,323
	A452 Kenilworth to Leamington cycle route	2,900	1,727	0	0	0	4,627
	A429 Coventry Road, Warwick	3,173	794	0	0	0	3,967

Appendix C

2021-26 Capital Programme

Service	Scheme Title	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Strategy & Commissioning - Communities (continued)	Warwick Town Centre	1,800	1,800	793	0	0	4,393
	A426 Gateway Rugby to Rugby Town Centre cycle scheme	64	0	0	0	0	64
	Weddington Road, Nuneaton - toucan crossing	51	0	0	0	0	51
	Bus shelters on Narrow Hall Meadow, Chase Meadow	20	0	0	0	0	20
	Southbound bus stop on A426 Leicester Rd, Rugby	65	0	0	0	0	65
	Barford Junction - safety and capacity improvement works	169	0	0	0	0	169
	Transforming Nuneaton - highways	21,704	0	0	0		21,704
	Waste containers for Household Waste Recycling Centres	138	0	0	0		138
	Office space at Holly Walk, Leamington	953	0	0	0		953
	Emscote Road - corridor improvements scheme	6,492	2,519	725	25		9,761
	Upgrade existing shared pedestrian/cycle path, Bermuda	20	0	0	0		20
	Land at Crick Road, Rugby	1,315	0	0	0		1,315
	Temple Hill / Lutterworth Road, Wolvey - casualty reduction	1,560	0	0	0		1,560
	Average speed cameras	1,741	0	0	0		1,741
	A439 Southern - casualty reduction	470	0	0	0		470
	Green Man, Coleshill - signalised junction	495	0	0	0		495
	Campden Road, Shipston on Stour	36	0	0	0		36
	School Safety Zones	37	0	0	0	0	37
	Home to school routes	435	0	0	0	0	435
	Evidence-led decision making in tackling climate change	585	0	0	0		585
	All electric bus initiative	84	333	922	27	0	1,366
	Contribution to HS2 bridge	409	0	0	0	0	409
Enabling Services	Development of Rural Broadband	7,643	3,752	0	0	0	11,395
Governance & Policy	Maintaining the Smallholdings land bank	761	0	0	0	0	761
	Total for shaping places	**149,855**	**79,922**	**15,901**	**12,555**	**11,803**	**270,036**

Appendix C

2021-26 Capital Programme

Service	Scheme Title	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Making the best use of resources - maximising our resources							
Business & Customer Services	Improving the customer experience / one-front-door improvements	192	250	1,199	0	0	1,641
Enabling Services	Renewable energy/reducing energy - various properties	995	0	0	0	0	995
Governance & Policy	Strategic site planning applications	1,344	0	0	0	0	1,344
	Total for maximising our resources	**2,531**	**250**	**1,199**	**0**	**0**	**3,980**
Corporate	Warwickshire Property and Development Company	0	13,716	27,216	41,153	38,015	120,100
Corporate	Capital Investment Fund - unallocated	20,308	16,030	21,221	17,985	24,914	100,458
	Total for Capital Investment Fund	**20,308**	**29,746**	**48,437**	**59,138**	**62,929**	**220,558**
	TOTAL INVESTMENT PROGRAMME	**178,096**	**110,070**	**65,537**	**71,693**	**74,732**	**500,128**

2021-26 Capital Programme

Service	Scheme Title	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Maintenance Programme							
Warwickshire's communities and individuals are supported to be safe, healthy and independent - supporting people							
Children & Families	Adaptations to support child placements	309	125	125	125	125	809
Fire and Rescue Services	Equipment for fire engines	202	120	120	120	120	682
Environment Services	Gypsy and Traveller site maintenance	50	20	20	20	20	130
	Total for - supporting people	**561**	**265**	**265**	**265**	**265**	**1,621**
Warwickshire's economy is vibrant and supported by the right jobs, training and skills and infrastructure - shaping places							
Strategic Commissioning for Communities	Household Waste Recycling Centre maintenance	80	80	80	80	80	400
	Countryside Rural Services capital maintenance	285	200	200	200	200	1,085
	Flood defence	200	200	200	200	200	1,000
	Highways maintenance - casualty reduction	1,246	350	350	350	350	2,646
Enabling Services	Schools asbestos and safe water remedials	1,020	746	746	746	746	4,004
	Schools planned building, mechanical and electrical backlog	6,988	6,988	6,988	6,988	6,988	34,940
Environment Services	Highways maintenance and street lighting	15,380	14,879	14,879	14,879	14,879	74,896
	Members delegated budgets for minor highways schemes	6,088	2,000	2,000	2,000	2,000	14,088
Governance and Policy	Rural services capital maintenance	501	356	356	356	356	1,925
	Total for - shaping places	**31,788**	**25,799**	**25,799**	**25,799**	**25,799**	**134,984**
Making the best use of resources - maximising our resources							
Enabling Services	Non-schools - planned building, mechanical and electrical backlog	2,122	2,122	2,122	2,122	2,122	10,610
	Non-schools asbestos and safe water remedials	822	325	325	325	325	2,122
	Information technology infrastructure	650	580	595	400	400	2,625
	Total for - maximising our resources	**3,594**	**3,027**	**3,042**	**2,847**	**2,847**	**15,357**
	TOTAL MAINTENANCE PROGRAMME	**35,943**	**29,091**	**29,106**	**28,911**	**28,911**	**151,962**

Appendix C

2021-26 Capital Programme

Service	Scheme Title	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Developer Funded Programme							
Warwickshire’s economy is vibrant and supported by the right jobs, training and skills and infrastructure							
Environment Services	Developer Funded Schemes (S278)	39,154	1,662	0	0	0	40,816
	TOTAL DEVELOPER FUNDED PROGRAMME	**39,154**	**1,662**	**0**	**0**	**0**	**40,816**
	TOTAL CAPITAL PROGRAMME	**253,193**	**140,823**	**94,643**	**100,604**	**103,643**	**692,906**

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Council

8 February 2021

Treasury Management Strategy and Investment Strategy

Recommendations

That:

1. The Treasury Management Strategy for 2021/22 (Appendix 2) be approved with effect from 1st April 2021.

2. The Investment Strategy for 2021/22 (Appendix 3) be approved with effect from 1 April 2021.

3. The County Council requires the Strategic Director for Resources to ensure that gross borrowing does not exceed the prudential level specified (Appendix 2,Section 3.2, Table 10 “Authorised Borrowing Limit”).

4. The County Council requires the Strategic Director for Resources to ensure that gross investment in non-Treasury investments does not exceed the prudential levels specified (Appendix 3, Annex 7).

5. The County Council delegate authority to the Strategic Director for Resources to undertake delegated responsibilities in respect of both strategies (Appendix 2, Annex 7, and Appendix 3, Section 2.5).

6. The County Council requires the Strategic Director for Resources to implement the Minimum Revenue Provision (MRP) Policy (Appendix 2, Section 2.4).

1 Executive Summary

1.1 The Council is required to set a Treasury Management Strategy and Investment Strategy each year and these are set out at Appendix 2 and Appendix 3.

1.2 The Treasury Management Strategy, Investment Strategy, and Capital Strategy are all related. The features of these three strategies are summarised below, and the interrelationships are detailed in Appendix 1.

Capital Strategy	Treasury Management strategy	Investment strategy
Sets out all Council expenditure that is capital in nature, i.e. expenditure on assets that provide benefits over more than one financial year.	Sets out how the Council manages its cash balances, and how capital financing (borrowing) requirements will be managed.	Sets out how the Council will manage non-treasury investments.

1.3 Recent treasury management activity has seen the Council holding significant cash balances in relatively safe settings and not needing to take out new borrowing. Non-treasury investment activity has been on a small scale. The key features of activity for 2021/22 and onwards are:

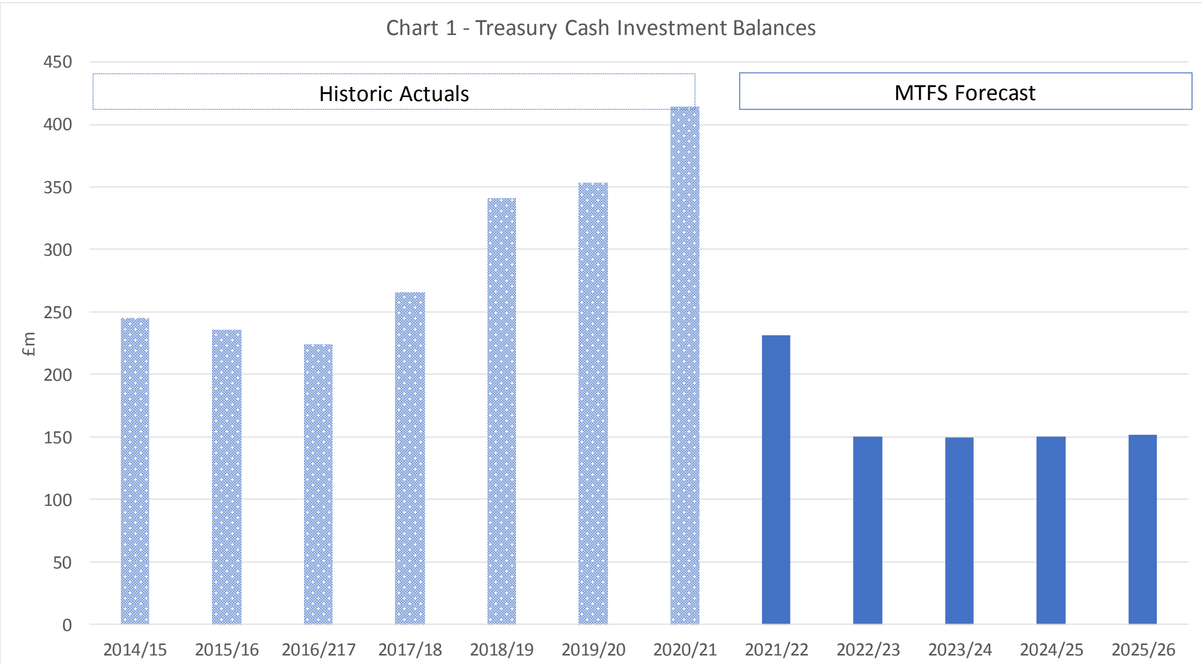
- Significant levels of new investment in the Warwickshire Property Development Company (WPDC).

- Significant increases in the level of borrowing to fund the WPDC and mainstream capital programme.

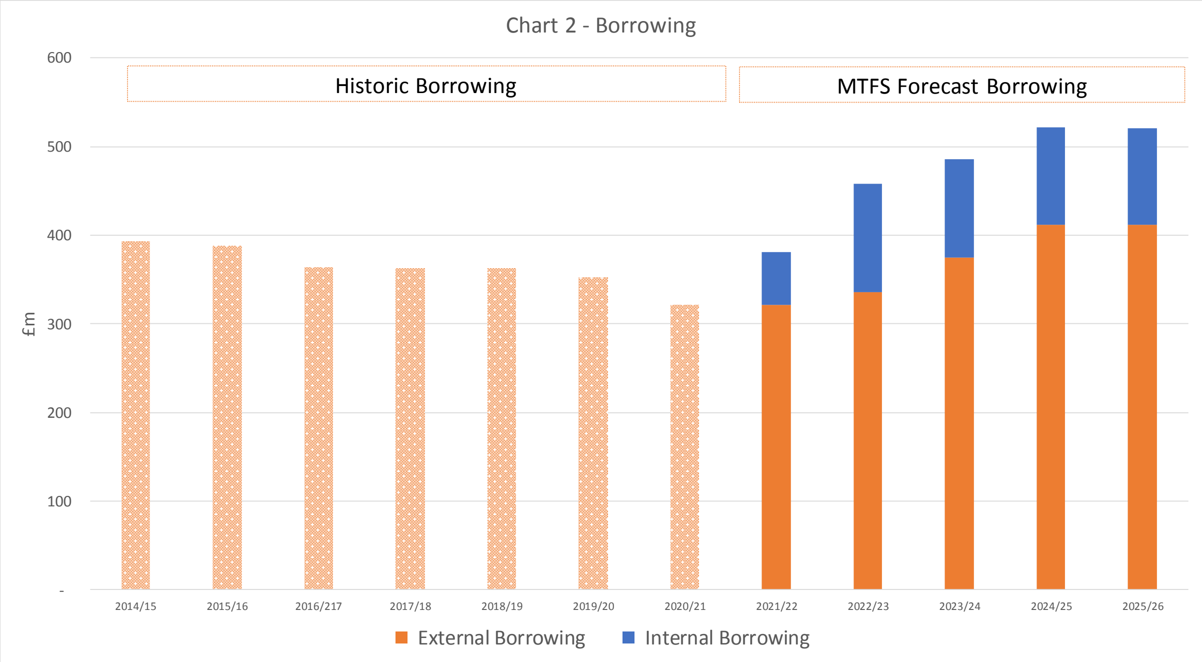
- Challenges in the efficient management of cash balances in an environment of sustained low interest rates and a higher risk of cashflow pressure.

2. Treasury Management (Appendix 2) - Headlines

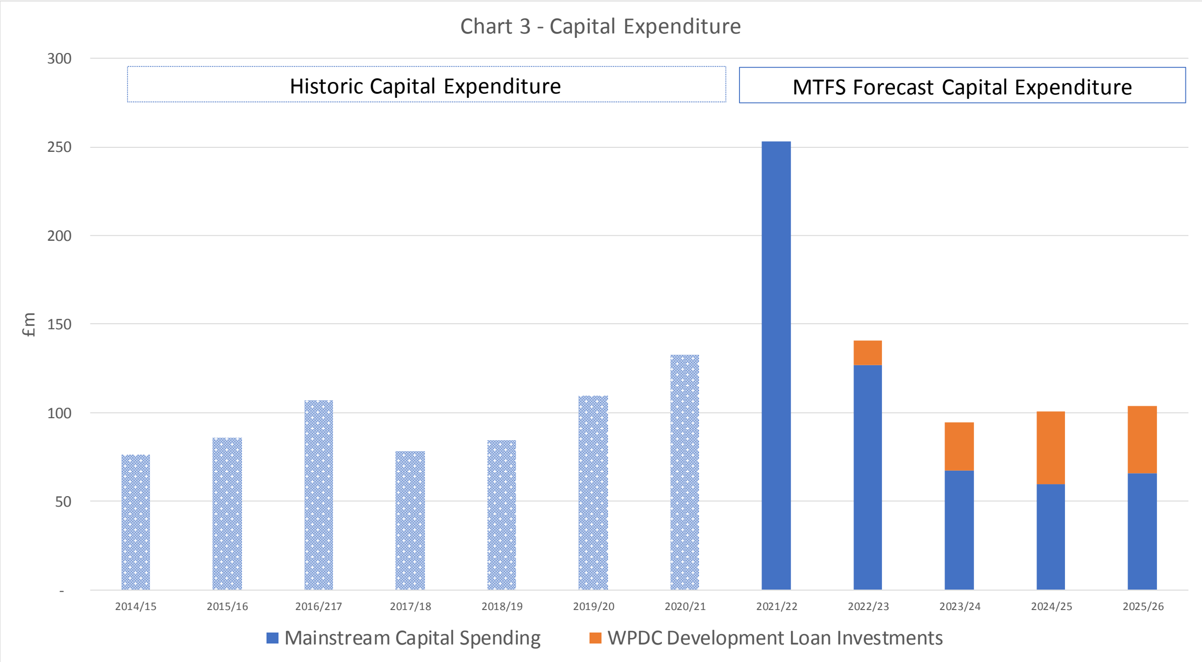
2.1 Treasury management is to do with the safe handling of cash (the priorities are ensuring security and liquidity, followed by the objective of earning an efficient return). Treasury cash balances are planned to reduce as follows:



2.2 This is driven by planned "internal borrowing" (also called "under borrowing") whereby the Council makes use of cash balances where they are available in order to reduce the amount of external borrowing required to support new investment, because internal borrowing is cheaper (Appendix 2, Table 7). Chart 2 summarises the borrowing forecast and shows how a part of that increase will be through internal borrowing.



2.3 Borrowing, also referred to as the Capital Financing Requirement or CFR (Appendix 2 Table 4) is forecast to increase driven by the planned capital strategy including new cash investments in WPDC, as illustrated below.



2.4 Note that the reduction in forecast mainstream capital spending (Appendix 2, Table 1) does not represent a planned reduction in activity, it merely represents the capital planning horizon. Actual planned spending for each year ahead is expected to rise to a higher level by the time planning for that year arrives. i.e. the new WPDC investment is not replacing mainstream capital expenditure, it will be adding to it.

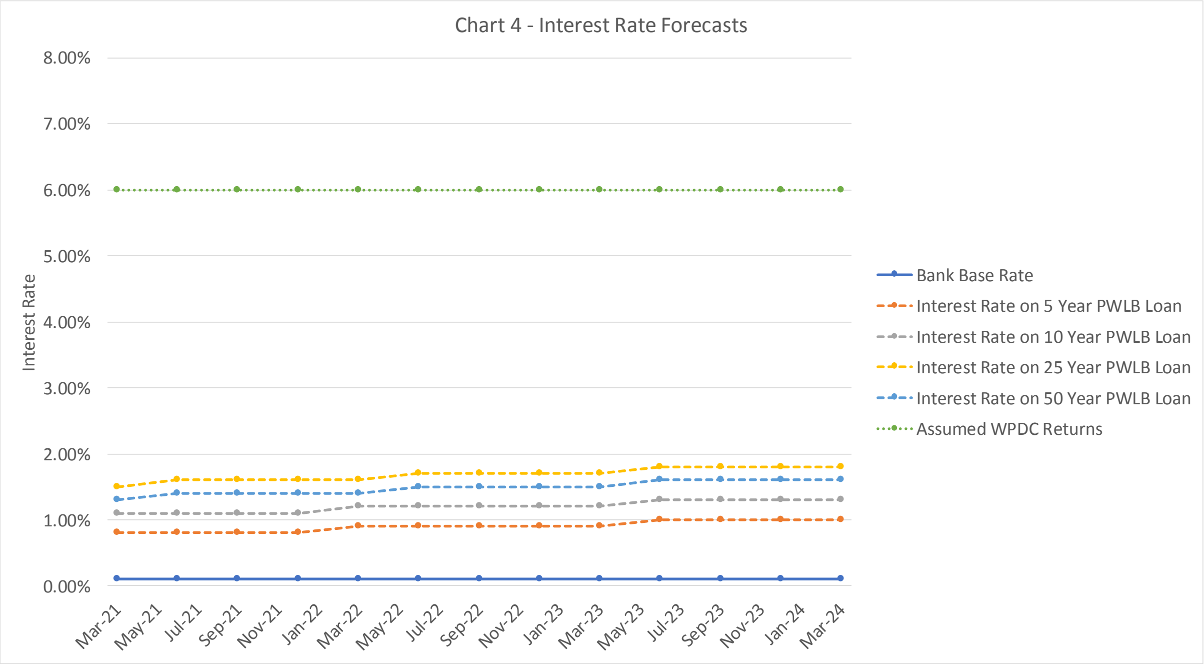
Minimum Revenue Provision

2.5 A prudent provision will be set aside to repay debt (this is called the Minimum Revenue Provision or "MRP"). For mainstream capital expenditure making this provision is existing custom and established practice.

2.6 The new MRP policy is expanded to have regard to the WPDC. For two elements of WPDC investment, no MRP will be made: (1) where land is transferred in as equity – because no borrowing is required, and (2) where working capital loans are made, because they are revenue rather than capital. For development loans to WPDC the loans are expected to be paid back however to be prudent MRP will still be provided for. The MRP policy is set out at Appendix 2 Section 2.4.

Interest Rates

2.7 Interest rates are very low and the outlook remains low with the bank rate forecast to stay at 0.1% for the next few years. The rates at which local authorities can borrow from the Public Works Loan Board (PWLB) are also very low , in the range 0.8% to 1.5% for durations from 5 years to 50 years and are only expected to rise slowly over the medium term (Appendix 2, Section 3.3).



2.8 Interest returns received on treasury investments will be significantly less over the medium term due to the low base rate. Some types of investment may involve negative interest rates. However actions will be taken to minimise the impact of low rates whilst prioritising security and liquidity.

2.9 The increase in non-treasury investments will provide a financial benefit through providing greater returns than treasury investments and greater returns than PWLB borrowing as illustrated in Chart 4 above, but at greater risk (refer to Section 3.6 below regarding risk).

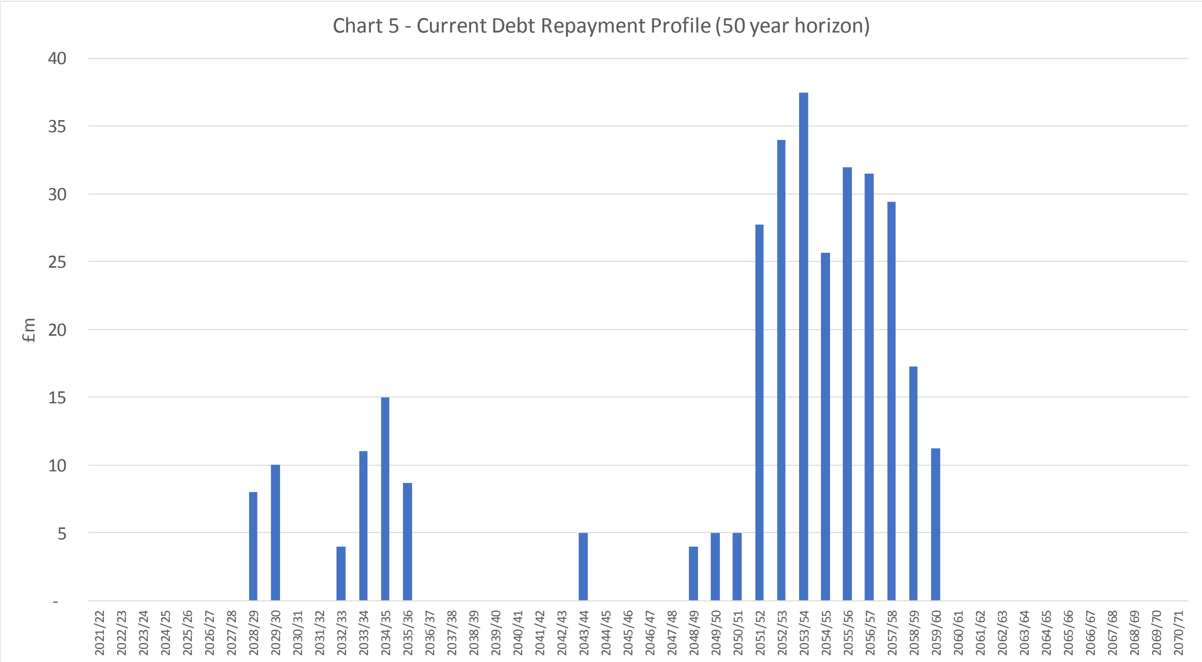
Borrowing

2.10 PWLB borrowing rates are very low (Appendix 2 Section 3.3) and a key issue will be to ensure that the Council maintains access to these rates (although alternatives will also be considered when borrowing is required to ensure best value is achieved). There are two specific factors that will be managed to achieve this:

- By providing HM Treasury with a forward forecast of capital plans local authorities can maintain access to the lowest rates (referred to as the "certainty rates").

- By making non-treasury investments that meet PWLB lending criteria (Appendix 3, Annex 1).

2.11 The current borrowing maturity profile includes a concentration of debt due to be repaid around 2050-2060. When new borrowing is taken out the opportunity will be taken to consider spreading out the maturity profile more evenly.



2.12 Limits for borrowing have been set based upon expected levels of investment, including an "Authorised Borrowing Limit" which cannot be exceeded (Appendix 2 Table 10).

Treasury Investments

2.13 Loans being made to other local authorities will be made on a smaller scale as internal borrowing reduces cash balances. The facility to agree loans to other local authorities in advance of the commencement date is being introduced. This will provide more opportunities and better value deals.

2.14 New limits have been introduced by investment sector to manage risk exposure, for example holding no more than £250m in overnight investments (Appendix 2 Section 4.3).

2.15 Counterparty credit rating requirements have been reduced from A to A- (long term Fitch rating) on investments with banks and building societies in order to maintain access to those institutions (Appendix 2 Section 4.2).

2.16 The minimum sovereign rating has moved down from AA to AA-, this incorporates the UK, however the rating requirement only applies to foreign countries, the strategy allows investment in the UK regardless of the UK’s rating (Appendix 2 Section 4.3).

3 Investment Strategy (Non-Treasury Investments - Appendix 3) – Headlines

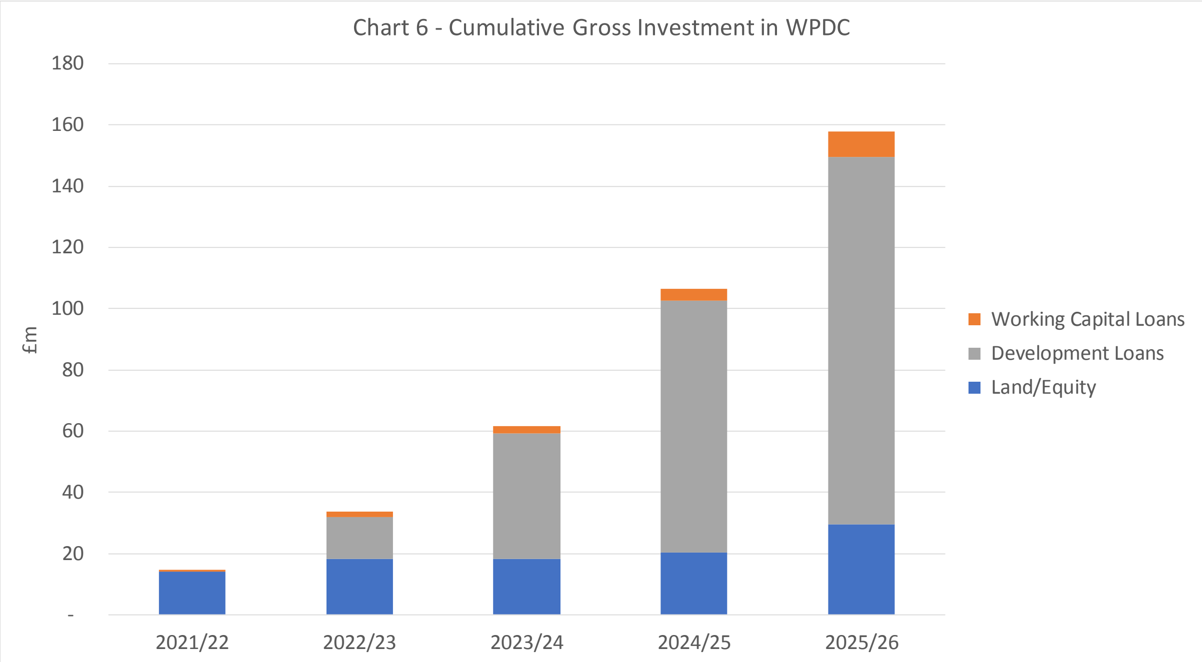
New Investments

3.1 The key non-treasury development is the introduction of new investment in the proposed WPDC, creating non-treasury investment on a significant scale that will be funded from borrowing.

3.2 In addition to the WPDC which was the subject of specific proposals to Cabinet in January 2021, further non treasury investments may be developed, for example there is the potential for a Warwickshire Recovery Investment Fund focused on investments to support local businesses and economic recovery. Where additional funds/investments are developed the Investment Strategy will be updated and presented to Members for approval as appropriate before new investments can be made.

3.3 An important feature of all non-treasury investments is that they are made with the primary purpose of delivering organisational objectives, and not purely or primarily to make a financial return (Appendix 3 Section 3). The primary reason for the proposal of the WPDC is to amplify the delivery of policy objectives.

3.4 The WPDC medium term investment plans are summarised in Chart 6. These represent limits and actual investment may be flexible up to these limits.



Existing Non-Treasury Investments

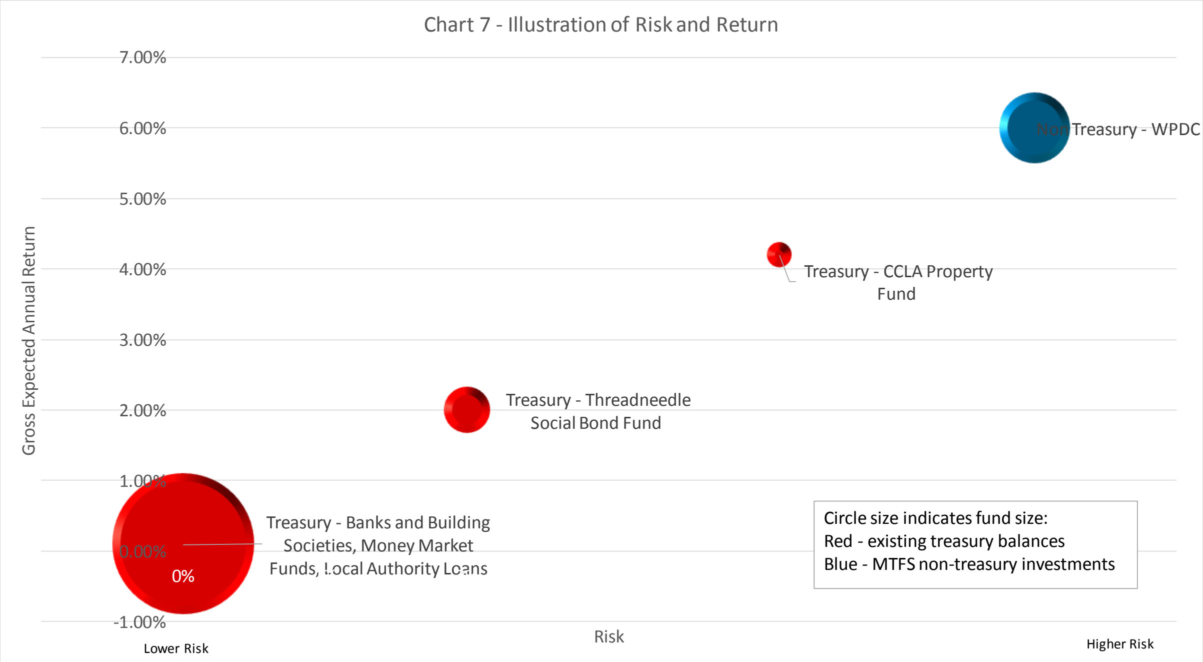
3.5 The Council already holds a small amount of non-treasury investments, all related to the delivery of service objectives (Appendix 3 Section 13). These are already fully funded or already paid for, example:

- Holding shares in companies such as the ESPO Trading Ltd and Warwick Technology Park.
- Issuing loans to Educaterers Ltd (a local authority controlled company).
- On a small scale issuing loans to local businesses through the capital programme and the Coventry and Warwickshire Reinvestment Trust.
- Holding a land bank of investment properties.

Risk

3.6 Any investment involves risk, with the risks depending upon the nature of the investment. A range of strategic governance and risk management standards are set out throughout the Investment Strategy which all non-treasury investments must adhere to (but refer to Appendix 3 Annex 2 – Annex 4 in particular). In addition, more detailed requirements may be determined for specific funds and incorporated into the approval of those funds.

3.7 Investment risk and return are directly linked, with higher risks typically being rewarded by higher returns. How financial risk actually manifests itself varies with the type of investment, for example equity risk manifests in the form of share price volatility, and lending risk manifests in the form of loan repayment default.



3.8 The financial risks and rewards involved in non-treasury investments are of a different nature to (and greater than) the financial risks relating to traditional capital expenditure and treasury investments (Appendix 3 Section 8). The chart above illustrates this schematically, with existing Treasury investments in red, and planned MTFS non-treasury investments in blue.

3.9 The reasons for the differences are:

- Treasury investments prioritise security and liquidity in order to serve the primary objective of treasury management which is to ensure that cash is available when needed to serve the purpose for which that cash is held.

- Traditional capital spending is basic expenditure by nature and is fully funded as such.

- Non-Treasury investment risks are different in that they are assumed to retain or increase their original asset value, and they are assumed to provide a more significant financial return. Therefore there is exposure to the risk of these assumptions not happening.

- The objectives of non-treasury investments by their nature are not the same as treasury investments, and therefore they may not prioritise security and liquidity as highly as treasury investments do.

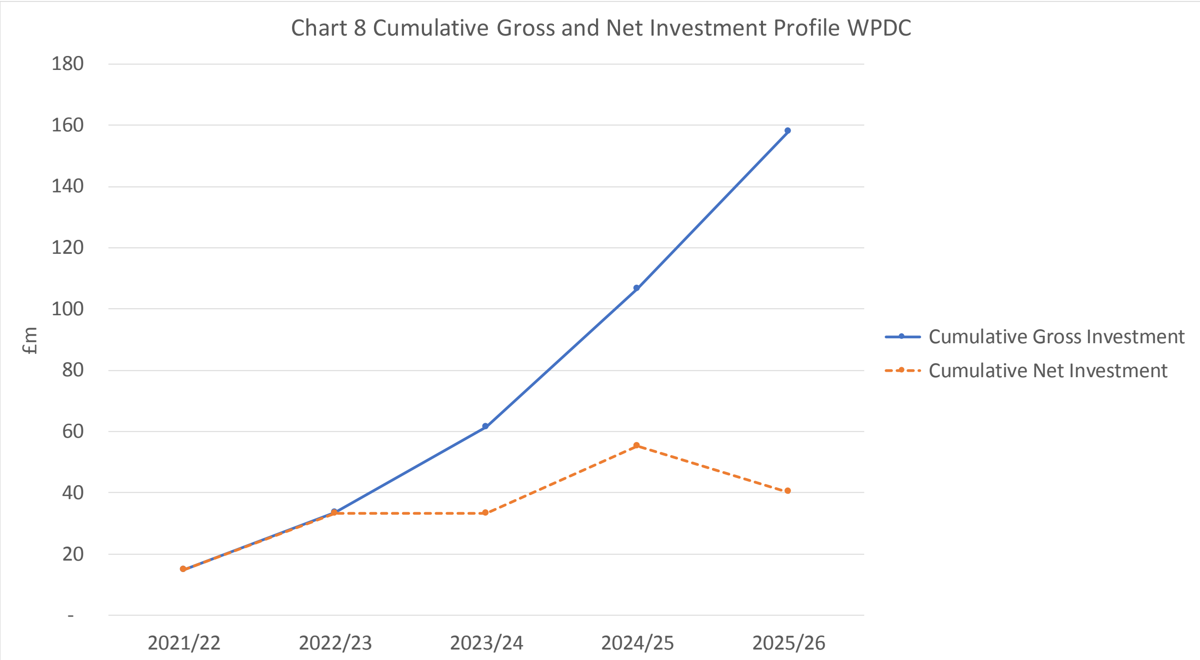
3.10 A key feature of managing risk will include having arrangements to manage the risk of losses. This will include a certain degree of expected losses built in to business models (no investment is 100% guaranteed to pay back), the use of reserves to provide some cover, and hard limits on non-treasury investment levels to limit maximum exposure to losses.

3.11 Some risks are driven by the duration of an investment. The longer the investment is for, the greater the probability is of a default. In addition, very long-term investments introduce intergenerational risks that need to be considered.

3.12 Aside from the risks associated with any particular individual investments, another type of risk is addressed by the Investment Strategy called "proportionality" (Appendix 3 Section 9). This is to do with the overall aggregate level of investment and exposure to loss, in particular in comparison to the size and financial capacity of a local authority to bear the losses that it is exposed to. The issue of proportionality will be monitored and proportionality measures may be used in the future to put limits on investment activity.

Prudential Indicators

3.13 The Investment Strategy has been updated to have regard to the new WPDC investments, including the introduction of Prudential Indicators (Appendix 3 Annex 7) that place limits on gross and net investment:



3.14 The gross amount that may be invested in each fund annually is a hard ceiling within each year. The net level of investment will be monitored (i.e. after accounting for repayment of previous investments). If the annual net position is breached due to repayment defaults, this would trigger a review of future gross investment limits.

3.15 In addition, the following more detailed limits will be applied to manage risk (Appendix 3 Annex 7).

- The length of time that investments may be made for.

- The amount of a fund that may be debt or equity investment.

3.16 The “Authorised Borrowing Limit” set within the Treasury Management Strategy (Appendix 2, Table 10) includes borrowing required to service these investments.

3.17 All non-treasury management investments will be required to demonstrate that they meet the following criteria:

- That they are primarily for the purpose of delivering organisational objectives and meeting service need.

- That they meet the revised criteria recently set out by the Government that need to be met in order to retain access to PWLB lending. The government as specified the kinds of investment that may be made (Appendix 3 Section 3.2). It is possible to invest in other initiatives but if that were the case, the local authority would have to find borrowing sources from elsewhere and would likely be considered a higher risk to lend to.

- That whilst they may make a financial return, they must not be purely or primarily for the purpose of making a financial return.

Governance

3.18 High level requirements for the governance of non-treasury investments are specified in the Investment Strategy (Appendix 3). These are the minimum requirements that must be met. Where specific investments or funds are developed, they may prescribe more detail around their governance arrangements, but those arrangements must meet these strategic requirements.

4 Financial Implications

4.1 The financial implications are detailed within the report and appendices.

5 Environmental Implications

5.1 Both strategies include an “Environmental Social and Governance” (ESG) policy. The primary objectives of treasury management will however remain security, liquidity, and yield, with non-treasury investments also including the delivery of organisational service objectives.

6 Supporting Information

6.1 None.

7 Timescales Associated with Next Steps

7.1 The Treasury Management Strategy and Investment Strategy will, subject to approval, come into effect on 1st April 2021.

Appendices

- Appendix 1 - Explanation of Capital Expenditure, Treasury Investments, and Non-Treasury Investments
- Appendix 2 - Treasury Management Strategy
- Appendix 3 - Investment Strategy (for Non Treasury Investments)

Background Papers

None

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The report was circulated to the following members prior to publication:

Cabinet 28 Jan 2020

Explanation of Capital Expenditure, Treasury Investments, and Non-Treasury Investments **Appendix 1**

	Capital Expenditure	Treasury Investments	Non-Treasury Investments
Purpose	Traditional capital expenditure to meet service objectives	Maximising the security and liquidity of cash, and generating the most efficient returns without compromising the required security and liquidity	Investment in assets in order to meet service objectives and/or commercial objectives
Investment Timescales	Generally long term	Generally short-term (up to 1 year)	Short term through to very long term - dependent on objectives
Outcome for Asset Value	Assets are consumed through their working life and are assumed to have no remaining value at the end of their working life. New funding is then required to purchase or create a new asset.	The preservation of capital (security) is the top priority. Assets are only held until the cash is needed for its original underlying purpose (for example a capital receipt that was held until it was spent).	Asset values are assumed to be maintained and repaid where investments are loans by nature. Where investments are equity in nature then either (1) asset values are assumed to be maintained and/or increase or (2) be replaced by other value (e.g. dividends, capital receipts).
Sources of Funding	Investment is permanent (i.e. the investment does not come back). Sources include capital receipts and grants, and borrowing. Provision is made for replacement costs via the MTFS.	Investments are temporary (i.e. investments are assumed to come back eventually) Cash balances provide the funding.	Investments are temporary (i.e. investments are assumed to come back eventually). Primarily borrowing and cash balances
Risk	Assets are fully funded, so there is no risk of a loss of an assumed financial investment as such, however there are risks for example (1) cost over-run and (2) that an asset does not deliver its objectives, and that this has knock-on implications.	Credit and liquidity risk exist but are minimised, for example by restricting investments to counterparties with high credit ratings, and restricting investments to shorter durations.	Risks are directly dependent upon the nature of the investments undertaken, and the governance and controls built around them. Risks relate to individual investments, and also emerge from the aggregate total amount of activity.
Primarily covered by which strategy document?	**Capital Strategy** • Capital plans also feature in the Treasury Strategy as they drive borrowing and cash planning.	**Treasury Management Strategy**	**Investment Strategy** • Will also feature in the capital strategy where investment is capital in nature and has to be accounted for as such. • Will also feature in the Treasury Strategy where the investment drives borrowing or the use of cash balances.
Examples of what this covers in practice	Traditional capital expenditure, for example on roads, IT infrastructure, etc.	• Loans to Banks, Building Societies and other Local Authorities • Investments in Money Market Funds • Investment in the CCLA Property Fund • etc	• Pre-existing non-treasury investments (e.g. land bank, companies such as ESPO, loans to Educaterers, and loans made via CWRT). • WPDC

Appendix 2

Treasury Management Strategy Statement

Warwickshire County Council

2021/22

Index

1 Introduction

1.1 Background

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities. These are separate from day to day treasury management activities and are covered by a separate Investment Strategy.

1.2 Reporting requirements

1.2.1 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);

- a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an investment strategy, (the parameters on how investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.2 Capital Strategy and Investment Strategy

The Treasury Management Strategy Statement (TMSS) interacts with both the Capital Strategy and the Investment Strategy.

Capital Strategy

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the capital strategy is to ensure that there is a robust strategy that meets organisational objectives with appropriate governance arrangements, and that the strategy is transparent and understandable to elected members.

The Capital Strategy is reported separately, and the headline capital financing requirements (the need to borrow) feed into this Treasury Management Strategy.

Investment Strategy

The Council is required to set out separately an Investment Strategy (IS) in relation to non-treasury investments. Non-treasury investments must consider security, liquidity, and yield, however the relative priority of these 3 factors does not have to follow treasury management principles as non-treasury investments are by their nature not intended to deliver treasury management objectives.

The Council's Investment Strategy is a separate document, however it does interrelate with the Treasury Management Strategy and Capital Strategy.

The table below summarises these different strategies.

Capital Strategy	Treasury Management Strategy – including Treasury Investment Strategy	Investment Strategy
Traditional capital expenditure to directly meet service objectives.	Management of cash and debt to service the delivery of day to day operations and the long-term financing of investments.	Non-treasury investments with the primary objective of meeting service objectives.

1.3 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisor.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external service providers.

The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

The scope of investments within the Councils operations includes treasury, service and commercial investments. Specialist advice is sought as appropriate for the undertaking of different types of investment.

2 Prudential Indicators

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. More detail is provided in the Capital Strategy, the high-level headlines are reproduced below:

Table 1 – Total Capital Programme

£m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital Expenditure	146.555	132.528	253.196	127.106	67.427	59.451	65.628
Non-Treasury Investment WPDC*	0.000	0.000	0.000	13.716	27.216	41.153	38.015
Total	**146.555**	**132.528**	**253.196**	**140.822**	**94.643**	**100.604**	**103.643**

* Warwickshire Property Development Company (WPDC).

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a need to borrow.

Table 2 – Financing of Capital Expenditure

£m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Capital receipts	(10.349)	(28.613)	(15.292)	(3.907)	0.000	0.000	0.000
Capital grants	(96.587)	(104.022)	(121.912)	(44.949)	(23.014)	(22.739)	(22.739)
Self Financed Borrowing	0.000	1.919	(0.995)	0.000	0.000	0.000	0.000
Revenue	(2.692)	(1.811)	(1.133)	0.000	0.000	0.000	0.000
Sub Total - General Capital Programme Funding	(109.628)	(132.528)	(139.332)	(48.857)	(23.014)	(22.739)	(22.739)
Capital Receipts from WPDC	0.000	0.000	0.000	(0.038)	(25.972)	(22.966)	(60.557)
Sub Total - WPDC Related Income	0.000	0.000	0.000	(0.038)	(25.972)	(22.966)	(60.557)
Total Capital Funding/Income	(109.628)	(132.528)	(139.332)	(48.895)	(48.986)	(45.705)	(83.296)
Total Capital Expenditure	109.628	132.528	253.196	140.822	94.643	100.604	103.643
Net financing need for the year	**0.000**	**(0.000)**	**113.864**	**91.928**	**45.657**	**54.899**	**20.347**
Minimum Revenue Provision (MRP) **	(11.872)	(11.397)	(10.941)	(15.058)	(18.133)	(19.234)	(20.660)
Borrowing Requirement	**(11.872)**	**(11.397)**	**102.923**	**76.870**	**27.525**	**35.665**	**(0.313)**

** MRP is a revenue provision made each year to contribute towards financing costs, so reducing the need for new borrowing

The net financing need split between capital expenditure and non-treasury investments is shown below in order to show the relative scale of non-treasury investment.

Table 3 – Financing of Non-Treasury Investments

£m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
WPDC Capital Investment	0.000	0.000	0.000	13.716	27.216	41.153	38.015
Less: WDPC Related Receipts and Repayments	0.000	0.000	0.000	(0.038)	(25.972)	(22.966)	(60.557)
Net financing need for the year	**0.000**	**0.000**	**0.000**	**13.678**	**1.244**	**18.187**	**(22.542)**
Percentage of total net financing need %	n/a	n/a	n/a	14.9%	2.7%	33.1%	n/a

Further details in respect of non-treasury investments are set out in a separate Investment Strategy document.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The Capital Financing Requirement (CFR) represents capital expenditure financed by external debt and not by capital receipts, revenue contributions, capital grants or third-party contributions at the time of spending. The CFR measures the Authority's underlying need to borrow externally for a capital purpose.

Table 4 – Capital Financing Requirement

£m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2023/24 Estimate	2025/26 Estimate
CFR – Capital Programme	289.800	278.403	381.326	444.517	470.798	488.276	510.505
CFR - WPDC	0.000	0.000	0.000	13.678	14.922	33.109	10.567
Total CFR	**289.800**	**278.403**	**381.326**	**458.195**	**485.720**	**521.385**	**521.072**
Movement in CFR - Capital Programme	n/a	(11.397)	102.923	63.192	26.281	17.478	22.229
Movement in CFR - WPDC	n/a	0.000	0.000	13.678	1.244	18.187	(22.542)
Movement in CFR - Total	**n/a**	**(11.397)**	**102.923**	**76.870**	**27.525**	**35.665**	**(0.313)**
Movement in CFR represented by							
Net financing need for the year	0.000	(0.000)	113.864	91.928	45.657	54.899	20.347
Less MRP and other financing movements	(11.872)	(11.397)	(10.941)	(15.058)	(18.133)	(19.234)	(20.660)
Movement in CFR net of MRP	**(11.872)**	**(11.397)**	**102.923**	**76.870**	**27.525**	**35.665**	**(0.313)**

*The MRP calculation is explained in section 2.4 of this report.

The CFR is increasing significantly as a result of general capital programme plans plus new non-treasury investment plans.

2.3 Core funds and expected investment balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Table 5 – Expected Investments

£m	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Fund balances / reserves	193.023	182.923	164.423	152.723	152.223	153.223
Capital receipts	20.200	0.000	0.000	0.000	0.000	0.000
Other	7.900	4.300	4.300	4.300	4.300	4.300
Total core funds	**221.123**	**187.223**	**168.723**	**157.023**	**156.523**	**157.523**
Working capital	150.000	104.000	104.000	104.000	104.000	104.000
(Under)/over borrowing	43.003	(59.920)	(122.789)	(111.314)	(109.979)	(109.666)
Expected treasury investments	**414.126**	**231.303**	**149.934**	**149.709**	**150.544**	**151.857**

2.4 Minimum Revenue Provision (MRP) Policy

Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery etc. It would be impractical to charge the entirety of such expenditure to revenue in the year in which it was incurred and so such expenditure is spread over several years so as to try to match the years over which such assets benefit the local community through their useful life. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP).

The MRP should be designed to make prudent provision to redeem debt liabilities over a period which is reasonably commensurate with the associated capital expenditure benefits.

Having regard to these requirements, the MRP provision will be calculated as set out below.

2.4.1 MRP for Capital Programme Expenditure

The MRP provision will be calculated on the average remaining useful life of the Council's asset portfolio. We will calculate and apply the remaining useful life over two categories of asset:

- Land, buildings and infrastructure;
- Vehicles, plant and equipment.

The proportion of debt outstanding in each category of asset will be determined by the value of assets included in the balance sheet at the end of each financial year.

The 2017 review shows that the remaining useful life of our assets is now 28 years. By using an average life of 28 years for our assets equates to an annual provision of 4% straight line MRP.

For vehicles, plant and equipment, the remaining useful life is assumed to be five years e.g. 5 years average remaining useful life will result in 20% straight line MRP.

2.4.2 MRP for the Warwickshire Property Development Company (WPDC)

Unlike mainstream capital spending where provision for purchase of replacement assets has to me made in order to have funding available for replacement assets, expenditure (investment) in the WPDC will at a later date be repaid in full.

It is possible to assume that these repayments of principal amount to the necessary revenue provision. However, there is a risk that repayment of principal is not made, or not made in full. In order to mitigate this risk the MRP policy for the WPDC will be to make a provision as follows:

- No MRP will be charged to the revenue account on an equity land or asset transfers into Wholly Owned subsidiaries.
- No MRP will be charged on working capital loans. Any anticipated impairments will be treated following the relevant accounting standards (namely IFRS9 - Financial Instruments), and not charged through the capital financing regime.
- MRP on development loans made to DevCo (a subsidiary of WPDC) will be charged over 25 years of equivalent to 4% per year, in line with the existing MRP policy for the capital programme.
- MRP on loans to ManCo (a subsidiary of WPDC for purchase of assets from DevCo) will be charged to the revenue account over 40 years (2.5% per year) in order to match the repayment profile of senior lending and operating life of those assets.
- Any capital receipts then received as repayment of the loan principal from ManCo and Dev Co will be used to offset “traditional” borrowing requirements for financing the wider capital programme.

The actual calculation of MRP will be based on the [Total Capital Financing Requirement x 4%]. This is deemed to be a prudent overall level of provision based upon the requirements set out above.

3 Borrowing

Capital expenditure plans are set out in detail in the Capital Strategy. The treasury management function ensures that the Council's cash is managed in accordance with the relevant professional codes, so that sufficient cash is available to meet the Council's capital strategy and revenue service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual treasury investment strategy.

The council currently holds an over borrowed position (meaning external borrowing is greater than the total capital financing requirement), however this is forecast to change based on capital expenditure plans in the coming years. The need for further borrowing will be kept under review.

3.1 Current portfolio position

The overall treasury management portfolio as at 31st March 2020 and 31st December 2020 are shown below for both borrowing and investments.

Table 6 Investment and Borrowing Portfolio

Treasury Portfolio				
	actual 31.03.2020 £m	actual 31.03.2020 %	**actual 31.12.2020 £m**	**actual 31.12.2020 %**
Treasury investments				
Banks	-	0%	20.000	5%
Building Societies	-	0%	50.000	13%
Local Authorities	175.222	47%	93.000	24%
DMADF (H.M.Treasury)	29.000	8%	-	0%
Lloyds Secondary Account and Cash	38.833	10%	20.989	5%
Subtotal - managed in house	**243.055**	**65%**	**183.989**	**48%**
Money Market Funds	88.779	24%	155.870	41%
CCLA Property Fund	10.285	3%	9.874	3%
Columbia Threadneedle Social Bond Fund	32.125	9%	34.017	9%
Subtotal - managed externally	**131.189**	**35%**	**199.761**	**52%**
Total treasury investments	**374.244**	**100%**	**383.750**	**100%**
Treasury external borrowing				
PWLB	342.000	100%	321.406	100%
Total external borrowing	**342.000**		**321.406**	
Net treasury investments / (borrowing)	**32.244**		**62.344**	

Annex 2 sets out the current maturity profile of investments held, and the borrowing portfolio. Currently there is a significant concentration of debt maturities across the period 2050-2060.

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Table 7 – Debt Forecast

£m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt							
Debt at 1 April	351.406	341.406	321.406	321.406	335.406	374.406	411.406
New Debt				14.000	39.000	37.000	-
Debt Repaid	-10.000	-20.000		-	-	-	-
Other long-term liabilities (OLTL)	-	-	-	-	-	-	-
Expected change in OLTL	-	-	-	-	-	-	-
Actual gross debt at 31 March	**341.406**	**321.406**	**321.406**	**335.406**	**374.406**	**411.406**	**411.406**
The Capital Financing Requirement	289.800	278.403	381.326	458.195	485.720	521.385	521.072
Under / (over) borrowing	**-51.606**	**-43.003**	**59.920**	**122.789**	**111.314**	**109.979**	**109.666**

The following table shows how debt relating to non-treasury investment forms a proportion of total debt. The debt figures presented in each year are net of planned principal repayments.

Table 8 – Non-Treasury Debt Forecast

£m	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
External Debt for non treasury activity							
Actual debt at 31 March £m	-	-	-	13.716	25.698	44.378	29.894
Percentage of total external debt %	0.0%	0.0%	0.0%	4.1%	6.9%	10.8%	7.3%

The prudential indicators set out a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this report.

3.2 Treasury Prudential Indicators: limits to borrowing activity

The operational boundary. This is the limit which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund borrowing by other cash resources.

There is currently no forecast limit for "other long term liabilities" which relate to finance leases. IFRS 16 will bring finance leases into the balance sheet and cause a capital financing requirement in the future however its implementation has been currently been deferred to 2022/23.

Table 9 – Operational Boundary

£m	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Debt	321.406	381.326	444.517	470.798	488.276	510.505
Other long term liabilities	-					
Non Treasury Investments	-	-	13.678	14.922	33.109	10.567
Total	**321.406**	**381.326**	**458.195**	**485.720**	**521.385**	**521.072**

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

2. The Council is asked to approve the following authorised limit:

Table 10 – Authorised Borrowing Limit

£m	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Debt	386.000	458.000	533.000	565.000	586.000	613.000
Other long term liabilities	-	-	-	-	-	-
Non Treasury Investments	-	-	16.000	18.000	40.000	13.000
Total	**386.000**	**458.000**	**549.000**	**583.000**	**626.000**	**626.000**

Note that the net debt position is affected by capital receipts and the repayment of debt principal. Where income such as this is not received, the requirement to borrow is increased. For non-treasury investments, where all investments are expected to be repaid ultimately, it is possible for non-repayment of investments to result in the authorised limit being reached and no further borrowing being possible. This mechanism limits exposure to risk.

The chart below illustrates the relationship between actual debt, the CFR, and the prudential limits.

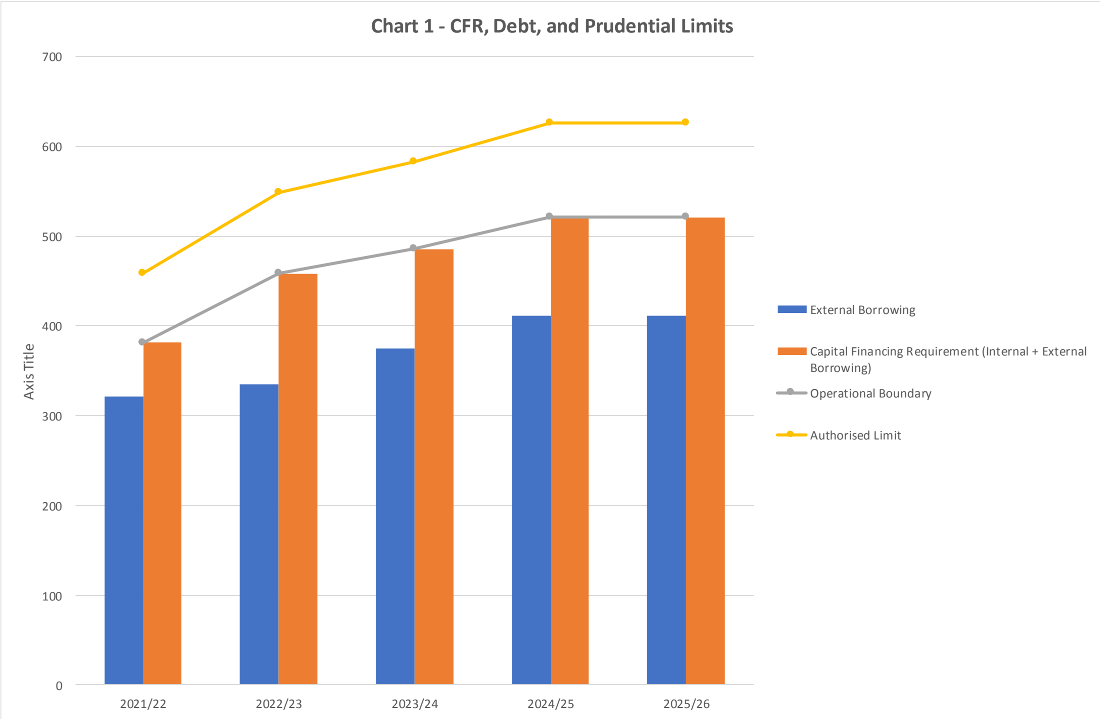


Chart 1 - CFR, Debt, and Prudential Limits
700
600
500
400
300
200
100
0
Axis Title
2021/22
2022/23
2023/24
2024/25
2025/26
External Borrowing
Capital Financing Requirement (Internal + External Borrowing)
Operational Boundary
Authorised Limit

3.3 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 11th August 2020. However, following the conclusion of the review of Public Works Loan Board (PWLB) margins over gilt yields on 25th November 2020, all forecasts below have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View	9.11.20												
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16th December, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31st December 2020: as this has now occurred, these forecasts do not need to be revised.

3.4 Gilt yields / PWLB rates

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

3.5 Investment and Borrowing Rates

- **Investment returns** are likely to remain exceptionally low during 2021/22 with little increase in the following two years.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. *(Please note that Link has concerns over this approach, as the fundamental principle of local authority borrowing is that borrowing is a treasury management activity and individual sums that are borrowed are not linked to specific capital projects.)* It also introduced the following rates for borrowing for different types of capital expenditure: -

  - **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
  - **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
  - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.

- On 25th November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- **Borrowing for capital expenditure.** As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. However, greater value can be obtained in borrowing for shorter maturity periods so the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable.

3.6 Borrowing strategy

The Council is currently maintaining an over-borrowed position. This means that more external borrowing exists than is necessary which results in higher cash balances being held by the council. However the borrowing position is forecast to change based on the capital expenditure planned over the next 5 years and beyond, switching to an "under-borrowed" position. This is planned in order to make efficient use of cash balances. By, in effect, borrowing from internal balances the cost of borrowing is lower than borrowing from an external lender.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. Interest rates will be monitored in financial markets and a pragmatic approach taken to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Fixed rate funding would be likely to be drawn if interest rates are considered to be lower than they are projected to be in the next few years.

Any borrowing decisions will be reported to the appropriate decision-making body at the next available opportunity.

With the current over-borrowed position, but also being mindful of the volatile economic outlook for 2021/22 the following assumptions will be adopted in the borrowing strategy:

- The cheapest borrowing will be internal borrowing by running down cash balances and foregoing interest earned at historically low rates.
- Internal borrowing will be weighed against potential long-term costs that will be incurred if market loans at long term rates are higher in future years.
- Long term fixed rate market loans at rates significantly below PWLB rates will be considered where available, to ensure the best rates and to maintain an appropriate balance between PWLB and market debt in the debt portfolio. A list of the possible sources of borrowing is detailed in point 3.7.
- PWLB borrowing for periods under ten years will be considered where rates are expected to be significantly lower than rates for longer periods. This offers a range of options for new borrowing which will spread debt maturities away from a current concentration in longer dated debt.

3.7 Policy on Borrowing in Advance of Need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

However, the Council may borrow in advance of need for risk management or borrowing efficiency purposes. In determining whether borrowing will be undertaken in advance of need, the Council will:

- Ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to fund in advance of need;
- Ensure the ongoing revenue liabilities created, and the implications on future plans and budgets have been considered;
- Evaluate the economic and market factors that might influence the manner and timing of any decision;
- Consider the merits and demerits of alternative forms of funding;
- Consider the alternative interest rate bases available, the most appropriate time periods and repayment profiles;
- Consider the impact of temporarily increasing cash balances until cash is required to finance capital expenditure, and the consequent increase in exposure to counterparty and other risks.

3.8 Debt Rescheduling

As short-term borrowing rates are cheaper than longer term rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of their short-term nature and the cost of debt repayments. Reasons for debt rescheduling would include:

- The generation of cash savings and/or discounted cash flow savings;
- Helping to fulfil the strategy
- Enhancing the balance of the portfolio, for example reducing concentration of the debt maturity profile.

The option to make repayment of some external debt to the PWLB in order to reduce the difference between its gross and net debt position will be kept under review. However, the penalty premiums that would be incurred by doing so means there currently is no net financial benefit from such early repayment.

3.9 New Financial Institutions as a Source of Borrowing and / or Types of Borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

4 Annual Treasury Investment Strategy

4.1 Investment Policy

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy and the Investment Strategy.

The Council's treasury investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The Council's treasury investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments shorter term to ensure cover for cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Annex 4 under the categories of 'specified' and 'non-specified' investments.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness Policy

The primary principle governing the Council's investment criteria is the security of its investments

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and

- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

  The Strategic Director for Resources will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary.

  Credit rating information is supplied by the Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) is:

- Banks - good credit quality **–** the Council will only use banks which:
  i. are UK banks
  ii. are non-UK and domiciled in a country which has a minimum sovereign Long Term rating of A-

  and have, as a minimum, the ollowing Fitch Ratings:
  i. Short Term – F1
  ii. Long Term – A-
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time invested.
- Building societies - The Council will use all societies which meet the ratings for banks outlined above;
- Money Market Funds (MMFs) CNAV – AAA
- Money Market Funds (MMFs) LVNAV – AAA
- Money Market Funds (MMFs) VNAV – AAA
- Property Funds - CCLA (refer to table D and E in annexes)
- Social Bond Funds - Threadneedle (refer to table D and E in annexes)
- Ultra-Short Dated Bond Funds with a credit rating of at least – AA
- Local authorities, parish councils (both spot and forward dates)

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

The time and monetary limits for institutions on the Council's counterparty list are detailed in Annex 4.

Creditworthiness- Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30th June 2020 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for *expected* credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on *actual* levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

CDS prices- Although bank CDS prices (these are market indicators of credit risk) spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

4.3 Other Investment Limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, and sectors.

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure non specified investments to £80m.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit**

rating of *AA-* from Fitch Ratings. The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex 3. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c) **Sector Limit. The Council has determined that it will limit the maximum exposure within different sectors of investments to the following-**

- £250m aggregate in overnight investments such as money market funds and instant access funds/bank accounts.
- Maximum holding in any one money market fund should not represent more than 2% of that fund's total asset value.
- £200m aggregate in short term investments such as 7-95 day lending deposit, call and notice accounts, and property and social bond funds.
- £100m aggregate in medium term investments such as 95-365 day lending, deposit, call and notice accounts.
- Additionally a maximum total limit of £250m held in Money Market Funds.
- Additionally a maximum total limit of £200m to other local authorities.
- Investments made with other Local Authorities may be agreed in advance of the loan issue date subject to the total duration of the loan and the notice to lend not being more than one year.

4.4 Treasury Management Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where surplus cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

Investment returns expectations.
The Bank Rate is unlikely to rise from 0.10% for a considerable period. It is not possible to say with certainty when it may start rising so it is assumed that investment earnings from money market-related instruments will be below 0.50% for the foreseeable future.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long-term forecast is for periods over 10 years in the future):

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population.

- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Negative investment rates

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home. This is magnified by the difficulty local authorities are facing over accurately forecasting the disbursements of funds received, and anticipation of any further large receipts from the Government.

4.5 Non Treasury Investment Strategy

A separate document entitled “Investment Strategy” covers the Council’s position in respect of non-treasury management investments held for service reasons or commercial reasons.

4.6 Investment Performance / Risk Benchmarking

A weighted average target return on treasury management investments is targeted to exceed the 30 day LIBID rate by 0.46%. This will maintain the current overall levels of return above LIBID, having regard to the first priorities being security and liquidity before return. The Council holds an interest rate volatility reserve to manage fluctuations in interest rates.

The Council is appreciative that the provision of LIBOR and associated LIBID rates is expected to cease at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) ahead of this cessation.

4.7 End of Year Investment Report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report. This will include a separate update on the Non-Treasury Investments held by the Council at the end of each financial year.

4.8 External Fund Managers

The County Council uses a number of external managers to spread risk and obtain maximum market exposure. Current external fund managers actively used during the last year are listed below. This list is not exhaustive and new fund managers may be engaged if necessary. Officers will periodically review the position, performance, and costs of external fund managers, and may meet with client relationship managers or fund managers as appropriate.

- Blackrock
- Deutsche Bank
- Goldman Sachs
- Insight
- Aberdeen
- Federated Hermes
- CCLA
- Threadneedle

4.9 Environmental, Social, and Governance Policy

As a responsible investor, the Council is committed to considering environmental, social, and governance (ESG) issues, and has a particular interest in taking action against climate change and pursuing activities that have a positive social impact.

However, the treasury management function is controlled by statute and by professional guidelines and the first priorities of treasury must remain security, liquidity, and yield. With those priorities kept in place, the following activity will be undertaken in respect of climate change and responsible investing. Steps will be taken to:

- Ensure an understanding of the degree to which investments may contribute towards climate change. This may take the form of measuring the carbon footprint or some similar measure.
- Identify and understand the extent to which investments are exposed to risks driven by climate change, for example investments in assets at risk of weather change (e.g. property or infrastructure at risk of flooding), assets at risk of becoming stranded (e.g. fossil fuel investments), or assets at risk from

geopolitical risks driven by climate change (e.g. water access, the capacity for food production, or economic conflict).

- Keep abreast of new investment opportunities that have regard to ethical investing and climate change as this is a quickly developing arena.
- Understand the ESG policies of funds when considering new investment opportunities.

4.10 Pension Fund Cash

This Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, implemented 1 January 2010. With effect 1 April 2010, the Council does not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with this local authority after 1 April 2010 must comply with the requirements of SI 2009 No 393. The council has a separate statement for Pension Fund investment purposes.

ANNEXES

1. Prudential and Treasury Indicators
2. Treasury Management - Portfolio
3. Approved Sources of Long and Short Term borrowing
4. Treasury management - Practice
5. Approved Countries for Investments
6. Treasury Management - Scheme of Delegation
7. Treasury management - Role of the Section 151 Officer
8. Economic background

1. Prudential and Treasury Indicators

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

The following indicators are set out in the main body of the report:

Prudential Indicator	Reference
Capital Expenditure	Table 1
Gross Debt	Table 7
Capital Financing Requirement	Table 4
Over/Under Borrowing	Table 7
Borrowing - Operational Boundary	Table 9
Borrowing - Authorised Borrowing Limit	Table 10

In addition, the prudential indicators below will be applied.

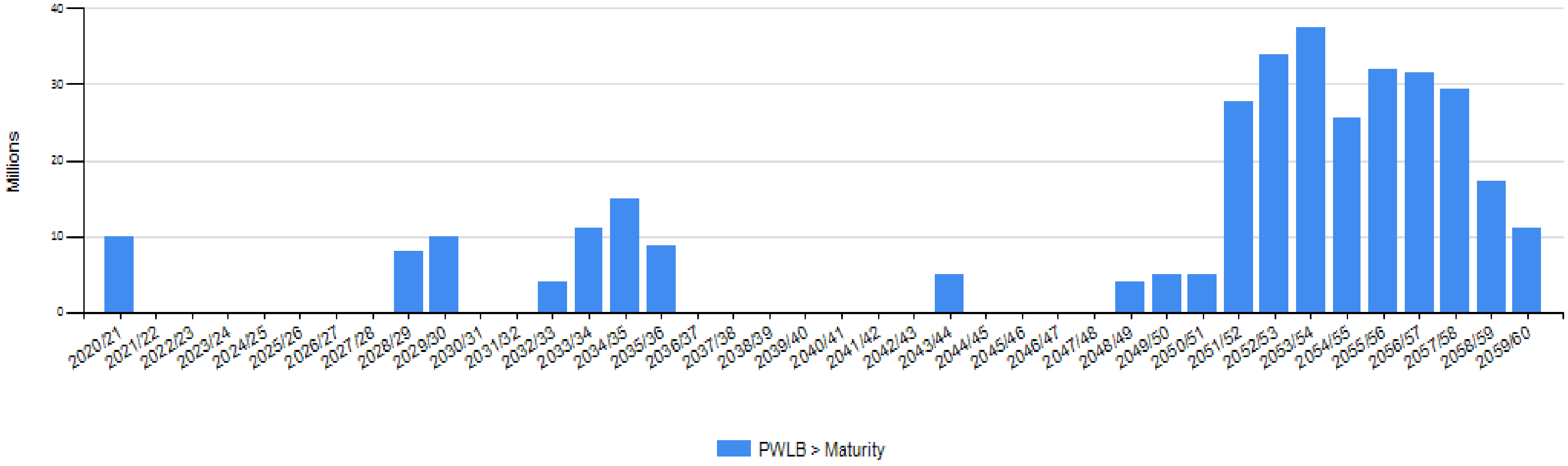
TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2021/22 estimate	2022/23 estimate	2023/24 estimate	2024/25 estimate	2025/26 estimate
Upper limit for fixed interest rate exposure					
Net principal re fixed rate borrowing / fixed term investments	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
Net principal re fixed rate borrowing / fixed term investments	25%	25%	25%	25%	25%
Upper limit for total principal sums invested for over 365 days	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
(per maturity date)	80,000	80,000	80,000	80,000	80,000

Maturity structure of new fixed rate borrowing during year	upper limit	lower limit
under 12 months	20%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Maturity structure of new variable rate borrowing during year	upper limit	lower limit
under 12 months	20%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

2. Treasury Management Portfolio

a. Debt Schedule



b. Investment Portfolio as at 31st December 2020

c. Balance Sheet Forecast

Warwickshire County Council
Balance Sheet Projections

2019/20 (£'000)		2020/21 (£'000)	2021/22 (£'000)	2022/23 (£'000)	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)
CAPITAL FINANCING REQUIREMENT							
289,700	CFR Relating to General Fund	278,403	381,326	458,195	485,720	521,385	521,072
289,700	Total CFR	278,403	381,326	458,195	485,720	521,385	521,072
-	Finance Lease Liabilities			-	-	-	-
289,700	Underlying Borrowing Requirement	278,403	381,326	458,195	485,720	521,385	521,072
(341,406)	External Borrowing c/fwd	(341,406)	(321,406)	(321,406)	(335,406)	(374,406)	(411,406)
-	Loan Maturities	20,000	-	-	-	-	-
-	New Loans	-	-	(14,000)	(39,000)	(37,000)	
(341,406)	External Borrowing	(321,406)	(321,406)	(335,406)	(374,406)	(411,406)	(411,406)
(51,706)	Under / (Over) Borrowing	(43,003)	59,920	122,789	111,314	109,979	109,666
-18%	*Borrowing as a % of Requirement*	*-15%*	*16%*	*27%*	*23%*	*21%*	*21%*
RESERVES / BALANCES, INVESTMENTS & WORKING CAPITAL (£'000)							
21,200	General Fund Balance	21,223	21,223	21,223	21,223	21,223	21,223
(1,200)	Collection Fund Adjustment Account	-	-	-	-	-	-
171,800	Earmarked reserves	171,800	161,700	143,200	131,500	131,000	132,000
8,900	Capital Receipts Reserve	20,200	-	-	-	-	-
8,200	Provisions (exc. any accumulating absences)	4,300	4,300	4,300	4,300	4,300	4,300
3,600	Capital Grants Unapplied	3,600	-	-	-	-	-
51,706	Over / (Under) Borrowing	43,003	(59,920)	(122,789)	(111,314)	(109,979)	(109,666)
111,302	Working Capital	150,000	104,000	104,000	104,000	104,000	104,000
375,508	Expected Treasury Investments	414,126	231,303	149,934	149,709	150,544	151,857

3. Approved Sources of Long and Short-Term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

4. Treasury Management – Practice

4.1 Counterparty Limits

	Fitch Long term Rating	Money Limit	Transaction limit	Time Limit
Banks	*A*	£20m	£20m	1yr
Local authorities	N/A	£10m	£10m	1yr
DMADF	UK sovereign	unlimited	unlimited	6 months
Other Institutions limit	N/A	£10m	£10m	1yr
	Fund rating**	**Money Limit**	**Transaction Limit**	**Time Limit**
Money Market Funds CNAV	AAA	£60m	£60m	liquid
Money Market Funds LVNAV	AAA	£60m	£60m	liquid
Money Market Funds VNAV	AAA	£60m	£60m	liquid
Ultra-Short Dated Bond Funds	AA	£60m	£60m	liquid
Property Fund	N/A	£15m	£15m	90 day
Social Bond Funds	N/A	£40m	£40m	90 day

4.2 Loans to Local Authority Trading Companies

Loans to LATCs	2021/22	2022/23	2023/24	2024/25	2025/26
Lending Limit £m's	3.90	4.30	4.00	5.10	7.70

4.3 Specified Investments

Investment Type	Credit Criteria (Fitch Ratings)	Limits (per institution)	Use
DMO Deposit Facility	--	No Limit	In-house
Term deposits: Local Authorities	--	£10m	In-house
Nationalised Banks	Short-term F1, Support 1	£20m	In-house and External Manager
Term deposits: UK Banks	Short-term F1, Long-term A, Viability a, Support 3	£20m	In-house and External Manager
Term deposits: Bank Council uses for current account	--	£20m	In-house and External Manager
Term deposits: UK Building Societies	Top five largest societies as reported annually. (To be continually monitored)	£20m	In-house and External Manager
Term deposits: Overseas Banks	Short-term F1+, Long-term AA- Viability aa, Support 1	£20m	In-house and External Manager
Certificates of deposits issued by UK banks and building societies	Short-term F1, Long-term A, Viability a, Support 3	£20m	External Manager
Money Market Funds	AAA	£60m	In-house and External Manager
Ultra Short Dated Bond Funds	AA	£40m	In-house and External Manager
UK Government Gilts, Treasury Bills	--	No Limit	External Manager
Gilt Funds and Bond Funds	Long-term A	No Limit	External Manager

(All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum ‘high’ rating criteria where applicable)

4.4 Non-Specified Investments

Investment Type	Credit Criteria (Fitch Ratings)	Limits (per institution)	Use
Term deposits: UK banks and building societies with maturities in excess of one year with a maximum of three years allowed for in-house deposits	Short-term F1, Long-term A, Viability a, Support 3	£15m	In-house and External Manager
Fixed Term Deposit with Variable Rates and Variable Maturities	Short-term F1, Long-term A, Viability a+, Support 3	£15m	In-house and External Manager
Certificates of Deposits issued by UK banks and building societies	Short-term F1, Long-term A, Viability a, Support 3	£15m	External Manager
UK Government Gilts with maturities in excess of 1 year	--	£15m	External Manager
Local Government Association Municipal Bond Agency	--	£15m	--
CCLA Property Fund	--	£15m	--
Threadneedle Social Bond Fund	--	£40m	--
Local Authority wholly owned trading company	--	£3.9m	In-house

5. Approved Countries for Investments

Investments may be made in UK and in the following countries. This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- U.K.

6. Treasury Management - Scheme of Delegation

(i) Council

- approval of annual strategy.
- budget consideration and approval.
- approval of the division of responsibilities.

(ii) Cabinet

- scrutinise the proposed annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices.
- Receiving and reviewing monitoring reports and acting on recommendations.

(iii) Resources and Fire & Rescue Overview and Scrutiny Committee

- Overview and scrutiny of treasury management policy, practice, and activity as required.

7. Treasury Management - Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe.
- Recommending the MRP policy.

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8. Economic Background

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
  - The economy would recover to reach its pre-pandemic level in Q1 2022
  - The Bank also expected there to be excess demand in the economy by Q4 2022.
  - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.

- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

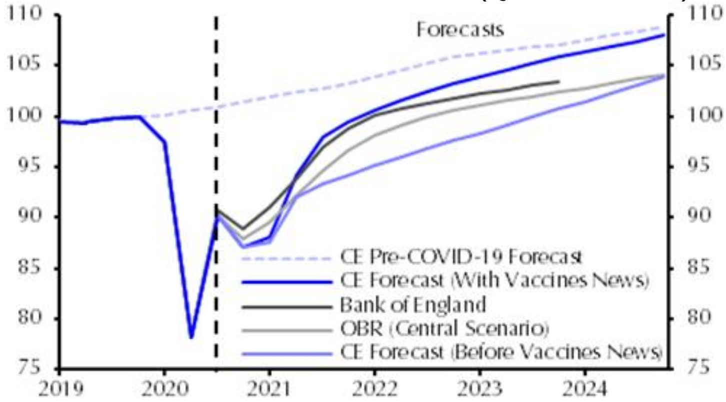
- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.

- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.

- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.

- **December 2020 / January 2021**. Since then, there has been rapid back-tracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022. Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

Chart: Level of real GDP (Q4 2019 = 100)



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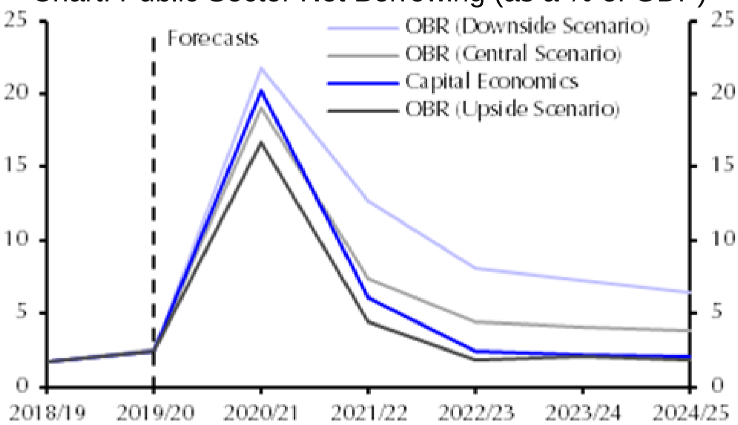
This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



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- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

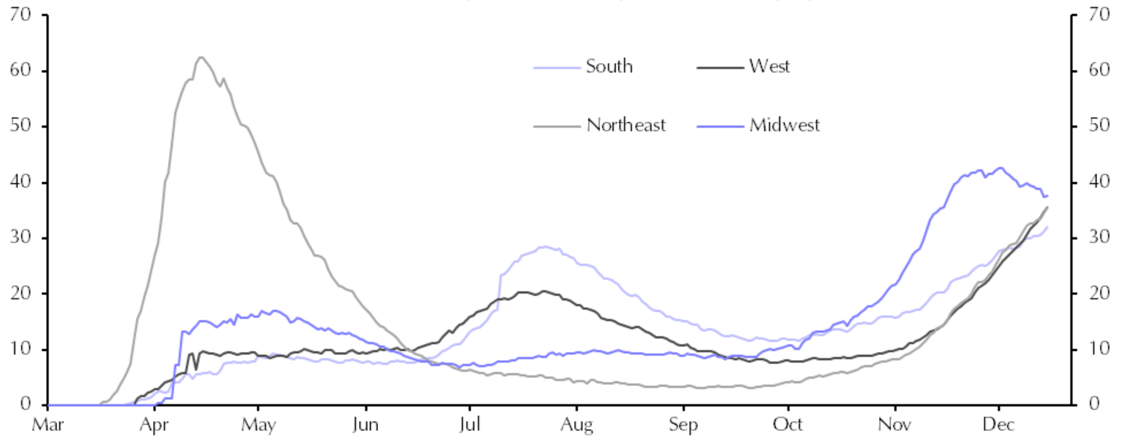
- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The result of **the November elections** meant that while the Democrats gained the presidency and a majority in the House of Representatives, it looks as if the Republicans could retain their slim majority in the Senate provided they keep hold of two key seats in Georgia in elections in early January. If those two seats do swing to the Democrats, they will then control both Houses and President Biden will consequently have a free hand to determine policy and to implement his election manifesto.

- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 hospitalisations per 100,000 population



- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a $900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth $600 per person and a three-month extension of enhanced unemployment insurance (including a $300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August 2020, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some* *time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

- The Fed’s meeting on **5 November** was unremarkable - but at a politically sensitive time around the elections. At its **16 December** meeting the Fed tweaked the guidance for its monthly asset quantitative easing purchases with the new language implying those purchases could continue for longer than previously believed. Nevertheless, with officials still projecting that inflation will only get back to 2.0% in 2023, the vast majority expect the fed funds rate to be still at near-zero until 2024 or later. Furthermore, officials think the balance of risks surrounding that median inflation forecast are firmly skewed to the downside. The key message is still that policy will remain unusually accommodative – with near-zero rates and asset purchases – continuing for several more years. This is likely to result in keeping Treasury yields low – which will also have an influence on gilt yields in this country.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by “only” 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With inflation expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB’s December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank’s forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **China.** After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

- **Japan.** A third round of fiscal stimulus in early December took total fresh fiscal spending this year in response to the virus close to 12% of pre-virus GDP. That's huge by past standards, and one of the largest national fiscal responses. The budget deficit is now likely to reach 16% of GDP this year. Coupled with Japan's relative success in containing the virus without draconian measures so far, and the likelihood of effective vaccines being available in the coming months, the government's latest fiscal effort should help ensure a strong recovery and to get back to pre-virus levels by Q3 2021 – around the same time as the US and much sooner than the Eurozone.

- **World growth.** World growth will have been in recession in 2020. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the

next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU, and they had threatened to derail the 7 year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.

Appendix 3

Investment Strategy
(For Non-Treasury Investments)

Warwickshire County Council

2021/22

1. Introduction

1.1 Local Authorities may make investments of two types:

- Treasury Investments.
- Other Investments (also referred to in this strategy as "non-treasury investments").

1.2 This Investment Strategy covers "Other Investments" and is prepared according to statutory guidance issued under the Local Government Act 2003, and also the Treasury Management Code of Practice, and The Prudential Code for Capital Finance in Local Authorities. Non-Treasury Investment are policy investments made to deliver Corporate objectives as set out in the Capital Strategy and Medium Term Financial Strategy.

1.3 For the purposes of this Investment Strategy, an investment is any financial or non-financial asset of the authority which is held partially or primarily to generate a return. Investments include loans made by the local authority to wholly-owned companies or associates, to a joint venture, or to a third party. For the avoidance of doubt, the strategy does not include pension fund, trust fund investments which are subject to separate regulatory regimes, or treasury investments which are detailed separately in the Treasury Management Strategy.

1.4 Non-treasury management investments may take a number of forms, for example holding shares in companies, issuing loans to companies, promoting economic development, or holding non-financial assets (e.g. property). Details of the Council's existing and planned non treasury investments are set out in Section 12 and 13 of this strategy.

2. Transparency and Democratic Accountability

2.1 This Investment Strategy is a public document and must be approved annually by full Council, and any material changes during the year also being presented to Council for approval.

2.2 The more specific and detailed governance arrangements for any new funds will also be subject to Member approval through Cabinet or Council. For example, arrangements for the governance of the Warwickshire Property Development Company (WPDC).

2.3 Under Regulation 17 of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 as amended overview and scrutiny committee members have right of access to any confidential information relating to any decision by the executive or any member of the executive of their council where relevant to a review or scrutiny being undertaken by the committee or included in its work programme.

2.4 Any fundamentally new or additional levels of investment outside of those specified in or delegated by this Investment Strategy for investment for non-treasury purposes will be required to have direct Council approval that would be set out in an updated Investment Strategy.

2.5 The Section 151 Officer has delegated authority to implement this Investment Strategy, with the following overarching responsibilities highlighted.

- Ensuring that due diligence is carried out on investment proposals in accordance with the risk appetite of the authority.
- Ensuring the proportionality of investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- Ensuring an adequate governance process is in place for the approval, monitoring, and ongoing risk management of non-treasury investments.

3. Investment Objectives

3.1 The primary objective of all non-treasury investments will be to contribute towards the Council’s core organisational objectives:

- “Warwickshire’s economy is vibrant and is developed, supported by the right jobs, training, skills and infrastructure”;
- “Warwickshire’s communities and individuals are supported to be safe, healthy and independent”; and
- “Making the best use of resources”.

3.2 In addition, all non-Treasury investments will be required to demonstrate how they contribute towards the objectives specified in MHCLG guidance which will control local authority access to Public Works Loan Board (PWLB) lending by the withdrawal of PWLB lending to authorities when not met. These objectives are harmonious with the Council’s overarching strategic objectives and powers, and are summarised below and detailed in Annex 1:

- Service
- Housing
- Regeneration
- Treasury management

- Prevention of social or economic decline

3.3 The principles of security, liquidity, and yield must be considered when making any investment. When considering treasury management investments, security is the highest priority, followed by liquidity, and yield is a low priority. However, for non-treasury investments, whilst all three principles matter, there is more flexibility around the relative priorities depending upon risk appetite and investment objectives. The following sections set out these principles in detail.

4. **Security**

4.1 The principle of security relates to the preservation of capital, i.e. Ensuring that the original investment is returned.

4.2 Non-treasury investments will be categorised as a means of indicating and controlling risk as follows:

- Specified Investments
- Loans
- Non-Specified Investments

4.3 Annex 2 describes these in detail and Annex 3-5 sets out how these will be managed.

4.4 Total exposure to investments will be capped as specified by this Investment Strategy, including detailed limits specifying ceilings on different types of investment, in order to limit risk exposure. This is summarised in Section 11 and detailed in Annex 5 and Annex 6.

4.5 All investments will have a specified end date and a documented process for review and, where contractually possible, early closure and realisation of capital should the circumstances performance, or risk profile require it. Investments which are of a nature that do not have a contractual end date, for example equity, will still have a planned holding duration.

4.6 Investment cash or non-treasury assets will not be issued in advance of need, minimising third party treasury management risk and the risk of cash or assets being used for objectives other than the investment objective.

4.7 A review will be undertaken in 2021/22 to assess the value of security held against non-treasury investments and to report on their sufficiency.

5. Liquidity

5.1 The principle of liquidity relates to how quickly investments can be returned to the Council.

5.2 In order to manage liquidity risk, this Investment Strategy will specify the maximum durations for which financial investments may be committed.

5.3 The default arrangement for loans will be annuity repayments, i.e. the payment of principal in even instalments throughout the duration of the loan term. Other profiles may be considered on an exceptional basis, however the risk of alternative profiles must be considered alongside how the profile would help to meet organisational objectives.

5.4 The contractual terms of investments made will specify repayment conditions and timing.

5.5 For non-treasury investments, medium and long-term financial planning will be used to ensure that funds can be accessed when needed to repay capital borrowed.

5.6 The level of liquidity of non-treasury assets will be assessed and monitored.

5.7 The capital programme, capital financing requirement, and treasury management activity will have regard to the planned repayment of investments relating to non-treasury investments, for example capital receipts and the repayment of loan principal.

5.8 The new investments in the Warwickshire Property Development Company (WPDC) will be relatively long term and illiquid in nature. Annex 2 to 8 set out arrangements and controls which will be used to manage this risk.

6. Yield

6.1 Investments will not be made purely or primarily for yield. This will mean that the Council will have access to PWLB lending at the low rates available from this source. Should the Council want to consider investments purely or primarily for yield, this would require a review of the overall capital financing position for the Council, because the Council would lose access to PWLB rates and capital financing costs would foreseeably be expected to increase.

6.2 However, where investments are made, the expected rates of return will have regard to the nature of investment and the level of risk been taken by the Council. Investment returns cannot be so low as to breach state aid/subsidy rules and cannot be so high as make an appropriate investment unviable to appropriate counterparties. Investment returns will seek to align with market norms.

6.3 Net yield will be calculated after having regard to costs, fees, and expected credit loss.

7. Borrowing

7.1 The Council will not borrow purely for profit and will not borrow more than or in advance of need purely or primarily to profit.

7.2 However, the Council may borrow in advance of need primarily for risk management or borrowing efficiency reasons (for example to lock into low interest rates if interest rates are expected to rise significantly).

7.3 Capital receipts shall not be repurposed from the acquisition of assets that contribute to service delivery in order to fund the purchase of investments solely to avoid borrowing in advance of need.

8. Risk

8.1 Any investment, by its nature, involves a risk that the rate of return may not be achieved, and the original investment may not be repaid. It also carries the potential risk that more than the original investment is lost if an investor for whatever reason subsequently puts additional money in above the original investment, for example if unsuccessfully attempting to turn around a failing investment.

8.2 The financial risks involved in the new non-treasury investments relating to the WPDC are of a different nature and greater than the financial risks relating to traditional capital expenditure and treasury investments. The reasons for the differences are:

- Treasury investments prioritise security and liquidity in order to serve the primary objective of treasury management which is to ensure that cash is available when needed to serve the purpose for which that cash is held. To achieve this treasury objective, relatively safe and secure investments are chosen, and consequently low rates of return are accepted.

- Traditional capital spending is expenditure by nature and is fully funded as such. A capital asset provides benefits over its financial life and the cost of the asset is spread across the life of the asset, reflecting its consumption and use. At the end of the life of the asset, a new asset would be required if the same benefits are required to continue, and in order to pay for a new asset new money is needed. This new money is prudently provided for by the Council making an annual provision called the Minimum Revenue Provision (MRP). This means that money will be available to purchase a new asset when the time comes. There is no assumption that the asset will retain its financial value, or that the asset will provide a financial return, and therefore there is no risk of either of these assumptions not happening.

- Non-Treasury investment risks are different in that:
  - They are assumed to retain or increase their original asset value, and they are assumed to provide a financial return. Therefore there is exposure to the risk of those assumptions not happening.
  - The objectives of non-treasury investments by their nature are not the same as treasury investments, and therefore they may not prioritise security and liquidity as highly as treasury investments do.

8.3 Although the Council will not pursue investments purely for the objective of financial return, the Council will pursue investments in order to meet objectives as set out in Section 3, and in doing so accepts higher risks with respect to security and liquidity.

8.4 Higher risk is associated with higher reward. Investors will seek to find opportunities receiving higher returns for lower risk, while organisations seeking investment will seek opportunities paying lower returns for higher investor risk. These competing requirements result in a market-norm rate of return for a given level of risk. Rates of return will have regard to this, ensuring that rates of return are not so low as to breach state aid/subsidy rules and not so high as to be unviable to counterparties. Rates should be market normative and enough to reward the investment risk taken.

8.5 The majority of traditional treasury management investment (currently approximately £320m) is very low risk and very low return, for example loans to other local authorities, and money market funds designed to preserve capital. There are some small investments in higher risk investments including the Threadneedle Social Bond Fund (currently £34m) and CCLA Property Fund (currently £10m). These two investments are held over a longer timeframe in order to provide access to higher rates of interest in return for accepting less liquidity and higher risk. The WPDC (£160m planned gross investment over the 5 year MTFS period) will be further up the risk/return spectrum again, however this positioning is driven by the primary objectives of the WPDC being amplify the opportunity to deliver organisational policy objectives.

8.6 Before entering into an investment, and whilst and investment is in place certain protocols will be followed to manage risks. These are detailed at Annex 3.

9. Proportionality

9.1 Any particular investment will carry its own risks, driven by the investment itself and the counterparty it relates to. The risk and return associated with any particular investment will vary.

9.2 In addition, there is the aggregate risk that the Council is exposed to when considering all investments in totality. This is a function of the total amount of assets and income at risk of loss, and the extent to which the Council is dependent upon those assets and that income.

9.3 This Investment Strategy sets out maximum limits for non-treasury investments in order to limit total risk exposure.

9.4 The Medium-Term Financial Strategy sets out the extent to which the overall Council budget is supported by income from non-treasury investments. However, when considering exposure to financial risk, there is also the risk of loss of principal, and where this occurs this may impact on the income and expenditure account directly.

9.5 Two indicators are required by Government guidance to be used to set limits that cannot be exceeded in order to manage proportionality. These measures are:

- Gross debt as a proportion of net service expenditure
- Commercial income as a percentage of net service expenditure

9.6 These measures are incorporated into the indicators detailed in Annex 5 and Annex 6.

10. Capacity, Skills and Culture

10.1 Non-Treasury investments carry particular risks, and the nature and scale of proposed investments in the WPDC create new risks. We will ensure we have the appropriate capacity, culture and skills to manage non-Treasury investments through a range of specific actions and policies as set out in Annex 4.

11. Prudential Indicators and Limits

11.1 A range of measures will be used in order to report on and control exposure to financial risk exposure from investment decisions. Annex 5 sets out definitions of the measures that will be used.

11.2 Measures are classified as either “Indicators” or “Limits” and the distinction is set out below:

- Indicators (Annex 6) – these are measures to monitor a particular financial parameter which will provide insight into performance and/or risk.

- Limits (Annex 7) - these measures which set hard limits on certain financial parameters in order to control and limit exposure to risk.

11.3 The most important measures are the limits on gross investment set out in Annex 7. These provide the fundamental control over maximum exposure to risk.

11.4 Over time, the use of measures will be reviewed and measures that are initially used for monitoring purposes may in the future used for control purposes.

11.5 The measures used, and any targets or limits, will be updated at a minimum annually when the Investment Strategy is updated.

11.6 The indicators have been chosen having regard to MHCLG guidance.

12. Warwickshire Property Development Company

12.1 In 2019/20 Council approved a commercial strategy setting out the intention to explore new approaches to the delivery of organisational objectives.

12.2 During 2020, detailed proposals for the development of a Warwickshire Property Development Company (WPDC) have been developed, .

12.3 WPDC is being developed with the following objectives:

- To undertake regeneration and place making activities within the county of Warwickshire. This should include delivery of major schemes, prioritising regeneration activities and delivering specific regeneration plans across the county.

- To undertake activities that progress Warwickshire County Council’s key policy objectives, for example mitigating climate change, promoting sustainable and inclusive economic growth in Warwickshire, improving quality of life, and improving Warwickshire’s 5G network and connectivity.

- To undertake activities with a view to generating new short- and long-term financial returns from the Council’s property assets as appropriate and establishing and maintaining momentum in such activities.

- To operate in effective partnership with public sector stakeholders, in particular district and borough councils, NHS bodies, Warwickshire Police, universities, West Midlands Combined Authority, Coventry and Warwickshire Local Enterprise Partnership and Homes England.

12.4 WPDC investments may be of the following nature:

- Equity Investment
- Commercial Loans
- Corporate Guarantees
- Partnerships (Joint Venture)

12.5 The value of any loan guarantees will be included in counting of the total value of loans issued as they allow a third party to call on a loan unilaterally.

12.6 Any investments of a convertible nature between equity and debt will be counted as the actual type of investment that they are at the given time.

12.7 The detailed proposals for the WPDC are subject to a full business plan which is to be presented to Cabinet in January 2021. This will include detailed arrangements for the proposed governance of the fund. The arrangements for the governance of the fund must comply with the requirements of this Investment Strategy. If there are any areas of discrepancy, the Investment Strategy will be followed until and unless it is changed by Council.

12.8 For the management of risk, limits will be set by the Investment Strategy controlling the following:

- How much can be invested in each year.
- How much may be equity, capital, and revenue in nature.
- The maximum duration of investments will be as set out in the detailed business plan.

12.9 Annex 7 specifies the limits for investment in the WPDC. These limits are specific for the next year, and indicative for the following 4 years.
The WPDC business plan includes potential investments over a significantly longer period of time, however actual approval for it is subject to viable detailed business cases for each individual investment and is also subject to the approval of an Investment Strategy with appropriate investment limits being approved at the necessary time. For completeness, the indicative total gross investments proposed for the WPDC are currently as follows:

Indicative Gross Investment £m	**2021/22**	**5 Years**	**Whole Life**
Equity	14.1	29.4	55.0
Working Capital Loans (Revenue)	0.0	120.1	408.3
Capital Loans	0.6	8.5	33.2
Total	**14.7**	**158.0**	**496.5**

12.10 All individual investments will be subject to bespoke business cases and due diligence as required by the specified governance arrangements.

12.11 The investment profile will be updated each year on a rolling basis. Therefore, before the actual investment limits for 2022/23 are proposed in the next annual Investment Strategy, they will be informed by experience to date of investments made in 2021/22.

13. Existing Non-Treasury Investments

13.1 The Council already holds a number of investments that are non-treasury by nature. These investments are managed under existing procedures and protocols. This section sets out these investments.

Company Shares

13.2 The Council currently holds shares and debt with the following companies for the purposes of promoting the achievement of organisational objectives. These companies may provide a return on investment but that is not the primary reason for their existence.

- Warwickshire Legal Services Trading Ltd
- Educaterers Ltd
- University of Warwick Science Park Innovation Centre Ltd
- Warwick Technology Park Management Company Ltd
- Warwick Technology Park Management Company (No2) Ltd
- Eastern Shires Purchasing Organisation (ESPO)
- SCAPE Group Ltd
- Coventry and Warwickshire Local Enterprise Partnership
- Coventry and Warwickshire Waste Disposal Company
- UK Municipal Bond Agency PLC
- Border to Coast Pension Partnership Ltd

13.3 The share value relating to the above companies recorded in the 2019/20 accounts was £2.046m, with dividend income of £0.991m.

Company Loans

13.4 In addition to the above the Council currently operates two wholly owned Local Authority Trading Companies:

- Warwickshire Legal Services Trading Ltd
- Educaterers Ltd

13.5 The total shareholder value of these companies in their most recent accounts is a net liability of £2.7m (primarily relating to relating to increases in pension fund liabilities for Educaterers). There is a £1.8m loan facility in place with Educaterers at a rate of return of base rate + 5.75% to provide support to the company's cash flow.

13.6 The capital programme already includes allocations available for the purposes of making a loans to local businesses who cannot raise funds through other means such as banks. This includes the following capital programme forecasts as at Quarter 2 for 2020/21.

Forecast £m	Up to 2020/21	2021/22	2022/23 Onwards	Total
Capital Growth Fund Business Loans and Grants	1.982	0.275	0.444	2.701
Capital Investment Fund/Duplex Fund	0.900	0.960	0.140	2.000
Total	**2.882**	**1.235**	**0.584**	**4.701**

13.7 These funds support the delivery of the Council's objective to ensure Warwickshire's economy is vibrant and is developed, supported by the right jobs, training, skills and infrastructure. These investments achieve this by being targeted to small and medium-sized businesses located within Warwickshire, supporting and developing the local economy and helping to create and safeguard jobs.

13.8 Loans and grants are managed via the Coventry and Warwickshire Reinvestment Trust (CWRT), this includes arrangements for assessing loans, issuing loans, and recovery.

13.9 In addition to the above established lending arrangements, a further loan of £1m was made to CWRT to provide additional Coronavirus Business Interruption Scheme (CBILS) lending to local businesses over and above the central government funding provided.

Property Investment

13.10 The Council does not currently invest in property for the purposes of generating commercial income, however the Council does currently hold some assets for the purpose of generating future capital receipts.

£m	31/03/2020
NUNEATON/Land at former Holly Tree Farm,	16.337
NUNEATON/Land at former Magistrates Courts, Vicarage Street	0.272
NUNEATON/Land Adjoining 51 Queens Road, Queens Road	0.002
Attleborough Fields Industrial Estate Slingsby Close	0.519
NUNEATON/Former Manor Park Community School, Beaumont Road	1.575
ARLEY/ARC School (Former Herbert Fowler Junior School)	0.903
RUGBY/Great Central Industrial Estate, Great Central Way	1.070
ALCESTER/Former Area Library, Priory Road	0.301
ALCESTER/Meadow View H.E.P. (Independently funded), Kinwarton Road	0.000
ASTON CANTLOW/3 The Gables, Burbage Road	0.243
Kineton/ River Meadows Care Home	0.244
WARWICK/Land At Heathcote Hill Farm (Europa Way)	0.008
WARWICK/Former Ridgeway Special School, Montague Road	2.100
Total	**23.574**

13.11 Activity during 2019/20 included £2.35m in capital receipts from sales, and approximately £50k of income generated.

13.12 In addition, changes due to revaluation amounted to +£241k and gains/losses relating to sales amounted to +£364k.

13.13 The value of these assets can change, and these assets generate a small amount of incidental income (approximately £50k in 2019/20). The properties classified as investment property had an asset value of £23.5m as at March 2020, which is 2% out of a full asset value in the balance sheet of £1.162bn.

13.14 Where any of these properties in future come under the auspices of the WPDC, the governance arrangements in place for the WPDC will apply.

14. Environmental, Social, and Governance Policy

14.1 As a responsible investor, the Council is committed to considering environmental, social, and governance issues, and has a particular interest in taking action against climate change and pursuing activities that have a positive social impact.

14.2 The impact of an investment in respect of climate change may be a consideration for investment decisions, with investments that help to prevent climate change, or help to cope with its impact, or which are resilient to it's effects being desirable. Measurement of impact such as via carbon footprint will be undertaken where practical.

14.3 Investments that have a social impact benefit, either on a local scale or more widely may be considered.

14.4 The ESG policy of fund managers and investment partners may be considered when making decisions, with the preference being for fund managers and partners who share similar values around ESG.

Public Works Loan Board – Lending Objectives **Annex 1**

Type	Description
Service	Normal local authority capital spending, for example education, highways, transport, social care, public health, cultural services, environmental services, regulatory services, and Fire and Rescue Services, as would be captured in the MHCLG Capital Outturn Return.
Housing	Normal local authority general fund or housing revenue account activity, as would be captured in the housing sections of the MHCLG Capital Outturn Return. In principle this includes land release, housing delivery, and subsidising affordable housing.
Regeneration	• Addressing economic or social market failure by providing services, facilities, or other amenities of value to local people which would not otherwise be provided by the private sector • Preventing negative outcomes including through buying and conserving assets of community value that would otherwise fall into disrepair • Investing significantly in assets beyond the purchase price, developing assets to improve them and/or change their use • Generating significant additional activity that would not otherwise happen without the local authority's intervention, for example creating jobs and/or social or economic value • Investments that recycle income to related projects with similar objectives rather than income being applied to wider services
Treasury Management	Restructuring or extending existing debt from any source, including the restructuring of internal financing
Prevention of Social or Economic Decline	• Investments that prevent a negative outcome, for example conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease • Investment where there is no realistic prospect of support from any other source • investments with a defined exit strategy so that investments are not held for any longer than is necessary to achieve their objective

MHCLG issued guidance following the 2020 PWLB consultation stating that authorities that invest make Non-Treasury investments for the above reasons will have access to PWLB lending.

Local authorities that choose to invest for other reasons, or who choose to invest purely or primarily for yield will not be allowed to access PWLB lending for a period of time. In these cases, lending will be available from other sources, however it is foreseeable that the credit rating and risk profile of a local authority will be adversely impacted where it been refused access to the PWLB, and this would foreseeably impact on the lending rates and terms made available to the local authority.

Investment Categories **Annex 2**

Investment Type	Description
Specified Investments	Generally lower risk. These are sterling denominated, short-term, not capital by nature, and are made with counterparties with high credit ratings The Investment Strategy, will use the same criteria for the determination of specified investments as the Treasury Management Strategy
Loans	Generally higher risk than specified investments. In order to mitigate risk: • Credit risk and expected credit loss models will be used for loans and receivables. • Documented credit control arrangements will be used. • The value of loan guarantees will be counted against total lending exposure, whether or not a loan facility has been fully utilised. • Where a loan may be convertible to equity this can only be at the Council's discretion. No loans will be offered with any contractual commitment to convert them to equity.
Non-Specified Investments	This category covers all investments which are not specified investments, for example equity.
Non-Treasury Investments	This relates to physical assets which can be realised to recoup the capital invested. In order to mitigate risk: • The Council will monitor on an annual basis whether assets retain sufficient value to provide security. • Where security is sufficient, a statement should be made to this effect. • Where security is insufficient, a plan detailing the mitigating actions being taken to protect capital invested should be produced. • Where a loss is recognised in the accounts, the impact of this loss should be reported in an updated Investment Strategy. • Where the initial directly attributable purchase costs are greater than the realisable value of an asset, a statement setting out the timescales expected for the asset value to provide security for the sums invested will be made.

Risk Management **Annex 3**

Risk	Risk Management
Business market itself is not sound	• Review of the wider market in which the counterparty operates
Counterparty is not financially sound or well governed	• Use of independent credit ratings or credit assessments • Review of published financial reports and accounts • Review of the wider business plans of the organisation • Review of the counterparty's business case for seeking Council investment • Undertaking bespoke due diligence on the counterparty's financial and governance position where appropriate. •
The counterparty investment plan is not sound	• Reviewing the specific investment business case methodology, rationale, and assumptions • Review of the specific market environment • Undertaking bespoke due diligence where appropriate.
The investment is not repaid	• Establishing security against counterparty assets where appropriate • Including appropriate wordings in loan agreements • Regular monitoring of loan repayments, with the information required from the counterparty being specified • Use of credit control processes • Regular monitoring of counterparty financial metrics • Use of shareholder powers in respect of shareholdings, for example voting rights, reserved shareholder powers, board membership rights, and access to company information. • Utilising internal expertise and external expertise to monitor and review investment risk. • Where appropriate providing information, guidance, and support to counterparties to assist them in navigating difficulties in making repayments. • Use of the expected credit loss model to account for investments. • Having exit strategies built into the investment plan.
The Council does not adequately understand an investment	• Commissioning of experts and external advisers where internal expertise is not available. • Use of competitive procurement processes to secure external advisers. • Use of specified contract terms and objectives, and proactive contract management, to direct external advisers. • Investments in new markets or endeavours will be profiled with lower investments in the initial years to provide proof of concept and organisational learning before investment levels are scaled up

Capacity, Skills, and Culture - Policies and Actions **Annex 4**

	Actions
Capacity	• For investment funds ensuring adequate capacity is resourced at conception to deliver the fund objectives. • For individual investments, ensuring business cases include regard to the capacity required to deliver investment objectives for the Council and the counterparty. • Ensuring that investment costs are accounted for and covered by gross investment returns before net returns are counted.
Skills	• An annual training plan for Members closely involved in investment governance but noting that Members are not expected to be investment experts and require appropriate support and advice from experts. • Specific training on the prudential framework for officers and other stakeholders involved in negotiating investments • Commissioning of external expertise where internal expertise is not available • The use of appropriately qualified and experienced internal staff where necessary
Culture	• Reporting to Members and senior officers of lessons learned from other local authorities, where public reports are made available. • Ensuring no investment or counterparty is ever perceived to be “too big to fail”. • Ensuring that unsuccessful investments are identified and accepted as such as early as possible and that robust decisions are taken to prevent further losses, for example by investing further into an unviable project. • Ensuring a positive support and challenge culture. • A robust culture promoting consistent application of investment controls • Investment appraisals consider the long-term and the whole investment life-cycle. • Investment funds consider intergenerational fairness. • Conflicts of interest are transparent and proactively managed. • Risk management and performance management will be evidence based.

Indicator Definitions **Annex 5**

Title	Purpose
Gross debt as a proportion of net service expenditure (to be monitored)	Demonstrates the scale of debt in comparison to the financial size and strength of the authority Indicates proportionality and whether the authority is taking too much risk in aggregate
Commercial income as a proportion of net service expenditure (to be monitored)	Demonstrates the dependence of the authority on commercial income associated with investments Indicates proportionality and whether the authority is taking too much risk in aggregate Note this indicator only relates to commercial income associated with non-treasury investments, therefore for example it excludes income from normal trading with third parties such as schools.
Loan to value ratio (to be monitored)	Demonstrates the amount of debt issued compared to the total associated underlying asset value Indicates risk of exposure to losses
Gross and net investment limits	To manage risk, limits will be set with respect to how much can be invested in non-treasury investments profiled across the medium term financial planning horizon at a high level, and provide a more detailed limits around investment durations for investments to be made in the coming year Gross limits are a hard limit in-year Net limits if breached will prompt a review of the gross limits for following years
Non-treasury investment net borrowing as a percentage of net financing need (to be monitored)	Total non-treasury investments as a proportion of total capital financing requirement, assuming non-treasury related capital receipts reduce non-treasury related borrowing.
The expected net rate of return (to be monitored)	The overall expected net rate of return for investments This is the gross rate of return, less costs and fees, and less expected credit loss Returns are not risk-free, therefore higher rates of return indicate higher levels of risk

Investment Strategy Indicators **Annex 6**

6.1 Gross debt as a proportion of net service expenditure

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Gross Debt	£m	278.403	381.326	458.195	485.720	521.385	521.072
Net Service Expenditure	£m	469.700	457.000	473.555	492.081	510.863	527.589
Gross debt as % of net service expenditure	%	59.3%	83.4%	96.8%	98.7%	102.1%	98.8%

6.2 Commercial income as a proportion of net service expenditure

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Commercial income	£m	-	0.152	1.439	2.588	5.989	3.414
Net Service Expenditure	£m	469.700	457.000	473.555	492.081	510.863	527.589
Commercial income as % of net service expenditure	%	0.00%	0.03%	0.30%	0.53%	1.17%	0.65%

6.3 Loan to value

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Total Loans	£m			13.716	27.216	41.153	38.015
Asset Value	£m			to be monitored			
Loan to value	%						

6.4 Non-treasury investment net borrowing as a percentage of net financing need

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Net Borrowing Relating to Non Treasury Activity	£m	-	-	13.678	1.244	18.187	- 22.542
Total Net Borrowing	£m	-	113.864	91.928	45.657	54.899	20.347
Non Treasury Borrowing as % of Total	%	n/a	n/a	14.9%	2.7%	33.1%	n/a

6.5 Expected Gross Rate of Return

	Average Rate of Return
WPDC	6%

Investment Strategy Prudential Limits **Annex 7**

7.1 Annual Gross Investment Limits - Medium Term

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
WPDC - Equity	£m		14.128	4.130	-	2.117	9.029	29.404
WPDC - Development Loans	£m		-	13.716	27.216	41.153	38.015	120.100
WPDC - Revenue Loans	£m		0.556	1.007	0.718	1.813	4.382	8.476
Total	£m	-	14.683	18.853	27.934	45.083	51.426	157.980

7.2 Cumulative Gross Investment Limits - Medium Term

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
WPDC - Equity	£m		14.128	18.258	18.258	20.375	29.404
WPDC - Development Loans	£m		-	13.716	40.932	82.085	120.100
WPDC - Revenue Loans	£m		0.556	1.562	2.281	4.094	8.476
Total	£m	-	14.683	33.536	61.470	106.554	157.980

7.3 Cumulative Net Investment Limits - Medium Term

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
WPDC - Equity	£m		14.128	18.220	7.482	9.106	10.077
WPDC - Development Loans	£m		-	13.716	25.698	44.378	29.894
WPDC - Revenue Loans	£m		0.556	1.388	0.037	1.813	0.229
Total	£m	-	14.683	33.325	33.217	55.297	40.200

7.4 Maximum Duration Limits

WPDC - Equity		Investment durations will be specified by each business case, subject to the investment limits set out in this strategy. The net investment limits above align with investment duration limits over the period of the MTFS.
WPDC - Development Loans		
WPDC - Revenue Loans		Revenue loans are short term by nature. The balance each year represents the lending facility available.

8.5 Gross Investment Limits - 2021/22 By Type and Duration

		Up to 1 year	Up to 3 years	Up to 5 years	Up to 10 years	Over 10 years
Equity	£m	Investment durations will be specific to each business case presented.				
Development Loans	£m					
Working Capital Loans	£m	0.556	-	-	-	-
Sub Total - WPDC	£m	0.556	-	-	-	-

8.6 Equity Limits

	Equity Limits
WPDC	As specified by each business case, and subject to the specific limits set out in this strategy. If an equity investment is in the form of pre-existing owned property then the investment may go ahead if a higher value is due to revaluation only.

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