Cabinet

Date: Friday 27 January 2023
Time: 1.45 pm
Venue: Committee Room 2, Shire Hall

Membership

Councillor Isobel Seccombe OBE (Chair)
Councillor Margaret Bell
Councillor Peter Butlin
Councillor Andy Crump
Councillor Andy Jenns
Councillor Kam Kaur
Councillor Jeff Morgan
Councillor Wallace Redford
Councillor Heather Timms
Councillor Martin Watson

Items on the agenda: -

10. Reports Containing Exempt or Confidential Information

To consider passing the following resolution:

'That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraphs 3 and 7 of Schedule 12A of Part 1 of the Local Government Act 1972'.

11. Exempt Minutes of the 15 December 2022 Meeting of Cabinet 353 - 356

To consider the exempt minutes of the 15 December 2022 meeting of Cabinet.

12. Supported Housing - Dispersed Accommodation 357 - 434

An exempt report requesting support for the establishment of dispersed safe accommodation and the allocation of associated funding.

Portfolio Holder – Councillor Andy Crump

13. Bermuda Connectivity 435 - 448

A exempt report regarding the Bermuda Connectivity Programme.

Portfolio Holder – Councillor Peter Butlin

14. Warwickshire Property & Development Group (WPDG) Business Plan for 2023 449 - 506

An exempt report presenting the Business Plan for Warwickshire Property and Development Group.

Portfolio Holder – Councillor Peter Butlin

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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- Declare the interest if they have not already registered it
- Not participate in any discussion or vote
- 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 relevant to the agenda 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

Public Speaking
Any member of the public who is resident or working in Warwickshire, or who is in receipt of services from the Council, may speak at the meeting for up to three minutes on any matter that features on the agenda. This can be in the form of a statement or a question. If you wish to speak please notify Democratic Services in writing at least two working days before the meeting. You should give your name and address and the subject upon which you wish to speak. Full details of the public speaking scheme are set out in the Council's Standing Orders.

COVID-19 Pandemic
Any member or officer of the Council or any person attending this meeting must inform Democratic Services if within a week of the meeting they discover they have COVID-19 or have been in close proximity to anyone found to have COVID-19.

Cabinet

Thursday 15 December 2022

Minutes

Attendance

Committee Members
Councillor Margaret Bell
Councillor Peter Butlin
Councillor Andy Crump
Councillor Andy Jenns
Councillor Kam Kaur
Councillor Jeff Morgan
Councillor Heather Timms
Councillor Martin Watson

Officers
Monica Fogarty, Chief Executive
Nigel Minns, Strategic Director for People
Mark Ryder, Strategic Director for Communities
Benjamin Brook, Chief Fire Officer
Sarah Duxbury, Assistant Director - Governance & Policy
Andrew Felton, Assistant Director - Finance
Chris Kaye, Strategy and Commissioning Manager (Commercialism)
Rob Powell, Strategic Director for Resources
Steve Smith, Assistant Director - Commissioning Support Unit
Amy Bridgewater-Carnall, Senior Democratic Services Officer

Others Present

Councillor Jonathan Chilvers
Councillor John Holland
Councillor Jerry Roodhouse

1. General

(1) Apologies

Councillors Wallace Redford and Isobel Seccombe.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

None.

(3) Minutes of the Previous Meeting

Warwickshire County Council

The minutes of the meeting of Cabinet held on 10 November 2022 were agreed as an accurate record.

(4) Public Speaking

None.

2. 2023/24 Budget and 2023-28 Medium Term Financial Strategy – Background Information and Options

Councillor Peter Butlin introduced the report which made available the latest financial information that would underpin the 2022/23 budget and Medium Term Financial Strategy.

Councillor Butlin explained that this report came forward at a similar time every year and was the Council's opportunity to present, what he described as, a 'ground zero' budget. He highlighted that this was a balanced budget and could now be distributed to all different parties, giving them the opportunity to work on what was being proposed and enabling them to develop their views, to be discussed in preparation for the February Budget Setting meeting. Key issues in the report were the proposed 3% increase in Council Tax, which gave the authority a small surplus of just over £1million. Councillor Butlin passed on his congratulations to officers during what had been a very difficult time as he felt that the last 12 months had been volatile for many reasons, including the increase in inflation, as well as the changes in central government. He empathised with the officers as it had been difficult trying to make sense of the financial landscape. Following the release of the Autumn statement, the Social Care Reform Act had been shelved because it had been recognised that more work was needed. This would result in a two year delay allowing the authority time to identify potential future funding from central government.

Councillor Butlin expressed his concern at the increase of inflation and recognised that the pay settlement had resulted in a 6% pay rise compared to the previously forecast 4%. In addition, there was the concern that the economy was shrinking, and whilst it was recognised that the Warwickshire economy was very resilient, it was noted that it was only a matter of time before the economic impact was reflected across the County. Members were assured that this budget gave the Council options for the future unlike many other authorities in the country. In addition, permission had been given to include an additional 2% in the precept against adult social care which would create some leeway for the Council. Extra funding had been provided in the meantime and further clarity would be provided on 21 December 2022, enabling officers to identify any gaps in knowledge.

Having considered the report, Councillor Butlin proposed the recommendations as laid out.

Resolved:

That Cabinet

1) Develop its draft 2023/24 Budget and 2023-28 Medium Term Financial Strategy proposals, taking into account the information and advice presented in this report; and

2) Authorise Corporate Board to begin any preparatory work necessary to deliver the budget proposals, prior to the final full Council decision on the budget on 7 February 2023.

3. Electrical Vehicle (EV) Charging Points - Task and Finish Group Findings

In the absence of Councillor Wallace Redford, Councillor Heather Timms introduced the report which set out recommendations from the Electric Vehicle Charging Points Task & Finish Group, following the publication of their Group Findings report.

Members noted that following the work carried out by the Task & Finish Group, a report had been submitted to the Overview & Scrutiny Committee November meeting. Councillor Timms highlighted that the Council had been proactive at obtaining grants to cover the cost of installing electric vehicle charging points across Warwickshire and would be looking to continue this work by investigating what was available nationally.

Councillor Timms applauded the Task and Finish Group for a good piece of work and the report which included well thought out recommendations. She recognised that future progress would be subject to securing national funding, which would allow the Council to pursue the work outlined. She, therefore, proposed the recommendations as laid out in the group's report.

Resolved:

The recommendations set out in the Task and Finish Group's report, as at Appendix 1 to the report, be approved.

4. Education Capital Programme 2022/23

Councillor Peter Butlin introduced the report which recommended proposals for allocating resources in the Education (Schools) Capital Programme to the project set out in Section 3 of the report.

Councillor Butlin explained that the report proposed the addition to the Capital Programme of £1.028m, funded from the Department for Education grant, to deliver the scheme at the Queen Elizabeth Academy in Atherstone. He reminded the meeting that the decision to allocate funding for the initial project had been approved earlier in the year. Since then, the project had progressed through the procurement process and having reviewed all of the prices submitted, the cost of the works had increased. He signposted members to section 3 of the report which detailed the reasons for the extra funding. As explained in the report, Councillor Butlin felt that the impact of inflation had been one of the biggest drivers for the increased cost, along with additional outlay as explained in paragraph 3.7. Councillor Butlin referred to the information in section 2 of the report which laid out the financial implications along with the remaining funds in the Basic Need capital grant as outlined in the table at paragraph 2.3.

Having opened the floor to questions and having received none, Councillor Butlin requested support to approve the recommendations as per page 91 of the agenda pack.

Resolved

That Cabinet

1) Approve the addition to the capital programme of £1.028m funded from the Department for Education grant to deliver the scheme at The Queen Elizabeth Academy, Atherstone; and

2) Authorise the Strategic Director for People, in consultation with the Portfolio Holder for Finance and Property, to make the necessary funding arrangements for this scheme.

5. Approval to Procure Contracts for Temporary Resources (Agency and Interim Staff) Services

Councillor Jenns outlined the report seeking approval to procure contracts for Temporary Resources (Agency and Interim Staff) Services. He explained that the authorisation would cover the recruitment of temporary resources across all council services as it was often necessary to use temporary staff to support the permanent work force. Councillor Jenns advised that most temporary staff were supplied under the current corporate contract with Pertemps, however, this contract was due to end in November 2023. Members were advised that due to the value of the contract, Cabinet approval was necessary.

Councillor Jenns referred to the detailed options appraisal undertaken which had concluded that the Council's requirement would be most effectively achieved with a refreshed, bespoke process, with a maximum term of seven years on the Council's terms and conditions.

The report outlined the financial implications, including the current annual Council spend of £11.2m per year through the existing contract, which was inclusive of salaries, pensions, national insurance contributions and agency fees. It was estimated that the new contract value would be set at £110m over the seven year term.

Councillor Butlin highlighted that the Council would not be under any obligation to guarantee volume commitments or pay fixed fees. In addition, external use of the DPS would allow greater accessibility, allowing the Council to look for more specialist roles and potentially raise revenue for other public service bodies.

Councillor Butlin recognised the additional flexibility this would offer to the authority.
Councillor Jenns, therefore, proposed the recommendations as laid out.

Resolved:

That Cabinet

1) authorises the Strategic Director for Resources in consultation with the Portfolio Holder to commence a procurement for recruiting agency and interim staff ('temporary resources') for all Council services as set out in this report: and

2) authorises the Strategic Director for Resources to enter into all relevant contracts for the provision of temporary resources on terms and conditions acceptable to him.

6. Tender to Establish a Replacement Bus Services Dynamic Purchasing System

In the absence of Councillor Wallace Redford, Councillor Martin Watson introduced the report which sought approval to commence an appropriate procurement exercise to establish a replacement Dynamic Purchasing System (DPS) for bus transport contracts.

Councillor Watson explained that the report related to the renewal of a new DPS linked to bus services across Warwickshire. He advised that the existing scheme was due to end on 31 March 2023 and approval for a replacement was sought to ensure the service continued. Members noted that the DPS was a procurement legislation compliant electronic open marketplace system which enabled suppliers to join at any time and gave the Council access to suppliers quickly and efficiently. Councillor Watson advised that this process gave the Council the ability to operate with less restrictions and limitations whilst achieving value and improving efficiency.

The Chair opened the floor to questions and, having received none, Councillor Watson proposed the recommendations as laid out in the report.

Resolved

That Cabinet

1) Authorise the Strategic Director for Communities, in consultation with the Portfolio Holder for Transport and Planning, to commence an appropriate procurement exercise to establish a replacement Dynamic Purchasing System (DPS) for bus transport contracts; and

2) Authorise the Strategic Director for Communities to enter into all necessary contracts and agreements, to establish the DPS for the provision of bus transport on terms and conditions acceptable to the Strategic Director of Resources, with subsequent call-off contracts for specific routes awarded under the DPS in line with Contract Standing Orders.

7. Reports Containing Exempt or Confidential Information

Resolved:

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

8. Local Authority Trading Company Shareholder Decision

Councillor Peter Butlin introduced the item and summarised the exempt report.

Resolved:

That the recommendations as set out in the exempt report be approved.

9. Warwickshire Property & Development Group (WPDG) - Site Specific Business Case 2

Councillor Peter Butlin introduced the item and summarised the exempt report.

Resolved:

That the recommendations as set out in the exempt report be approved.

Cabinet

27 January 2023

2023/24 Budget and 2023-28 Medium Term Financial Strategy – Updated Information

Members should note that at the time of publication not all the information on the local taxbases for 2023/24 has been received from the District/Borough Councils. If this information is received between the publication date and the date of the meeting on 27 January 2023 an updated report will be tabled.

Recommendations

Cabinet is recommended to:

1) Note the latest resource and spending information, the advice and the impact on the emerging budget proposals presented in this report;

2) Note the Strategic Director for Resources' risk assessment on the level of general reserves, as detailed in Appendix B;

3) Publish, in light of the information provided, their 2023/24 budget resolutions for recommendation to Council on 7 February 2023; and

4) Authorise the Strategic Director for Resources to incorporate the outstanding resource information into the budget resolutions to be considered by Council on 7 February 2023.

1. Introduction and Background

1.1. The Cabinet meeting on 15 December 2022 considered a report outlining all the information underpinning the development of the 2023/24 budget and 2023-28 Medium Term Financial Strategy (MTFS) alongside options from Corporate Board as to what should/could be funded and/or reduced to enable a balanced budget for 2023/24 to be agreed.

1.2. The proposals focussed on ensuring the Authority remains robust, ambitious and resilient in setting the MTFS, given the economic uncertainties that will continue to exist. As at December this meant that the budget for 2022/23 was balanced with a 2% council tax increase plus a 1% adult social care levy in 2023/24 and 2024/25 and using some of the one-off resources available but that sustainability over the period of the MTFS required a material programme of budget reductions.

1.3. The budget for 2023/24 is a refresh of the five-year rolling MTFS approved in February 2022, with an additional year added, that will continue to align the resources of the Authority to the objectives and ambitions set out in the Council Plan. The use of a rolling MTFS ensures plans for the use of resources are responsive to changes in the context within which the Authority is operating, something that has been critical during 2022/23 as we continue to respond to the impact of the pandemic and significant inflationary pressures, whilst ensuring the Authority remains robust and resilient over the medium term. This will allow the Authority to plan to deliver on its ambitions with confidence.

1.4. The key assumptions underpinning the options presented to Cabinet on 15 December 2022, were:

- a 2% increase in the basic level of council tax for each of the five years of the MTFS;
- a 1% adult social care levy for 2023/24 and 2024/25;
- a 4% provision for pay inflation and 2% for price inflation in 2023/24 and 2024/25 with both assuming a 2% annual uplift over the medium term plus a provision for contractual commitments above this level, collectively estimated to cost £22.103m in 2023/24 and £77.083m over the period of the MTFS;
- on-going allocations of £32.656m and time-limited allocations of £7.320m to meet growing demand pressures and pump prime investment to support the delivery of the Council's objectives, with indicative further allocations in future years bringing the investment over the period of the MTFS to £92.501m and £10.591m respectively;
- setting aside £4.855m in 2023/24, increasing to £16.029m by 2027/28 to provide financial cover for the gap between the Dedicated Schools Grant (DSG) funding for pupils with Special Educational Needs and Disabilities (SEND) and the estimated level of spend;
- investing an additional £5.000m through our Investment Funds to support the delivery of the digital road map, as approved indicatively in February 2022 and the extension of the SEND and Inclusion Change Programme;
- budget balancing options of £73.275m that will help ensure the Council remains financially sustainable and resilient over the medium term; and
- a reserves strategy that balances retaining sufficient resources to manage financial risk whilst identifying £44.085m of reserves that could be made

available for investment and to support the MTFS, through controlling the amount of the Council's scarce resources held in reserves.

1.5. These proposals were based on the best information available at the time. In a number of areas final information was either unknown or has changed over the intervening period. These areas are:

- the provisional Local Government Finance Settlement and other Government funding announcements;
- the impact in 2023/24 of the revised 2022/23 forecast outturn that has emerged as part of the quarterly budget monitoring and is reported elsewhere on today's agenda;
- the level of business rates expected to be generated locally in 2023/24;
- the council tax taxbase for 2023/24;
- the surplus/deficit on council tax collection from previous years;
- the sustainability of schools and the proposals for use of the Dedicated Schools Grant (DSG) in 2023/24; and
- the latest reserves forecasts and the impact of the Strategic Director for Resources' reserves risk assessment.

1.6. This report updates members on the latest information for each of these areas, and in doing so it also provides Cabinet with the opportunity to issue their 2023/24 revenue and capital budget resolutions. Where final information is not available in time for the publication of this report, an updated version will be tabled at Cabinet on 27 January 2023, should that information become available.

2. Impact of the Local Government Finance Settlement

2.1. The provisional Local Government Finance Settlement was announced on 19 December 2022, with all Members provided with a briefing the following day. There were three elements of the announcement that had an impact on the financial position reported to Members earlier in the month: New Homes Bonus; the business rates uplift compensation grant; and the allocation methodology for the social care additional funding announced in the Chancellor's 2022 Autumn Statement.

2.2. Much of the detail in the Settlement confirmed things already announced in the 2022 Autumn Statement in November. The recent trend has continued, with the Local Government Finance Settlement remaining a one-year settlement, although there was some high-level information for 2024/25 announced. This means the authority is not benefitting from the additional financial certainty a multi-year settlement would have provided but it does provide Government with the ability to respond positively to pressures that emerge before the next Settlement.

2.3. The provisional Local Government Finance Settlement gave the Authority £0.582m less in government grants in 2023/24 than the level included in the December Cabinet report, comprised as follows:

- £0.253m additional New Homes Bonus;
- £0.438m less Services Grant compared to the £2.928m estimated in the December Cabinet report due to the top-slice of funding nationally to resource the 3% minimum funding guarantee for all authorities;
- £2.823m less of the various social care grants compared to the £40.433m estimated in the December Cabinet report as a result of the equalisation methodology used, assuming upper tier councils take all of the adult social care levy and council tax increase; and
- £2.426m additional Section 31 grant to compensate authorities for business rates income not increasing in line with inflation.

2.4. However, whilst those elements of our funding that have increased are in principle to support the budget in 2023/24 the level of spending need where the grants are lower than estimated has not decreased in all cases. Overall, **the reduction in funding available to support the budget in 2023/24 is £0.472m**.

2.5. The final complication is the longevity of funding beyond 2023/24. The Settlement confirmed announcements in the Autumn Statement that the fair funding review and consideration of any business rates reset would be delayed until after the next General Election. The review, when implemented, may result in the level of our government funding increasing or decreasing compared to 2023/24 levels for the remainder of the MTFS. The delay means the earliest any change could be introduced is now 2026/27.

2.6. Previously statements from the Secretary of State, that the imminent fair funding review would focus on levelling up and supporting those authorities/areas with less buoyant taxbases, meant our future resource forecasts assumed some loss of funding from the review. The further three-year delay means any we have reverted back to the assumption that, given the absence of a direction of travel, the fair funding review would be neutral for the Authority.

2.7. This means that the loss of resource in 2023/24 becomes a net gain over the medium term of £0.564m and **an increase of £0.674m of resource available to support the MTFS by 2027/28**. Any gains from the fair funding review, when known, would be available to support the MTFS in the relevant year. Any losses would mean there may be a need to identify additional savings in future years.

Social Care Grants

2.8. The Authority will receive £37.610m of social care grants in 2023/24 that form part of the Local Government Finance Settlement. Each comes with a different distribution methodology and more/less stringent grant conditions. Table 1 shows the breakdown of these grants, the amount to be received in 2023/24 and the high-level conditions for the use of the grant. There will be a need to reflect the Government's expectations around the use of this funding in the Council's performance management framework.

Table 1: Social Care Grants in the 2023/24 Local Government Finance Settlement		
Grant	**Amount £m**	**Conditions of Use**
Discharge Grant	2.122	Ring-fenced to adult social care and to be used to get people out of hospital into care settings, freeing up NHS beds. Allocation of funding to be agreed with Health.
Market Sustainability and Improvement Fund	5.233	Ring-fenced to adult social care to address issues such as discharge delays, social care waiting times, low fee rates and workforce pressures. Reporting requirements will cover performance and use of the funding to support improvements against the objectives.
Social Care Grant (£6.209m of this is 'new' money)	30.255	Amalgamation of the new repurposed social care reform funding and the existing Social Care Grant and Independent Living Fund Grant. Use of the funding is ring-fenced to adults' and children's social care.
Total Social Care Grants	**37.610**	

2.9. If agreed, the spending allocations included in the December proposals in the December report are sufficient, even after netting off the savings options, to comply with the grant conditions for the amount of additional funding going into social care.

3. Local Taxation

Council Tax

3.1. In the December Cabinet report the recommendations were based an increase in the taxbase of 1.45% in 2023/24. The districts/boroughs have now confirmed their council tax base for 2023/24 and these are showing a year-on-year increase of x.x%. This will generate additional on-going resource of £x.xxxm. The breakdown of the 2023/24 taxbase across the districts/boroughs is shown in Table 2.

Table 2: A Comparison of the 2022/23 and 2023/24 Council Tax Taxbase				
	2022/23 Taxbase Band D Properties	2023/24 Taxbase Band D Properties	Variation Band D Properties	Variation %
North Warwickshire	21,520.41			
Nuneaton and Bedworth	39,208.50			
Rugby	39,485.02	40,434.65	+949.63	+2.41%
Stratford-on-Avon	59,076.01	60,188.21	+1,112.20	+1.88%
Warwick	56,399.56	57,669.62	+1,270.06	+2.25%
Total	215,689.50			

3.2. However, as has been raised in previous reports on the 2023/24 MTFS. the level of volatility and uncertainty is significantly higher than in recent years. Of particular concern is the potential impact on future taxbase growth from the expected downturn in the housing market over the next two years as a result of continued high rates of increase in construction costs, lower levels of affordability due to higher interest rates, wider inflation/cost of living impacts plus a potential future recession. The difficulty is estimating the timing of any downward impact. It is therefore the recommendation, from Corporate Board, that any growth in the taxbase above xxx,xxx Band D properties (the basis of the December report) is carried forward to offset any downturn in future years. If the downturn does not occur to the level of the capacity to absorb it carried forward the resource can be released to support the MTFS in a future year.

Business Rates

3.3. The partial localisation of business rates is still volatile with annual changes to the schemes of discounts and allowances continuing to make it difficult to make any realistic assumption about the likely level of income. This continues to be exacerbated by the range of grants and reliefs provided temporarily to businesses to support them through the pandemic and the uncertain impact of the pandemic and recovery activity on the business rates taxbase.

3.4. We do know that for individual businesses the business rates multiplier (the provision for inflationary uplift) has been frozen for 2023/24 and that local authorities will be compensated for this loss of income through an additional grant. In the December Cabinet report the options were based on local authorities receiving compensation for a 6% uplift. The actual uplift is higher than this at 10% in line with the September inflation rate. This is the reason for the £2.426m estimated additional Section 31 grant shown in paragraph 2.3. However, this figure is still an estimate. The final level of this grant is currently unknown as it will depend, in part, on the taxbase returns submitted by billing authorities at the end of January 2023.

3.5. The statutory deadline for the districts/boroughs providing details of our share of expected business rates in 2023/24 is 31 January 2023. Given the level of uncertainty within which they are operating no figures have been received to date. It is therefore recommended that the current estimates, as included in the December 2022 Cabinet report plus the additional £2.426m Section 31 grant, are used for budget setting. Any variation will then be managed through the use of or a contribution to the provision set aside in reserves for this purpose. The final position will be reported to Cabinet in April as part of the Service Estimates report.

Surplus/Deficit on Collection

3.6. As part of setting the council tax we also have to take into account any surplus/deficit on collection of council tax from previous years. As a result of the impact of the pandemic on council tax collection the Government has legislated for local authorities to phase the recoupment of the 2020/21 loss over three years, with 2023/24 being the final year. Therefore, our share of any historic surplus/deficit plus any surplus/deficit from 2022/23 must be made good in 2023/24. The breakdown of the surplus/deficit across the districts is shown in Table 3 and shows a surplus/deficit to be used/funded in 2023/24 of £x.xxxm.

Table 3: 2023/24 Collection Fund Surplus/Deficit

	Share of 2020/21 Deficit £m	New Deficit/ (Surplus) in 2023/24 £m	Total Deficit/ (Surplus) in 2023/24 £m
North Warwickshire	-	(0.429)	(0.429)
Nuneaton and Bedworth	0.198		
Rugby	0.127	(0.613)	(0.486)
Stratford-on-Avon	0.727		
Warwick	0.394		
Total	**1.446**		

3.7. If there is a deficit to be funded, it will need to be met from reserves. If there is a surplus it will reduce the use of reserves to fund the 2023/24 budget. Either way it will be incorporated into the budget resolutions once the figure is known.

4. Reserves

4.1. The primary purpose for holding reserves is to manage financial risk and promote financial sustainability whilst recognising that there is a need to control the amount of scarce resources held in reserves to ensure we are using taxpayers' money to deliver services to residents and communities.

4.2. The Authority continues to have a robust reserves position, with reserves in the latest monitoring report to Cabinet forecast to be £216.054m at the end of 2022/23. As part of the MTFS agreed in February 2022 Council reconfirmed its reserves strategy with the objective of ensuring we are using all our resources effectively, providing increased transparency and accountability around reserves and ensuring the framework is in place to align decision-making around the use of reserves with the Council Plan.

4.3. There are no proposals to change the Reserves Strategy for 2023/24, with an update of the strategy to reflect the reserves position forecast as at the end of Quarter 3 attached at **Appendix A**.

4.4. When looking at short-term funding to support the 2023/24 budget we need to consider the known calls on reserves. The 2022/23 Quarter 3 forecast outturn position, reported elsewhere on today's agenda, is an overspend of £13.411m. £6.722m of this overspend relates to earmarked/covid-related funding that cannot be used to support the budget more widely. The balance (an overspend of £6.689m) has been taken into account when determining the £44.085m reserves that could be released to support the 2023/24 budget in the report to Cabinet in December 2022.

4.5. The 2022/23 Quarter 3 forecast position of a £6.689m overspend is an increase of £2.250m compared to the Quarter 2 position reported to Cabinet in November 2022. This level of change reflects volatility and uncertainty around forecasts of spend in the current economic climate. At this stage, the only additional reserves, beyond the £44.085m, available to fund the MTFS are the £23.104m Investment and Invest-to-Save Funds. It is recommended that any use of these funds to bridge timing differences between spending allocations and the delivery of savings in the 2023/24 budget and the MTFS is carefully considered, to ensure funds remain available to invest to support the delivery of the Council's priorities and further efficiencies over the medium term.

4.6. Legislation requires that the Chief Finance Officer makes an annual statement on the adequacy of general reserves and provisions. The risk assessment relates to the short-term financial risks that could impact on the authority in 2023/24 to deliver core services and drive forward the ambitions set out in the Council Plan. The Strategic Director for Resources has now completed the risk assessment for 2023/24. The risk assessment confirms that the minimum level of general reserves it is prudent to retain is £26.0m. A summary of the risk assessment is attached at **Appendix B**.

4.7. The minimum level of general reserves of £26.0m is unchanged the position assessed at this time last year. However, there have been changes to the specific reasons for the provision:

- one new financial risk of £0.300m in respect of the risk of increased cost of maintaining critical service provision through a period of industrial action;
- the risk of overspending on the “Corporate Services” has been recategorized as “amber” from “green” and increased by £0.800m to reflect the risk that the corporate provision for pay inflation may be insufficient;
- increased financial risks totalling £2.525m in respect of the cost of “Bellwin” type emergencies, such as flooding, before Government support kicks in, unanticipated budget pressures, the loss of surplus as a result of reduced demand for Education traded services and the risk that services provided by the market and/or social enterprises may stop if the provider fails, requiring the local authority to secure alternative provision at short notice;
- reduced financial risks totalling £3.625m in respect of managing any in-year cuts in Government funding, the cost of the inability to agree inter-authority/organisation plans, the medium/long term financial impact of Covid-19, the risk of loans made to companies through the pandemic and recovery process not being repaid in full, the risk of increased financial impacts from inspection reports and the impact of changes to the national benefits system on demand for services.

4.8. The approved budget will be expected to reflect the minimum £26.0m General Reserves provision required as a result of the Strategic Director for Resources risk assessment. In his capacity as Chief Financial Officer, his statement on the whether the budget is balanced and sustainable will include reference to whether the required General Reserves provision is maintained.

5. Changes to Proposed Allocations

5.1. Since the December 2022 Cabinet report was drafted additional information about the unavoidable cost increases and demand pressures facing the Authority has emerged. One increase in cost and one reduction totalling a net increase of **£0.282m** have been identified. Members are required to resource the additional cost within their 2023/24 budget proposals or identify alternative ways in which the cost increases will be funded.

5.2. Table 4 lists the £0.282m of changes to the proposed allocations.

Table 4: Changes to 2023/24 Spending Allocations		
Service	**Description**	**Cost £m**
Social Care and Support	**Provider inflation** – an increase in the £14.029m allocation in the December Cabinet report required for provider inflation in 2023/24. The key drives are the National Living Wage increase of 9.7% from April 2023 and the continuation of higher general price inflation that assumed when the budget proposals were originally drawn up in September 2022.	2.282
Corporate Services	**Provision for the Dedicated Schools Grant offset funding** – The additional funding for schools announced as part of the 2022 Autumn Statement has resulted in increased funding to support High Needs (SEND). This means that over the medium term (from 2025/26 onwards) the allocation needed to ensure the Authority's overall financial position is sustainable by setting aside sufficient resources to fund the structural deficit in the DSG high needs budget is reduced.	(2.000)
	Total	**0.282**

5.3. There is one further change that Members are advised to consider when preparing their 2023/24 budget proposals – the proposed change to the Local Council Tax Reduction Scheme in Warwick District Council (WDC) where the results of the consultation and a decision on the way forward is yet to be made. The estimated impact of WDC's proposed change, if implemented, would be to reduce the taxbase and hence the council tax income collected by between £0.600m and £0.800m. However, WDC is not scheduled to make its final decision until 9 February 2023, after the Council has set the 2023/24 budget. Increasing the **contingency in the budget would ensure any impact on the MTFS from the change to WDC's Local Council Tax Support Scheme** in future years is mitigated, although the funding would be available to spend on a one-off basis in 2023/24. If the change is not agreed or the impact is less than estimated then any contingency could be released to support the Council's budget in 2024/25.

5.4. Finally, Members should be aware that we are expecting the Government to announce imminently both its response to the independent review of children's social care and the associated implementation plan, which may carry service or financial implications for the Council. Any costs in 2023/24 not met through additional Government funding will need to be funded from reserves and/or contingencies in 2023/24, with medium term solutions forming part of the 2024/25 MTFS refresh.

6. Dedicated Schools Grant

6.1. At the same time as the Local Government Finance Settlement was announced the Department for Education also announced a Dedicated Schools Grant of £562.346m for 2023/24 to provide funding for services to schools and pupils. A report seeking approval for the allocation of the Dedicated Schools Grant can be found elsewhere on today’s agenda.

6.2. The Council’s policy is to expect the cost of funding schools and relevant pupil-related services to be contained within the level of the Dedicated Schools Grant. However, meeting this policy aspiration in relation to high needs services and support could only be achieved over the medium term and at this stage our ability to do this remains uncertain in the absence of further additional Government funding or fundamental system change; given the nationally growing demand for services and the lack of capacity in the system. Any decisions to manage the deficit position on high needs will need to be included as part of the budget resolution to be agreed by Council in February 2023.

7. Capital Strategy and Programme

7.1. Each year Council is required to approve a capital strategy as part of its budget proposals. Much of the content is specified, however the strategy is an important document in setting out the Council’s ambition to ensure capital and revenue spending on the asset portfolio is directed efficiently and effectively.

7.2. As a suite of documents, the capital strategy sets out:

- Our strategic intent – the aspiration and direction for our capital investment, defining the outcomes we are seeking to achieve through investment (why) (**Appendix C**);
- The draft programme – the activity programmes and projects funded from our capital investment (what) (**Appendix D**); and
- The governance framework – the way we will manage capital spend and the capital programme (how) (**Appendix E**). It is this technical appendix that ensures we meet with statutory guidance. It also sets out how we will optimise delivery by strengthening of performance, adopting commercial principles and practice and robust benefits realisation.

7.3. The documents reflect the ambitions and priorities of the Council Plan strategic priorities and the Areas of Focus. They have been updated to reflect CIPFA policy requirements, the management of risk, Quarter 3 monitoring and the Warwickshire Recovery and Investment Fund and the Warwickshire Property and Development Group 2023 business plans that are elsewhere on today's agenda.

7.4. The three documents will need to be included, subject to any changes proposed by Members, as part of the capital resolution to Council in February.

7.5. The refreshed technical annex (appendix E) includes one recommended change of approach aimed at improving the delivery of the capital programme and that is a £4m top-slice from the Capital Investment Fund to create a Planned Asset Design Fund (PADF). The purpose of the PADF would be to resource the detailed costing and design of pipeline schemes to firm up costs at an earlier stage, before the full budget is allocated, to reduce the number of schemes coming back for additional funding. It would be a revolving fund with drawdowns replaced as projects are approved and design costs are covered by the main funding stream.

7.6. If, following evaluation of the full business case, a scheme with design costs funded from the PADF does not proceed, any costs must be charged to revenue. The Council's reserves include cover to reflect his additional financial risk. Access to the PADF will need to be controlled to ensure the Council is not overly exposed to financial risk.

7.7. The creation of the PADF and the need to limit/control access requires those schemes supported to have the greatest impact on the delivery of the Council's ambitions and priorities. The refreshed technical annex includes, at Annex B, a list of the Council's capital investment priorities as agreed in February 2022. These priorities will form the basis of the capital expenditure bids added to the Council's capital investment pipeline and brought forward for approval during 2023/24 and over the medium term, including those investments that will be eligible for access to the PADF. Annex B will also need to be updated as part of the capital budget resolution to ensure it continues to reflect the Council's priorities and those areas that are priorities for accessing the Council's scarce capital resources.

8. Outstanding Issues for 2023/24

8.1. Section 3 of the report highlighted a number of areas where information is still outstanding on the final level of resources that will be available to the authority in 2023/24. Where this information is available before 27 January 2022 it will be included in a revised report and/or the 2023/24 budget resolutions. Where any information is not known when the papers for Council in February are published, any variation to the estimated figures will be managed through reserves for 2023/24 and picked up as part of the preparation for the 2024/25 refresh of the

MTFS. Any areas of concern will be specifically reported to Members as part of the Service Estimates report to Cabinet in April 2023.

9. 2023/24 Budget Resolutions

9.1. In putting forward their proposals, Members are reminded that local authorities are required by law to set a balanced budget. An intention to set a deficit budget is not permitted. However, what is meant by ‘balanced’ is not defined in law. A prudent definition of a sustainable balanced budget is a financial plan based on sound assumptions which shows how income will equal expenditure over the short- and medium-term, acting in a way that considers both current and future local taxpayers.

9.2. If the budget is unbalanced then the Chief Finance Officer, in consultation with Corporate Board, would have to consider issuing a Section 114 notice. Such a notice is only given in the gravest of circumstances, as during that time the ability to incur new spending that isn't an existing contractual or salary commitment is suspended, the External Auditors would investigate and publicly report on the circumstances and the Ministry for Levelling Up, Housing and Communities (MLUHC) may take over the running of the Authority.

9.3. Because Members decide on the council tax before the year begins and cannot increase it during the year, there is a need to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by making prudent allowance in the estimates for services and ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

9.4. To avoid setting an unbalanced budget the Local Authority has to be financially resilient. Setting a clear MTFS helps clarify expected income and expenditure. Awareness of the funding available in the forthcoming years means the Council stands a better chance of balancing the budget. Reserves are a useful option for balancing the budget in the short-term. However, reserves should not be used to pay for day-to-day expenditure, and it is important that they are replenished, in accordance with the reserves strategy, when the short-term need has passed. Therefore, the MTFS needs to be fully balanced on an ongoing basis, with no ongoing spending funded from one off resources, meaning the next MTFS does not start from a deficit position.

9.5. It is important that the Authority complies with its obligations under the Equalities Act 2010 - the public sector equality duty (PSED) - to promote equality and to reduce discrimination in relation to any of the nine ‘protected characteristics’ (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). The Council must have ‘due regard’ to the PSED when taking any decisions on service changes whilst recognising that local authorities have a legal duty to set a balanced budget. Similarly, if proposals are likely to have adverse impacts on customers, public consultation should be undertaken before any final decisions are made and consideration given to the outcomes of those consultations. This may mean that some proposals are not implemented, and alternative solutions may need to be sought. Legal challenges to local authority budget setting processes have tended to turn on whether the authority has complied with these duties. Where required Equality Impact Assessments have been prepared and made available to Members.

9.6. Using the information contained in this report, Cabinet is asked to approve their 2023/24 Budget resolutions for recommendation to Council on 7 February 2023. Cabinet is also asked to authorise the Strategic Director for Resources to update the budget resolutions to Council to reflect the final resource information.

10. Financial Implications

10.1. There are no direct financial implications for the Authority arising from this report. The report is part of a series of reports that will culminate in Council agreeing the 2023/24 budget and council tax at their meeting on 7 February 2023.

11. Environmental Implications

11.1. 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.

12. Background Papers

12.1. None.

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

Appendix A

Reserves Strategy 2023-28

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 provide assurance that they are sufficient to ensure the Authority remains financially sustainable and resilient over the medium-term.

Alongside this, ensuring effective use of reserves for investing in long-term transformation and better outcomes is increasingly becoming of greater value and importance.

This reserves strategy sets out why effective management of reserves is important and how we make decisions about the level of reserves to hold. 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 the Council's outcomes and key objectives.

Appendix A

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?

This 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 2023-28 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 2023-28 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 2023-28 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.

Appendix A

Section 2: Our Reserves

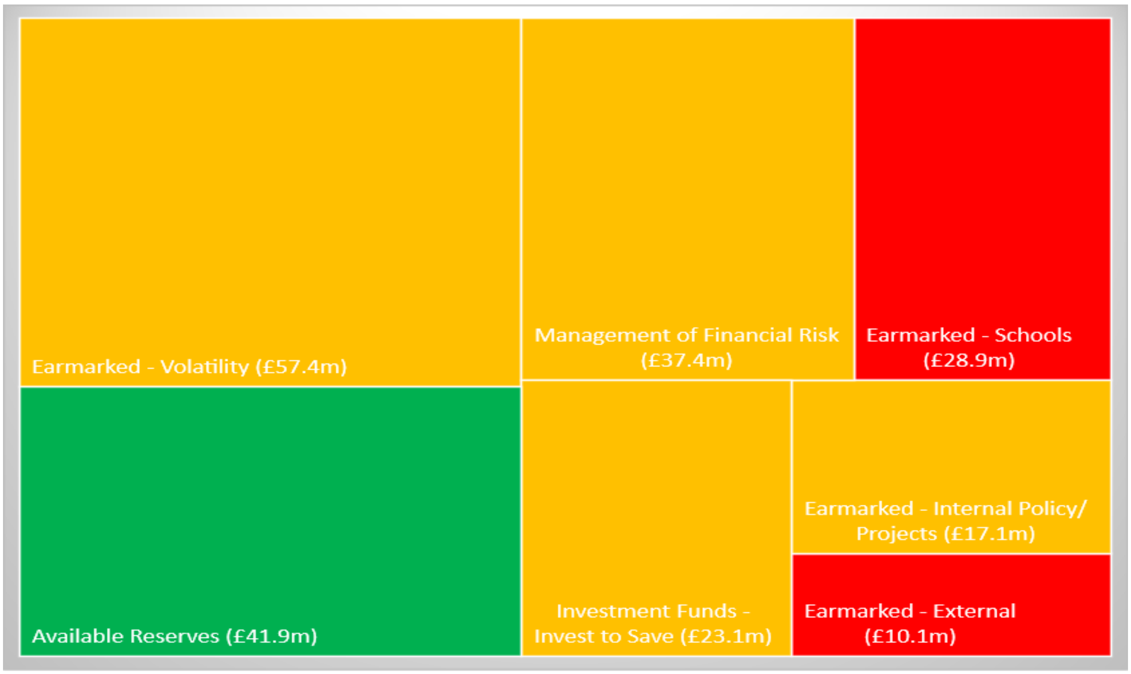
Our drivers for holding reserves are to:

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 £216.0million at the end of 2022/23. We are holding the £216.0m for the following reasons:

a) £94.8 million to manage financial risk, including volatility;
b) £40.3 million for investment in projects to drive forward the delivery of the Council's objectives;
c) £39.0 million to meet externally set funding conditions; and
d) £41.9 million available for investing to pump-prime the delivery of the Council's core outcomes and to support the resourcing of the MTFS by managing timing differences between spending need and the delivery of budget reductions.



Key	
Not available for use	
To be reviewed on an annual basis	
Available for investment	

Appendix A

Section 3: Our Reserves Framework

Our 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, for the following financial year, 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:
    - Investment projects and projects to deliver budget reductions in future years approved by Members/Corporate Board; and
    - Adjustments to reflect the impacts of the previous year's outturn that were not known at the time the budget for the year was agreed, where this aligns with the approved Delivery Plan or is an invest-to-save project.
- 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 approved Council Plan, the Delivery Plan, 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 Cabinet.

Year-end review of reserves

All reserves will be subject to a year-end review by the relevant Strategic Director 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; and
- 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.

Appendix A

Governance Framework

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 (max. 2% for Resources)
- 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 the 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 decisions 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 core outcomes and areas of focus
- 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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Risks Influencing the Level of General Reserves

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2023-24
The possibility of significant **increases in inflation and/or taxation**, after the budget has been set.	The 2023/24 budget proposals include provisions for inflation of £27.7m. This includes additional provisions for specific service areas where the 2% provision for general price inflation is expected to be insufficient and/or catch-up for inflation impacting in 2022/23 is required. The Authority has set aside multiple provisions across the MTFS but the limited controls mean the risk remains high.	R	£7.500m
The potential for **"Bellwin" type emergencies**. This would provide cover for all immediate costs up to the point Government emergency response funding can be claimed.	The funding from the Bellwin scheme is linked to the level of the Authority's budget. For authorities to be eligible for the Bellwin grant they are required to have first spent 0.2% of the budget on emergency response-related works. Once this is activated Bellwin relief funds 100% of qualifying emergency expenditure relating to safeguarding life or property. Any longer-term costs are not covered and are the Authority's responsibility.	A	£3.200m
The likelihood of **unanticipated budget pressures** arising within the year.	The need to resource in-year budget pressures may arise from pressure on the authority's VAT partial exemption status, increases in demand above the levels estimated that cannot be accommodated within directorate reserves or not having sufficient funding in directorate risk reserves to manage the non-delivery of savings. The risk across all three areas has increased since last year.	A	£2.900m
The risk of **industrial action** resulting in increased costs of maintaining critical services.	The Authority is required to maintain critical service delivery during a period of industrial action. There will be a financial risk if the Authority has to use external organisations, pay overtime or use agency staff to provide continuity of service.	A	£0.300m
Provision for **in-year cuts in government funding.**	The MTFS assumes that any in-year cuts in government funding will be met, in full, by services. The provision reflects the risk that in all cases existing commitments mean this may not be possible.	A	£0.500m

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2023-24
Schools and Early Years Funding. The risk to the stability of the schools/education services funded from DSG across schools, early years, high needs and central services blocks where the authority needs to maintain the sufficiency of provision.	Allocations to manage the risk related to Schools and Early Years funding have already been built into the MTFS but there is still increasing volatility due to changing market conditions. Uncertainty is also caused by academic years data changing mid-financial year. The provision remains unchanged due to two offsetting factors: • the Government has announced increased funding to the DSG next year which has helped the overall position; and • whilst the MTFS allocations assume the current level of growth in demand continues. It does not provide for any further growth in demand beyond the current trajectory and during 2022/23 growth, post-covid has continued to increase.	A	£1.800m
The possibility of being **unable to agree inter-authority/organisation plans**.	We are operating through increasingly complex organisational structures across local government, integrated care systems and beyond. Delivery of our levelling up ambitions, the reduction in long term costs through early intervention and achieving better outcomes will all require navigation of this multi-layered, multi-dimensional environment. could be impacted by potential changes of political control, the delivery of savings which impact across tiers and the tier of local government to which funding is allocated.	A	£0.500m
Market and/or Social Enterprise Failure. The risk that services provided by the market and/or social enterprises may stop if the provider fails, requiring the local authority to secure alternative provision at short notice.	Specific risks include: • charities we commission services from suffering financial issues, due to wider economic factors; • having sufficient capacity in the market to replace capacity at short notice (i.e. additional placements); • paying above market prices due to low market supply; and • the impact of inflation on the markets ability to remain financially secure. Social market failure will increase if pressure on the authority to provide additional support at short notice.	A	£1.900m

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2023-24
Unforeseen medium term/long term impact of Covid-19	Overall risk has reduced from last year, however going into 2023/24 the Authority will have no Covid grants or funding to support Covid pressures going forward. The longer-term social consequences of Covid which could impact the Authority are also still largely unknown.	A	£1.000m
The risk of **reduced demand for Education Traded Services** leading to loss of profit	As schools transfer to academies or change preferences with regard to suppliers and procurement this presents the risk of the loss of school subscriptions and thus reduced demand for traded services. The result is the short-term need to cover the loss of profit and cost of winding down services until longer-term solutions can be put in place.	A	£0.900m
The risk of **loans made to companies** through the pandemic and recovery process not being paid in full	The Authority has an increasing number of loans supporting businesses and organisations across Warwickshire, including the Warwickshire Recovery and Investment Fund and Warwickshire Property and Development Group. However, the creation of a specific Commercial Risk Reserve in 2022/23 means cover for much of the financial risk is already provided elsewhere.	A	£1.400m
The risk of increased financial impacts of **inspection reports**	A failed inspection, whilst unlikely to happen, can incur costs in the £millions in order to change the outcome. Fire inspection required £1.5m investment in addition to the reprioritisation of existing budgets. In 2023/24 there is a new Social Care regime and a reinspection of Fire and Rescue to assess progress The financial impact of any recommendation is not yet known.	A	£1.000m
The possibility of **overspending on the "Corporate Services" budget**.	Corporate Services has number of budgets that are volatile within and between years. Most of the risks that pose large financial impacts to the authority already have separate provisions (Commercial Risk Reserve, the Insurance Fund and the Financial Instruments Reserve). The exception is the corporately held provision for pay inflation. The pay provision for 2023/24, at 4%, is lower than the uplifts currently being requested by the unions and is lower than the uplift in the National Living Wage announced in the Chancellor’s 2022 Autumn Statement. Given the increased level of uncertainty provision is needed within the General Reserves.	A	£1.300m

Risk Area	Commentary	RAG Rating after Mitigation	Provision for 2023-24
The possibility of any further costs arising from **legal judgements which would fall on the County Council** within one year.	Areas of heightened risk for 2023/24 include the new public subsidies legislation impact and increase number of procurement challenges. Across the country public interest reports have shown auditors highlighting failures to follow procurement legislation can pose risk to the authority. There has also been significant increase in SEND tribunal activities relating to eligibility. The authority holds both public liability insurance and employer insurance which provide cover against costs related to the above legal risks.	G	£1.000m
The possibility of planned **changes to the national benefits system** impacting adversely on the demand for local authority services.	The Government has announced that from April benefits will increase by CPI. The Authority has also been allocated £8m Household Support Grant to provide support to those in financial difficulty. These announcements and allocations partially mitigate the risk, although the risk that formula-based grant allocations do not keep up with benefit changes remains.	G	£0.300m
General contingency.	This could be supplemented in any one year by a sizeable proportion of earmarked reserves, providing these were replenished as part of the budget process.	G	£0.500m
		Total	**£26.000m**

Note: The risk assessment excludes the technical impact of any changes in accounting treatment.

Appendix C

Investing in Warwickshire –

Capital Strategy 2023-28

Contents

Introduction

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, a much-valued natural environment and town centres that are a vital part of local life. But looking ahead, we also face significant challenges and economic uncertainty, including high inflation, unsettled financial markets, 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 the 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 resources and assets to deliver our key priorities and to ensure all Warwickshire residents share in the County's economic success.

Our Capital Strategy 2023-28 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 that underpins the delivery of our Council Plan.

Our 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.

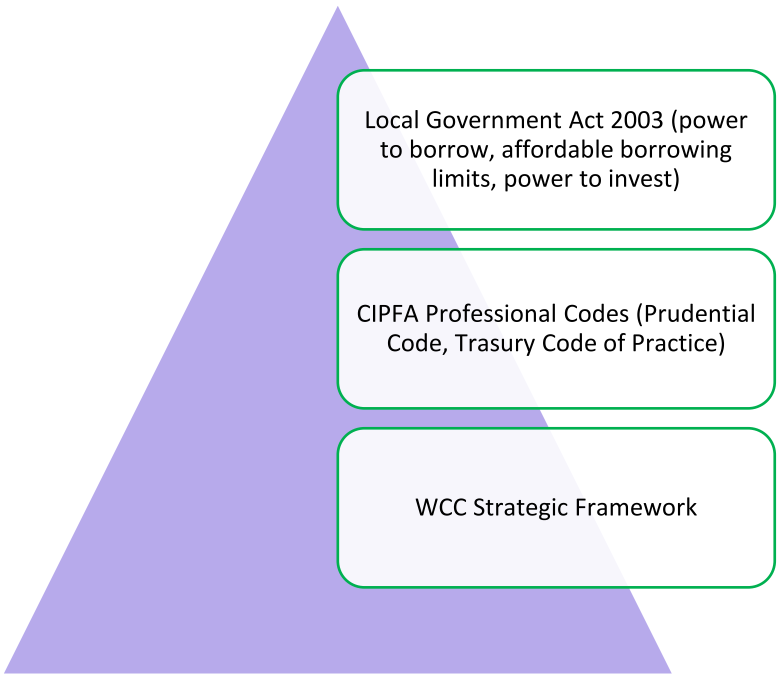
Together these ensure compliance with the CIPFA Prudential Code and HM Treasury rules on financing our borrowing.

We recognise the lasting impact and legacy of good, evidence-based capital investment and the Capital Strategy 2023-28 sets out our approach to making this happen in and for Warwickshire.

Policy Context

Legislative background and the CIPFA Professional Codes

In 2004, local authorities were provided with the flexibility to make their own capital investment decisions. Legislation, guidance and professional codes of practice were introduced to support decision making and ensure investment and borrowing is prudent, sustainable and affordable.



The 2017 edition of the CIPFA Prudential Code for Capital Finance in Local Authorities introduced the requirement for authorities to produce a capital strategy. This was updated in 2021 with additional capital strategy guidance.

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.

Internal Policy Framework

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. It sets out the choices we make in relation to the amount and nature of the capital investment we make and provide a link between capital and revenue budgets.

The Strategy is made up of three key elements:

- Strategic context – Sets out the aspiration and direction for our capital investment within the context of the Council Plan and longer term social, demographic and economic trends (Why).

- Programme – Sets out the capital programme funded by our investment; the key governance and decision-making framework with consideration to risk (What).

- Framework – Sets out the way we plan and prioritise investments; manage capital spend and the capital programme in line with best practice and statutory requirements; and how we fund this strategy within a balanced medium term financial strategy (How).

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 and addresses how we intend to pay for our capital investments and activities.

Our approach to capital investment is informed by a number of existing strategies within the Council's policy framework as detailed in the technical annex E, with the key ones shown below.

The desired outcomes of the Capital Strategy are aligned to the core strategies to influence wider agendas and partnership working such as the Warwickshire Property and Development Group, the Warwickshire Recovery Investment Fund, the Health and Wellbeing Partnership, the West Midlands Combined Authority, and other local authorities in the region.

Strategic Context

The intent of the Capital Strategy is to support the vision for Warwickshire as set out in the Council Plan: To make Warwickshire the best it can be, sustainable now and for future generations. In order to achieve this the Strategy aims to create the infrastructure that will enable, encourage and support:

- A county with a thriving economy and places that have the right jobs, skills, education and infrastructure;
- A county where all people can live their best lives; where communities and individuals are supported to live safely, healthily, happily and independently;
- A county with a sustainable future which means adapting to and mitigating climate change and meeting net zero commitments; and
- Us to become a great council and partner.

In addition to delivering the above priorities the Capital Strategy also needs to remain flexible to be able to address the challenges presented by the ever-changing environment the Council operates in; including local and national politics, macroeconomic trends, social and technological changes all set in the context of climate change, the impact of high inflation, post EU Exit and post-Covid recovery. The key themes that drive our capital strategy are highlighted below:

Economic Challenges

In the Autumn Statement the Chancellor confirmed the UK is in Recession, with the size of the economy expected to shrink by 1.4%. In addition to this, we have seen a difficult economic picture emerge this year through high levels of inflation, a tight labour market and higher interest rates, all these factors place an additional burden on our businesses and residents as costs for energy, food, fuel, and raw materials are high. Despite Warwickshire's strong economic foundations, the impact of the external economic factors presents challenges for our key sectors.

The capital strategy can play a key role in supporting 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 recovery outcomes and support for businesses that are in need. Our longer-term ambitions for Warwickshire are being driven through our place-based programme which will identify specific opportunities for investment and growth.

Social changes – a growing and ageing population

Warwickshire continues to be an attractive place to live, work and visit, which is forecast to experience significant population and housing growth. Population growth is forecast to increase by 17.2% on the mid-2020 population estimates. The fastest growth is expected to take place in older age groups: those aged 70 and over are projected to increase by almost 14% by 2025 and those aged 85 plus will increase by 22% over the same period. By 2025 there will be an estimated 4,300 residents in care homes aged over 65, which represents a 20% increase from the 2019 estimate.

A growing ageing population is likely to see increases in those living with disabilities and other long-term health conditions. The current forecasts indicate a 16% increase in residents living with dementia. This will lead to additional demand pressures on public services including health, social care and fire to protect, prevent and support vulnerable people, and 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.

Warwickshire's Children & Families Service have worked hard to safely reduce the numbers of children in care. This is reflected in a 5.7% reduction in children in care between the 2021 and 2022 calendar year end. Numbers of children in care can fluctuate although Warwickshire are successfully seeing reductions compared to the national trend where increases have continued.

Our school age population is projected to increase by 3% by 2030 and continue to increase steadily to 2043. There is an estimated need for an additional 4,300 school places by 2026.

The growth in population and households will mean a need for additional infrastructure, particularly transport, waste and school places, including places for pupils with special education needs.

Financial sustainability

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 uncertain financial climate for local authorities.

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 tax base in order to deliver wider outcomes for Warwickshire.

International, national, and local disruptions in supply chain and increasing inflation will make it more challenging to deliver our capital ambition within available resources.

Population growth, whilst brings its own challenges, will help increase the Council tax base and positively impacts on our ability to borrow for capital investment.

Technology and automation – 'the fourth industrial revolution'

Technological advances and changes in the way customers interact with service providers, will lead us to maximise the use of digital and other technologies across our services.

The current phase of automation is multi-dimensional and includes the use of robotics/drones, AI & AR (Artificial Intelligence & Augmented Reality), 3D printing through to new uses of databases and enhanced information analysis in terms of blockchains. Each individual element is transformational on its own and together will bring revolutionary change to how we provide services.

Inclusive Growth and Levelling Up

As a county we perform well and are relatively affluent compared to other areas of the country. We have a strong economy, good services, and mature partnerships, but there are still areas of our county where long-term inequalities and disparities exist. The Capital Strategy has a key part to play in 'levelling up' these areas of our county by prioritising and identifying projects that support regeneration and build connectivity.

The Climate Change Emergency

The UK Government has committed to Net Zero by 2050 and has undertaken a process of extensive policy development and new legislation. These policies and new laws will impact on Warwickshire businesses, public services and communities.

Every aspect of life is expected to be impacted by climate change from how our energy is produced through to how we preserve local biodiversity, from how we encourage new green economic sectors and retrain people for a rapidly changing green economy, to supporting the retrofitting of homes with green technology like replacing gas boilers with ground source heat pumps.

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. This year we have published our draft sustainable Futures Strategy which sets out our council vision and action plan to make Warwickshire a Net Zero county by 2050, this will need to take significant investment and require us to consider the environment in all decisions we take.

Asset Management Planning

Our Capital Strategy for Warwickshire is more than a plan for investment; it incorporates a comprehensive and funded plan for maintaining, replacing and improving the assets the Council controls.

The Council has responsibility for assets used in service delivery including property, highway infrastructure (roads, footpaths, structures, lighting) assets and a wide range of vehicles, plant and equipment. It is essential to understand the need, utilisation, condition and the investment and operating cost requirements of assets, whether owned or leased.

When prioritising investment, it is key to understand the long-term cost of maintaining and operating existing assets and their fitness for purpose, having consideration of which are deemed essential in continued service delivery or which can be considered for alternative uses.

A funded programme of planned replacement of assets underpins the Council's capital investment strategy, aids business continuity and reduces operational risk.

Risk Appetite

In undertaking complex projects, decision making will continue to be supported by proportionate business cases in line with best practice covering strategic, economic, financial, commercial and management cases. For large complex projects, professional external advice and services will be sourced to undertake due diligence to understand risks and inform decision making.

Capital investments can be broadly split into four types:

1. Approved Maintenance Programme: Expenditure on existing assets to ensure they meet the requirements of service delivery, are fit for purpose, meet health and safety guidance, and reduce future costs.
2. Approved Investment Programme: Expenditure on specific projects to meet strategic objectives.
3. Treasury Capital Investment: To meet strategic aims. Non treasury capital investments could include loans towards capital expenditure incurred by external bodies, Council subsidiaries or joint ventures.
4. Corporate Capital Funds: Expenditure to enable the organisation to save revenue resources.

We recognise that achieving these aims could require consideration of alternative delivery structures and of all forms of funding, including additional borrowing. Capital investment funded by borrowing will be undertaken in priority areas to meet our capital ambition, whilst at all times clearly understanding how the affordability of such expenditure can be managed over the longer term supported by robust due diligence, business cases, risk management and monitoring.

Non treasury investment funded by additional borrowing would only be undertaken after:

- Cabinet approval of a robust business case supported by independent advice;
- Consideration of the legal basis on which the expenditure is being incurred;
- Affordability and risk assessment of such expenditure over the longer term; and
- Assurance the proposal is in line with HM Treasury rules on financing our borrowing and the CIPFA Prudential Code.

Governance and Decision Making

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.

Corporate Board review the draft future capital programme, consider its affordability and make recommendations to Cabinet. 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 Full Council for approval.

A pipeline of potential future capital projects provides insight so priorities can be weighted across the organisation and geographical area of Warwickshire. Further information can be found in the Appendix E- Capital Technical Annex.

Project approval

Capital projects will be brought to Members for approval throughout the year. Only when approved will projects become part of the capital programme.

Financial Monitoring

The technical appendix to this strategy 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.

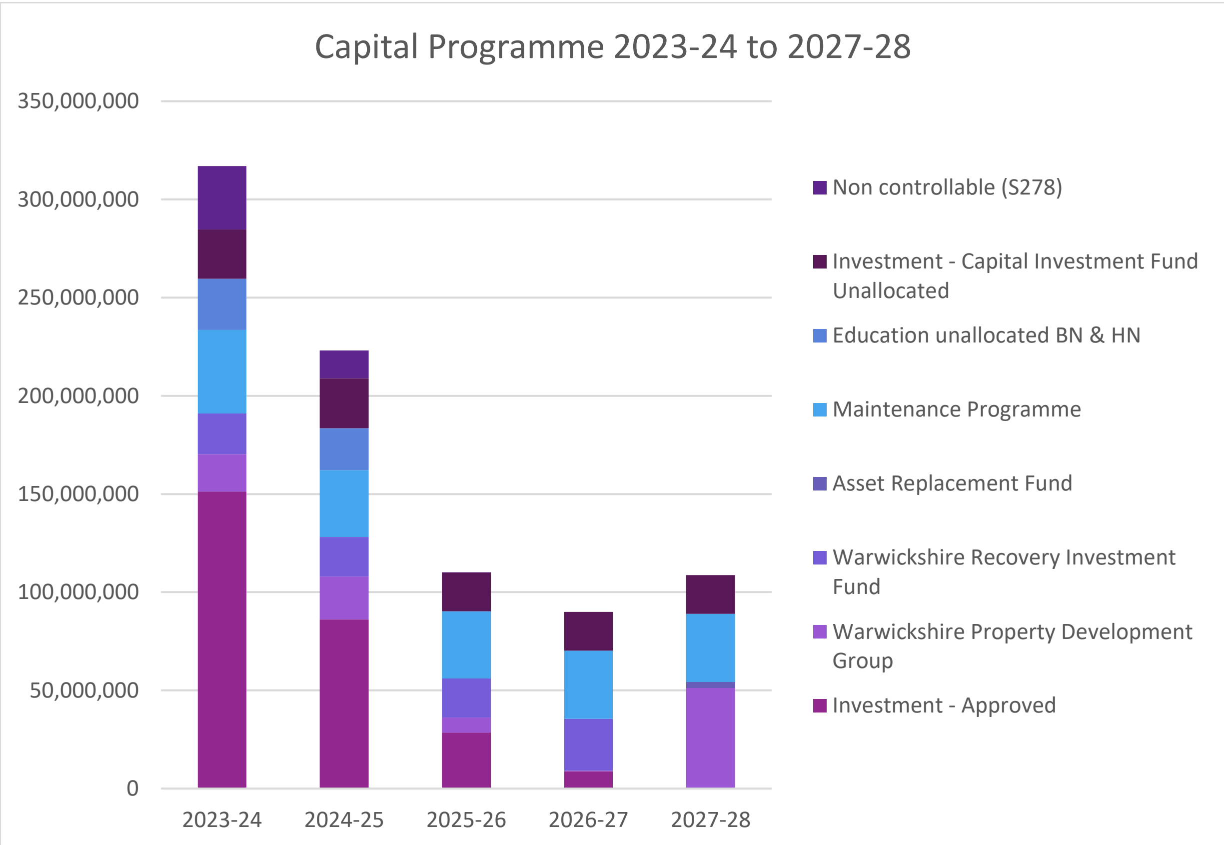
Capital Programme

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.

The capital programme incorporates:

- Roll forward of existing approved capital
- Annual 'rightsizing' of approved capital budgets to ensure optimal allocation of corporate resources and review of lending profile to WPDG and WRIF
- Allocations for rolling, annual maintenance programmes and review of inflation
- Allocations for business-as-usual replacements
- A prioritised Capital Investment Fund for new investment

The current Capital Programme is summarised in the table below:



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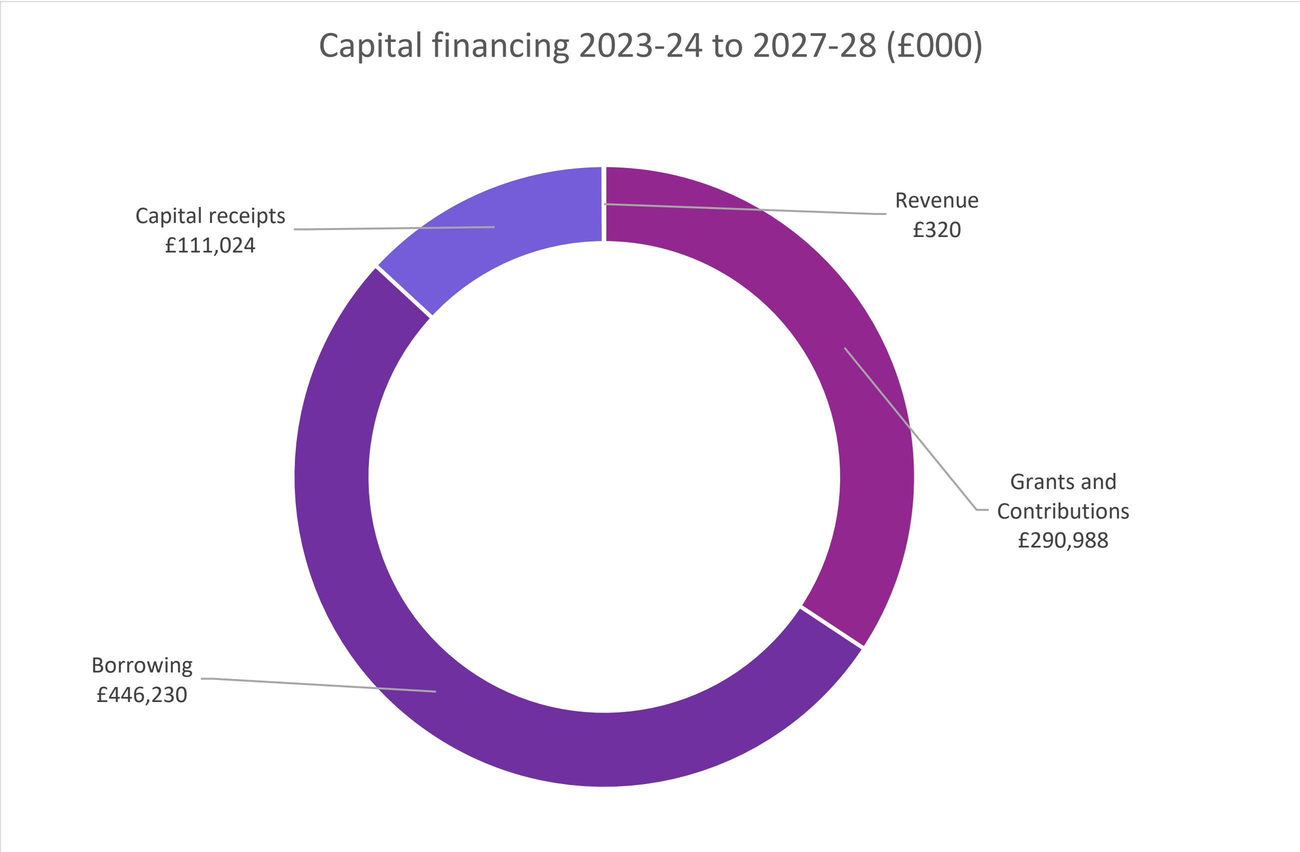
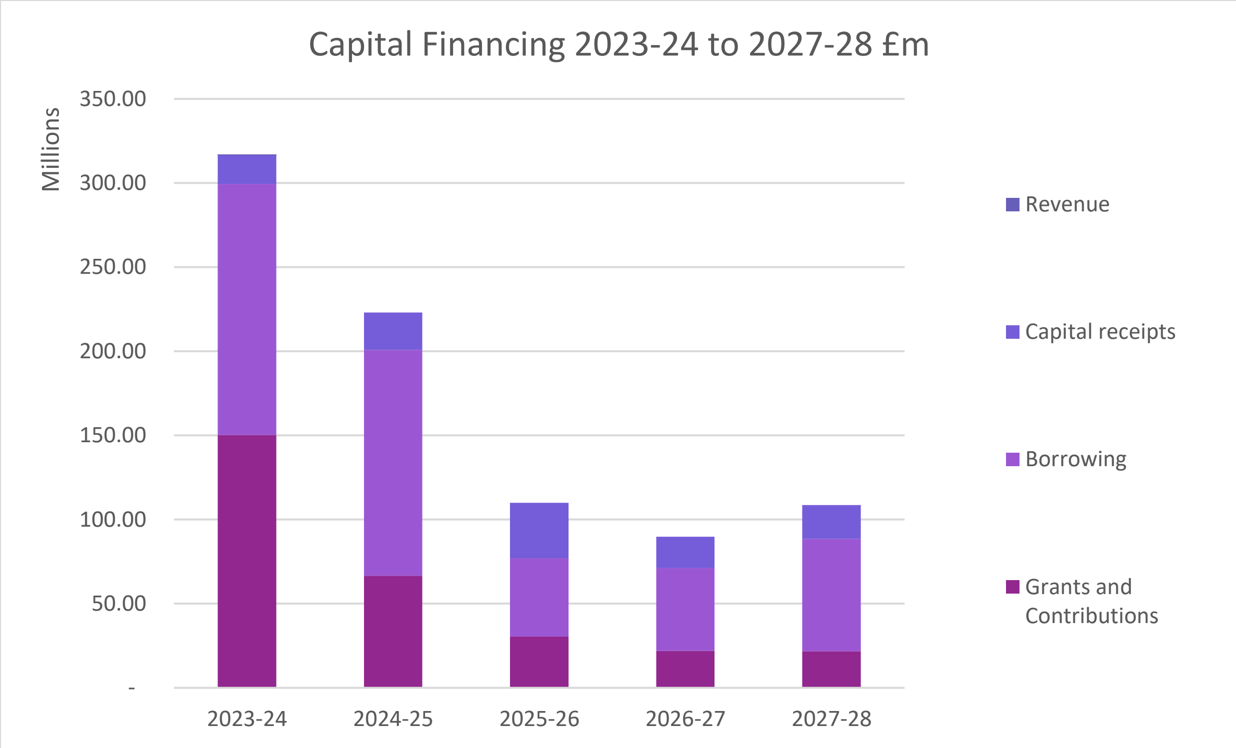
In comparison, actual capital expenditure in 2022/23 was £117.8million and projected capital expenditure in 2022/23 is £316.9 million.

Funding the Strategy

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, we expect to spend £813.6m capital 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 the capital budget resolution and Appendix E to the technical appendix.

Our borrowing strategy is set out in the Treasury Management Strategy 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 Treasury Management Strategy.

The basis for the delivery of the overall capital programme is:

- £35.5million new borrowing annually, funded as part of the revenue proposals for the 2023-28 Medium Term Financial Strategy.

- £11.3 million of maintenance allocations funded from a top slice of this borrowing, uprated annually for inflation and strictly cash limited. Inflation allocations expected to increase to £12.8m by the end of 2026/27.

- £3.0 million to fund business as usual replacement of assets funded from a top slice of the annual borrowing.

- The balance of the £19.7 million annual borrowing will be allocated to the Capital Investment Fund where services will be commissioned to prepare business cases relating to pipeline projects 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.

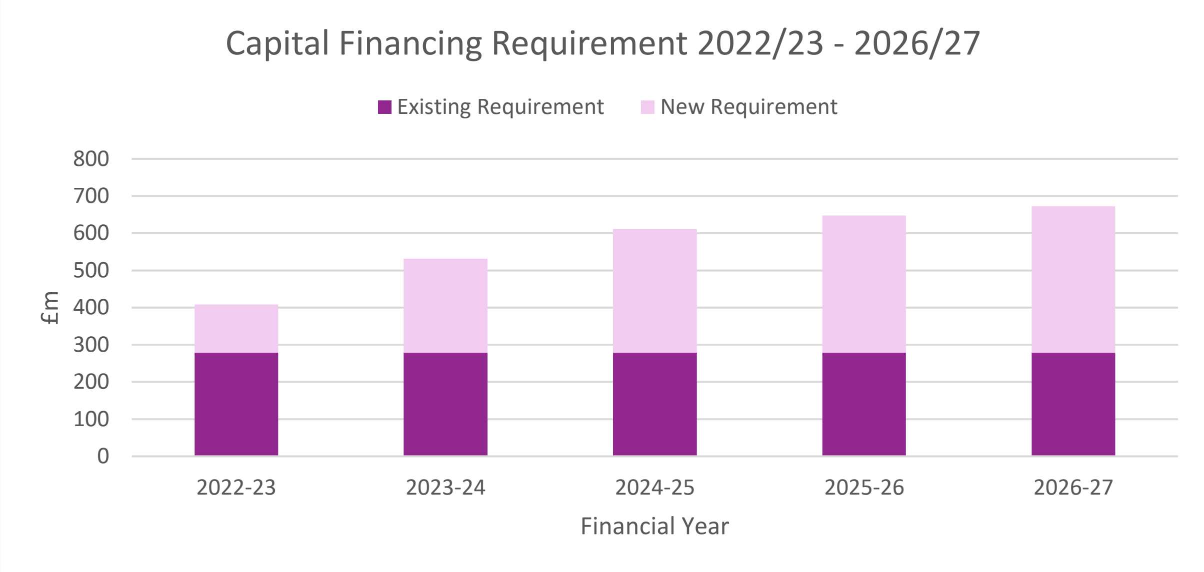
- Contributions from developers are maximised and applied to appropriate schemes ahead of Council resources whenever possible.

Managing the Borrowing Requirement

The Council's Treasury Management Strategy considers how the cash requirements arising from the Council's Capital Strategy and detailed investment programme are managed by external borrowing and the timing of any such borrowing.

Where capital expenditure has been incurred without a resource to pay for it i.e. when proposed to be paid for by borrowing, this will increase what is termed the Council's Capital Financing Requirement (CFR) which is our underlying need to borrow. The Council is required to make a prudent annual provision for the repayment of historic capital expenditure from its revenue budget in line with its agreed policy. This annual provision reduces the CFR, just as new spend financed from borrowing increases it.

Future projections of the CFR based on the capital investment programme and resources deemed available to fund it are shown in the table below. Forecasts are subject to the timing of capital expenditure and receipt of funding sources.



By 2027/28 the CFR is forecast to increase to £602.8m. This would place the Council's level of debt in the upper quartile of shire counties but the CFR would remain within our debt capacity (the amount of debt we can take on without jeopardising our financial position). The MTFS projections include the costs of servicing the borrowing requirement. The Treasury Management Strategy addresses how the Council will meet the borrowing requirement including any external borrowing. The Council can consider various debt instruments, with the main source of long-term borrowing for local authorities historically being the Public Works Loan Board.

However, alternative options could be considered for specific council projects. Advantages and disadvantages of such products, supported by external advice in respect of different options, would need to be considered including risks, track record and cost of issuance.

Treasury management best practice is that loans are not taken on a project-by-project basis and our treasury management practices are aligned with this.

Affordability

The fundamental objective in the consideration of the affordability of the Authority's capital plans is to ensure that the level of investment in capital assets proposed means that the total capital investment of the authority remains within sustainable limits.

Capital investment undertaken historically, and the proposed Capital Programme, form an integral part of our revenue budget and MTFS. The revenue impact of capital schemes on council tax include:

- The costs of operating / maintaining new assets.

- The capital financing costs of servicing any borrowing required to pay for investment (interest and prudent provision for repayment of capital investment paid for by borrowing). Where capital expenditure is paid for using borrowing, the Council has a statutory duty to charge an amount to future revenue budgets for the eventual repayment of that expenditure. This spreads the cost of capital expenditure incurred now, and historically, to future revenue budgets. The manner of spreading these costs is through an annual Minimum Revenue Provision (MRP). Our MRP policy is included in the Treasury Management Strategy and details about its impact on the MTFS are provided in the technical annex.

- The revenue costs of preparing and delivering projects.

- Abortive costs required to be charged to revenue budgets if schemes do not proceed.

Some or all costs of investments may be offset by financial and non-financial benefits such as income, cost avoidance and importantly improved outcomes for residents of the county.

We recognise that the Council cannot afford to do everything, however where revenue resources are deemed available to increase the level of Council borrowing, where it needs to do so, this will be considered.

The percentage of the Council's revenue budget that is committed to capital financing costs is increasing in the long term due to the recent expansion of the capital programme through the Capital Investment Fund and the creation of Warwickshire Property and Development Group and the Warwickshire Recovery & Investment Fund.

A detailed review of our debt capacity has been undertaken and it found that Warwickshire has sufficient scope to increase borrowing to the levels set out in our capital programme and fund the increased borrowing cost within the revenue budget as set out in the MTFS. An analysis of WCC debt capacity is included in the technical appendix E.

Future Strategy Development

Our objective for the future development of this strategy is to ensure the optimum alignment of the strategic objectives, focus areas, delivery plans and the detailed capital framework at a more granular level.

We expect to commission business cases to support investment in the areas of focus set out in the Council Plan and though this develop a long-term pipeline of projects that will form the basis of our capital programme going forward. Further information can be found in the technical appendix E.

2023-28 Capital Programme

Outcome and Service	Scheme Title	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Investment Programme							
Best Lives							
Adult Social Care	Extra Care Housing Accommodation with care	313	-	-	-	-	313
Children & Families	Internal Children's Homes	514	-	-	-	-	514
Strategic Commissioning - Communities	Home To School Routes (Safety) 2017-18	144	-	-	-	-	144
	Temple Hill / Lutterworth Road Wolvey Casualty Reduction Scheme CIF	646	646	-	-	-	1,293
	Average Speed Cameras - Coif	860	-	-	-	-	860
Education Services	New School, The Gateway, Rugby	4,408	-	-	-	-	4,408
	Long Lawford permanent expansion	408	-	-	-	-	408
	Planning & Development block header E&L	-65	202	-	-	-	137
	SEND facilities block header	20	-	-	-	-	20
	Evergreen school - Reconfiguration of classrooms	185	-	-	-	-	185
	Minor Works E&L	1	-	-	-	-	1
	Specialist Nurture Provision at Special School	200	-	-	-	-	200
	Keeping SEND Pupils Local	128	-	-	-	-	128
	Oakley Grove - New School South Leamington - Planning Application and main project	38,025	9,450	262	-	-	47,737
	Pears Centre	57	-	-	-	-	57
	Campion School Expansion	103	-	-	-	-	103
	Whitnash Primary, Expansion of 2 additional Classrooms	497	-	-	-	-	497
	Kingsway site changes to aid Academy conversion	4,967	-	-	-	-	4,967
	Burton Green Primary School	290	-	-	-	-	290
	Stratford upon Avon Secondary	7,250	5,500	-	-	-	12,750
	Etone College Nuneaton	2,309	-	-	-	-	2,309
	Lighthorne Heath Primary Relocation Prep Work	146	-	-	-	-	146
	S106 Contribution to the DFE for Lower Farm	1,300	-	-	-	-	1,300
	Myton school - New 6th Form Teaching Block	3,494	-	-	-	-	3,494
	Disability Access 2022/23 - Block Header	177	-	-	-	-	177
	The Queen Elizabeth Academy - New Two Storey Modular Classroom Block	1,765	-	-	-	-	1,765
	Oakley Grove Reception Contingency 23 Bulge Class	1,116	-	-	-	-	1,116

2023-28 Capital Programme

Outcome and Service	Scheme Title	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
	Shipston High School - 1FE Expansion	6,000	4,497	-	-	-	10,497
	Long Itchington - Expansion PAN 28 to 30	195	-	-	-	-	195
	Myton Gardens-New 2FE (420 place) Primary School with Nursery and SRP	10,000	3,300	-	-	-	13,300
	Brownsover Expansion from 2FE Infant to 1FE Primary	965	-	-	-	-	965
	Unallocated Education Basic Need	12,368	21,366			-	33,734
	Unallocated Education High needs	13,679				-	13,679
Environment Services	Lawford Road /Addison Road Casualty Reduction	1,509	-	-	-	-	1,509
	CIF - Replacement Bollards in Stratford, Nuneaton & Bedworth	181	-	-	-	-	181
	Redevelopment & Upgrade of WCC Gypsy & Traveller Sites	499	-	-	-	-	499
Fire	Fire & Rescue HQ Leamington Spa	1,987	-	-	-	-	1,987
	F&R Training Programme: Lea Marston	714	-	-	-	-	714
	F&R Training Programme: EA Water site	274	-	-	-	-	274
	Fire Emergency Services Network (ESN) Preparedness	278	-	-	-	-	278
Strategy & Commissioning - People	Adult Social Care Modernisation & Capacity 2012-13	70	-	-	-	-	70
	Total for Best Lives	**117,977**	**44,961**	**262**	**-**	**-**	**163,200**
Thriving Economy and Places							
	Kenilworth Station	-	-	832	-	-	832
	Warwick, Myton Rd Cycle Link (Myton & Warwick School)	2	-	-	-	-	2
	A426 Gateway Rugby to Rugby Town Centre Cycle Scheme	10	12	-	-	-	22
	Capital Growth Fund - Access to Finance	210	150	141	-	-	501
	S278 Zebra Upgrade on Tachbrook Rd Leamington	1	-	-	-	-	1
	S106 2 Bus shelters at bus stops on Narrow Hall Meadow nr GP Surgery Chase Meadow	20	-	-	-	-	20
	Southbound Bus Stop On A426 Leicester Rd, Rugby S106	64	-	-	-	-	64
	Transforming Nuneaton	2,041	1,828	847	-	-	4,716
	Upgrade Existing Shared Ped / Cycle Path Bermuda	16	-	-	-	-	16
	Library & Business Centre Nuneaton (CIF)	1,800	12,100	5,063	-	-	18,963
	Campden Road (B4035), Shipston-on-Stour New Bus Stops	36	-	-	-	-	36
	Mancetter Road / Camp Hill Road, Nuneaton Bus Stop Improvements	10	-	-	-	-	10

Appendix D

2023-28 Capital Programme

Outcome and Service	Scheme Title	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Strategic Commissioning - Communities	Warwick Town Centre	1,360	2,925	-	-	-	4,285
	Improvements to the A429 Coventry Road corridor (Warwick)	659	3,173	756	-	-	4,588
	Stoneleigh Park Link Road	-	205	-	-	-	205
	Art Challenge Fund	3	8	-	-	-	11
	Upgrading the existing bus stop infrastructure on Knights Lane (5 bus stops) in Tiddington	18	-	-	-	-	18
	Warwickshire cycling links - Weddington Road, Nuneaton	181	1,702	-	-	-	1,883
	Warwickshire cycling links - Radford Road, Leamington Spa	10	80	-	-	-	90
	Warwickshire cycling links - Heathcote, Leamington Spa	440	945	-	-	-	1,385
	Warwickshire cycling links - Whitley South, Baginton	6	144	-	-	-	150
	Provision of hardstanding areas and bus stop poles at bus stops on Field Barn Way in Hampton Magna	8	-	-	-	-	8
	Provision of gateway facilities at Shipston-on-Stour and 2 bus shelters within the vicinity.	36	-	-	-	-	36
	Provision of a pair of bus stops on Meadow Road in Alcester	8	-	-	-	-	8
	Provision of a pair of bus stops on the B4114 Coleshill Road to serve a new development in Hartshill	7	-	-	-	-	7
	JLR/British Motor Museum Bus Stops on B4100	29	-	-	-	-	29
	Southam Road Radford Semele Bus Stops With Infrastructure And Traffic Management	49	-	-	-	-	49
	Bishops Tachbrook Bus Stops Enhancements	15	-	-	-	-	15
	Rugby Road B4453 Cubbington Bus Stop Improvements	12	-	-	-	-	12
	Damson Road Hampton Magna Bus Stop Improvements	9	-	-	-	-	9
	Temple Herdewyke New Bus Stops	12	-	-	-	-	12
Corporate	Warwickshire Recovery & Investment Fund	20,600	20,000	20,000	26,500	-	87,100
Enabling Services	Development of Rural Broadband	3,265	3,446	-	-	-	6,710
	Rugby Western Relief Road	100	-	-	-	-	100
	Rugby, Hunters Ln - Through Route New Tech Dr To Newbold Rd	372	-	-	-	-	372
	Install Variable Message Signs A444 (Prologis)	90	-	-	-	-	90
	S278 Crabtree Medical Centre Bidford - Bus Stops	2	-	-	-	-	2
	M40 Junction 12	19	-	-	-	-	19

2023-28 Capital Programme

Outcome and Service	Scheme Title	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Environment Services	Rugby Gyratory Improvement Scheme	24	-	-	-	-	24
	Bermuda Connectivity Project	-	1,500	-	-	-	1,500
	A426 /A4071 Avon Mill Roundabout Rugby Improvement Scheme	442	-	-	-	-	442
	Weddington Road , Nuneaton Implement Toucan Crossing	112	-	-	-	-	112
	A46 Stanks Island signalisation and improvement Birmingham Rd	1,428	-	-	-	-	1,428
	A444 Corridor Improvements - Phase 2	1,920	1,854	-	-	-	3,774
	A3400 Birmingham Road Stratford Corridor Improvements	5,689	-	-	-	-	5,689
	A452 Myton Road And Shire Park Roundabouts	3,980	1,936	100	-	-	6,016
	A452 Europa Way South Of Olympus Av To Heathcote Ln Roundabout	24	3,790	3,294	100	-	7,207
	A452 M40 Spur West Of Banbury Road	54	50	4,812	-	-	4,916
	A46 Stoneleigh Junction Improvement	8,274	-	-	-	-	8,274
	A47 Hinckley Road Corridor Scheme	1,687	1,413	-	-	-	3,101
	Nuneaton To Coventry Cycle Route - Coif	490	449	-	-	-	939
	Green Man Coleshill Signalised Junction - Coif	709	-	-	-	-	709
	Hinckley To Nuneaton Cycle Route - Coif	685	-	-	-	-	685
	A452 Kenilworth To Leamington Cycle Route - CIF	1,236	1,801	2,000	-	-	5,036
	D1014 Historic Bridge Maintenance Programme 2020 -2023	1,349	2,318	-	-	-	3,666
	Improvements to the A446 Stonebridge junction (Coleshill)	852	1,466	-	-	-	2,318
	Transforming Nuneaton - Highway Improvements (CIF)	3,575	2,480	7,180	5,706	-	18,941
	Emscote Road Corridor Improvements Scheme	479	9,237	236	-	-	9,952
	A452/A46 Developer Improvement scheme	2,471	4,200	-	-	-	6,671
	A452 Kenilworth Road to Leamington Spa town centre cycle route – Getting Building Fund	537	-	-	-	-	537
	D1356 - DfT - Traffic Signals Maintenance Grant Award	304	-	-	-	-	304
Governance & Policy	Creation of office space at Holly Walk, Leamington	44	-	-	-	-	44
	Total for Thriving Economy and places	**67,886**	**79,210**	**45,261**	**32,306**	**-**	**224,662**
Sustainable Futures							
Communities Service	Land At Crick Road Rugby - CIF	786	-	-	-	-	786
	Evidence led decision making in tackling climate emergency and air quality	712	-	-	-	-	712
	All Electric Bus Initiative 2021-22	905	451	-	-	-	1,356

Appendix D

2023-28 Capital Programme

Outcome and Service	Scheme Title	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
	Purchase of 3 haulage vehicles for HWRC (CIF Funded)	153	-	-	-	-	153
	Tree Nursery Grant	16	-	-	-	-	16
Environment Services	Flood Alleviation Schemes CIF - Pailton	13	-	-	-	-	13
	Flood Alleviation Schemes CIF - Fenny Compton	294	-	-	-	-	294
	Flood Alleviation Schemes CIF - Welford on Avon	43	-	-	-	-	43
	Flood Alleviation Schemes CIF - Galley Common	22	-	-	-	-	22
	Flood Alleviation Schemes CIF - Bermuda	32	-	-	-	-	32
	Flood Alleviation Schemes CIF - Brailes	103	-	-	-	-	103
	Flood Defence Grant Filllongley - EA	29	-	-	-	-	29
	Clifford Chambers Property Flood Resilience Scheme	30	-	-	-	-	30
	Broadwell Property Flood Resilience Scheme	93	-	-	-	-	93
	Total for Sustainable Futures	**3,229**	**451**	**-**	**-**	**-**	**3,680**
Great Council and Partner							
Business & Customer Services	Improving Customer Experience / One Front Door Improvements	591	-	-	-	-	591
Strategic Commissioning - Communities	Country Parks Car Parking Facilities - upgrade to Ticket Machines	85	-	-	-	-	85
Corporate	Warwickshire Property Development Company	19,101	21,763	7,611	242	16,334	65,051
	Warwickshire Property Development Company contingency					35,000	35,000
	Asset Replacement Fund	5,920	3,000	3,000	3,000	3,000	17,920
Governance & Policy	Rationalisation of County Storage Facilities	79	-	-	-	-	79
	Strategic Site Planning Applications	844	-	-	-	-	844
	Land at Leicester Lane - Cubbington	1,253	-	-	-	-	1,253
	Total for Great Council and Partner	**27,872**	**24,763**	**10,611**	**3,242**	**54,334**	**120,822**
Capital Investment Fund							
Corporate	CIF unallocated	19,672	19,672	19,672	19,672	19,672	98,362
	Capital Maintenance inflation contingency fund (from CIF)	5,409	5,739	-	-	-	11,148
	Total for Capital Investment Fund	**25,081**	**25,411**	**19,672**	**19,672**	**19,672**	**109,510**

Appendix D

2023-28 Capital Programme

Outcome and Service	Scheme Title	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
	TOTAL INVESTMENT PROGRAMME	**242,045**	**174,796**	**75,806**	**55,221**	**74,006**	**621,874**
Maintenance Programme							
Children & Families	Adaptations to support child placements	150	131	-	-	-	281
	Adaptations to support child placements	137	143	149	156	156	741
Strategic Commissioning - Communities	Country Parks	219	229	239	250	250	1,187
	Household waste recycling centres	88	91	96	100	100	475
	Casualty Reduction - Annual Maintenance	1,588	-	-	-	-	1,588
	Capital Investment Fund / Small Business Grants	200	200	62	-	-	462
Enabling Services	Lillington Academy CTA Works	278	-	-	-	-	278
	Non Schools Building Maintenance	240	-	-	-	-	240
	Non Schools building Maintenance	2,322	2,425	2,537	2,648	2,648	12,580
	Non Schools asbestos and safe water	356	371	389	405	405	1,926
	Schools building maintenance	7,365	7,557	7,767	7,976	7,976	38,641
	Schools asbestos and safe water	816	852	892	931	931	4,422
Environment Services	Area Delegated Schemes	5,458	246	-	-	-	5,704
	Bridges Maintenance	505	-	-	-	-	505
	Traffic Signals Maintenance	133	-	-	-	-	133
	Highways maintenance & street lighting & Casualty Reduction	18,109	18,828	18,828	18,828	18,828	93,421
	Gypsy and Traveller services	22	23	24	25	25	119
	Area delegated funding	2,189	2,285	2,391	2,495	2,495	11,855
	Flood Defence Maintenance 2022-23	278	-	-	-	-	278
	Flood defence	219	229	239	250	250	1,187
Fire	Equipment for Fire Appliances	88	-	-	-	-	88
	Vehicle Replacement Programme	425	-	-	-	-	425
	Equipment for fire engines	131	137	143	150	150	711
Governance & Policy	Maintaining the Smallholdings land bank	391	-	-	-	-	391
	Rural Services	390	407	426	444	444	2,111
	Smallholdings Capital Maintenance	586	-	-	-	-	586
	Total Maintenance Programme	**42,683**	**34,154**	**34,182**	**34,658**	**34,658**	**180,335**

Appendix D

2023-28 Capital Programme

Outcome and Service	Scheme Title	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
Developer Funded Programme							
Environment Services	Developer Funded Schemes (S278)	32,217	14,090	50	-	-	46,357
	TOTAL DEVELOPER FUNDED PROGRAMME	**32,217**	**14,090**	**50**	**-**	**-**	**46,357**
	TOTAL CAPITAL PROGRAMME	**316,945**	**223,039**	**110,038**	**89,879**	**108,664**	**848,566**

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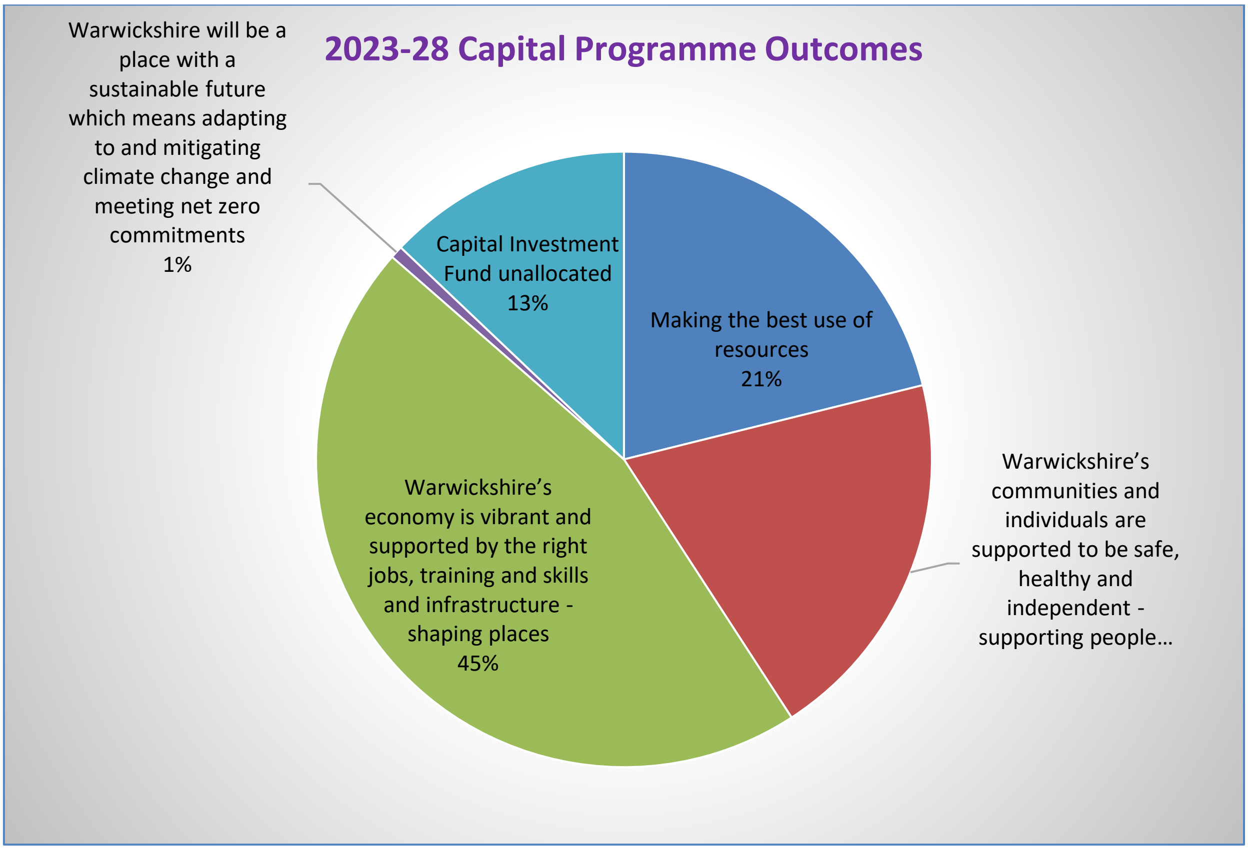
Appendix E

Investing in Warwickshire
Capital Strategy 2023-2028 – 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.

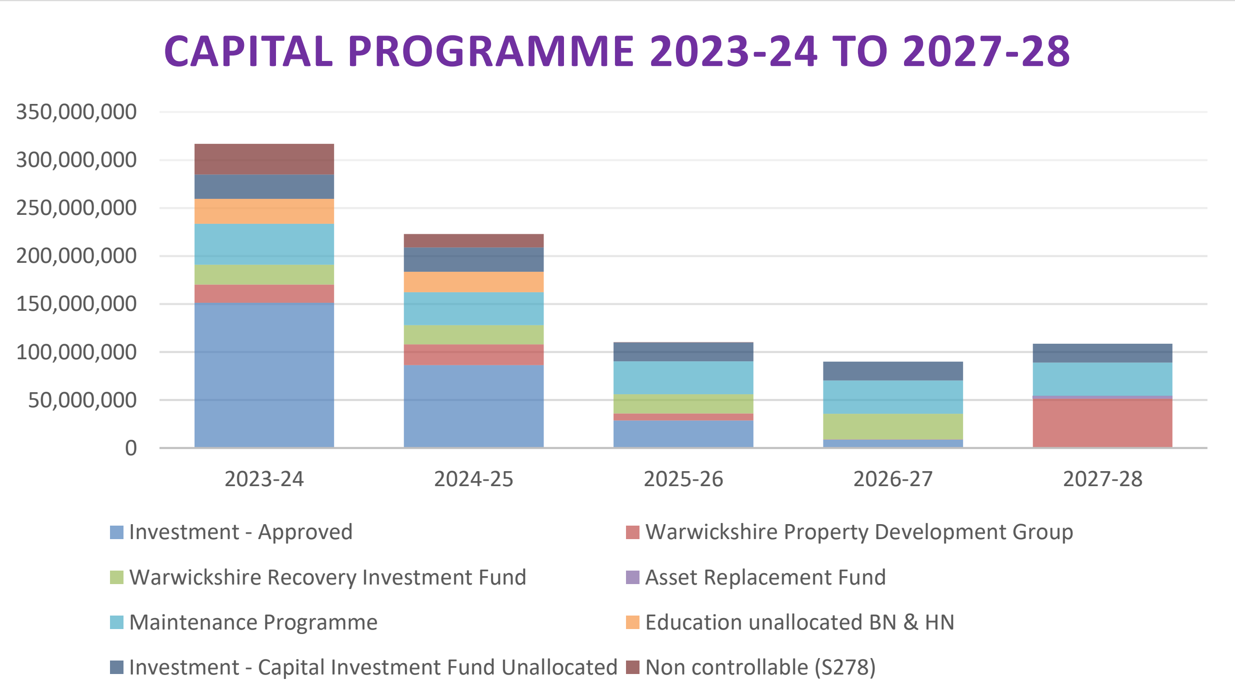
We operate a general de minimis of £6,000 on a project-by-project basis (£3,000 where the spend relates to primary schools or nurseries); expenditure below this level is treated as revenue and not part of the capital programme, unless under exceptional circumstances. Further details of our capitalisation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

Our Capital Programme

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

- Approved Maintenance Programme - Expenditure on existing assets to ensure they meet the requirements of service delivery, are fit for purpose, meet health and safety guidance, and reduce future costs.
- Approved Investment Programme - Expenditure on specific projects to meet strategic objectives and to enable the organisation to save revenue resources, including the Capital Investment Fund.
- Non-Treasury Capital Investments - To meet strategic aims. These investments could include loans towards capital expenditure incurred by external bodies or acquiring equity in Council subsidiaries or joint ventures.
- Corporate Capital Funds - Expenditure to enable the organisation to save revenue resources such as asset replacement and capital design funding.

The chart below shows our planned capital programme over the next five years across the four 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 2022/23 of around £100 million.



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 expenditure planned for 2023/24 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 Group and via the Warwickshire Recovery Investment Fund for the development of assets will form part of our capital programme.

Guiding principles for our Annual Capital Maintenance Spending

Each year the capital programme includes several 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 £33.081 million of which £11.253. million a year is funded from borrowing plus up to a maximum of £3.000 million from the Government's Schools Condition Grant received for schools and the grant received from Government for highways maintenance of £18.828. million. The split of this annual maintenance allocation between Services, including schools' elements, is shown below:

Maintenance Allocation	Borrowing £m	Grants £m	Total £m
Highways Maintenance and Street Lighting		18.478	18.478
Schools Building Maintenance	4.365	3.000	7.365
Non Schools Building Maintenance	2.322		2.322
Member's Area Delegated	2.189		2.189
Schools asbestos and safe water	0.816		0.816
Rural Services	0.390		0.390
Non Schools asbestos and safe water	0.356		0.356
Highways Maintenance - Casualty Reduction		0.350	0.350
Country Parks maintenance	0.219		0.219

Flood Defence	0.219		0.219
Adaptations to support child placements	0.137		0.137
Equipment for Fire Engines	0.131		0.131
Household Waste Recycling Centre	0.088		0.088
Gypsy & Traveller Services	0.022		0.022
Total Maintenance Programme	**11.253**	**21.828**	**33.081**

In addition to these core allocations a further £6.000 million, funded from corporate borrowing, has been set aside over the period of the MTFS and capital strategy to provide funding for inflationary increases in the capital maintenance programme.

Guiding principles for our Capital Investments

Capital Investment: Non-Schools

Any capital spending not included in the maintenance or asset replacement programmes 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 use a fast-track approach for schemes costing less than £2.0 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.

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.

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. 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 such as the 'Education Basic Need' grant 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 from developers for the provision of additional school places are made. 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**.

Capital Investment Fund

The Capital Investment Fund is a fund held separately within the capital programme, its purpose is to drive forward investment which supports the Council Plan and Delivery Plans. We would therefore expect to commission business cases to support investment in the following areas of focus set out in the Council Plan:

1) Create vibrant places with safe and inclusive communities
2) Deliver major infrastructure, digital connectivity, and improved transport options
3) Promote inclusive, sustainable economic growth, successful business, and future skills
4) Tackle climate change and deliver on our commitment to Net Zero
5) Deliver our Child Friendly Warwickshire strategy - Happy, healthy, safe children
6) Enable and support children and young people to have a high-quality education to achieve their potential and transform our Special Educational Needs and Disabilities provision
7) Support people to live healthy, happy, and independent lives and work with partners to reduce health inequalities

A draft pipeline of potential projects underpinning these areas of focus has been created, categorised and agreed. However, due to a number of un-costed projects remaining on the pipeline there is a high probability that the pipeline will exceed the available CIF resources over the MTFS period.

To ensure widespread support for the investment programme all proposals are subject to an officer led Capital Strategy Board endorsement evaluated over four distinct prioritisation and scoring criteria areas:

1) Outcome Impact
2) Financial Impact
3) Reputational Risk
4) Complexity prior

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. A summary of the evaluation criteria and their relative weighting is attached at **Annex A.**

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. The level of the Capital Investment Fund is reviewed on an annual basis to ensure it remains affordable.

Annex B lists our capital investment priorities flowing from the areas of focus outlined above.

Guiding Principles for Non-Treasury Capital Investments

The Council does not make commercial investments purely for the purpose of generating a financial return, this is prohibited under HM Treasury guidance and the CIPFA Prudential Code.

Where the approval of a Warwickshire Property and Development Group 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.

Where the approval of a Warwickshire Recovery Investment Fund 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.

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 Group

On 28 January 2021 Cabinet approved the first business plan for the Warwickshire Property and Development Group 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. This business plan is updated annually to reflect changing assumptions and direction of the Group and the latest proposals are reflected within the Capital Programme and Strategy.

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. Current estimates based on the 2023 WPDG business plan suggest £65.051m of lending to the company will be required over the period of the Medium-Term Financial Strategy.

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

On 17 June 2021 Cabinet approved the business plan for the Warwickshire Recovery and Investment Fund to support the Council's strategic place shaping agenda and its recovery and regeneration strategies in response to the economic impacts of the COVID-19 pandemic.

The fund totals £104 million of which £90 million constitutes capital expenditure which is required to be included in the capital programme and capital strategy including detail on how this will be funded. In order to mitigate risk and cashflow impacts of this lending the Council has provided to borrow externally to fund this activity and is therefore it will also be reflected in updated Treasury Management and Investment Strategies.

Current estimates based on the business plan suggest the full £90 million capital allocation will be utilised over the period of the Medium-Term Financial Strategy.

Guiding principles for our Corporate Capital Funds

Planned Asset Replacement Programme

In 2022/23 a new Asset Replacement Fund was created to alleviate pressure on service revenue budgets accumulating underspends to fund costs of replacing vehicles, plant and equipment and to avoid the depletion of capital resources set aside for investment. This will be funded from corporate borrowing.

A review was undertaken on remaining useful lives of our existing Vehicles, Plant and Equipment assets. Based on the analysis a £15.0 million allocation across the term of the Medium-Term Financial Strategy and Capital Strategy has been created. The fund is held corporately, and budget is allocated to services as and when required following completion of the agreed governance process.

A review of the fund balance is undertaken annually as part of the refresh of the capital budget to ensure the level of funding is consistent with the emerging needs from Service asset management plans. Following a review as part of 2023-24 budget setting a further £3 million has been added as a 2027-28 allocation.

Services are expected to use any sales proceeds from the disposal of those assets being replaced as a first call on funding the replacements, with the Asset Replacement Fund providing the difference.

Planned Asset Design Programme

A £4.0 million top slice from the available CIF funding has been used to establish an Investigation Design Fund (IDF). The IDF will allow managers to access resources to carry out the early work necessary as part of large scale, high value and/or high-risk schemes.

The fund will seek to reduce the risk of approving projects without fully understanding the true costs of delivery, and therefore lead to a reduction in the number of capital projects which request additional funding once in the delivery stage. This will be achieved via the introduction of a new, three stage approval process, part of which involves the use of the IDF to provide up-front funding for investigative work that is necessary to give greater cost certainty when a full business case is submitted for approval.

There may be occasions where projects receive IDF funding, but the project does not proceed, and no capital asset is realised. In these cases, abortive costs will have to be written off to revenue. It is proposed that an existing revenue reserve, the Capital Fund, is used to fund these abortive costs. Given the more rigorous pipeline process that has now been introduced it is anticipated that such occurrences will be infrequent.

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, unless previously earmarked, 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.

Grants and Contributions

The Council receives various capital grants and contributions from central government and other organisations such as developer contributions. These can be received for specific reasons and are therefore ring-fenced within projects or they can be for wider uses and therefore un-ringfenced and initially held until such time as a decision is taken to use them.

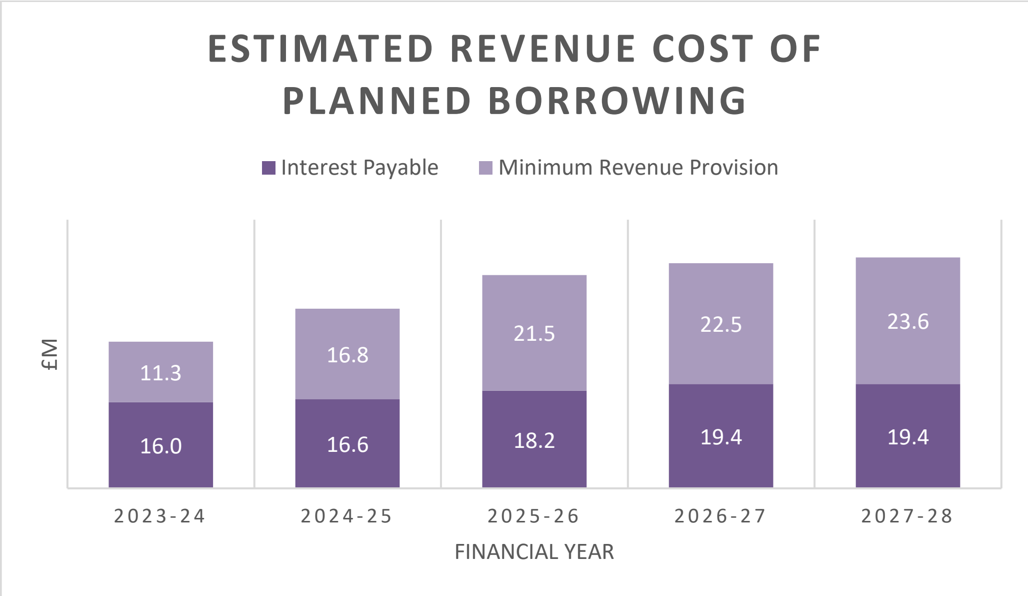
Our approach to enable flexibility in funding the capital programme is that specific grants and contributions are used first to finance spend before the used of un-ringfenced grants, capital receipts, revenue contributions and corporate borrowing.

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 £35.5 million borrowing each year is affordable within the 2023-28 Medium Term Financial Strategy and is deemed to be the minimum level of borrowing needed over the medium term to support the delivery of 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 42% over the period of the 2023-28 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 Group and Warwickshire Recovery Investment Fund 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 and Investment 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 bases and providing the additional infrastructure needed as a result of housing growth. New borrowing for capital investment is cash limited at £19.672 million. Where affordable, consideration will be given to using the additional revenue resources from growth in the tax base above the level assumed in the 2023-28 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 yet to be financed, similar to a house mortgage.

At 31 March 2022 our Capital Financing Requirement was £267.4 million. The Council sets aside annual amounts from its revenue budget called Minimum Revenue Provision of currently circa £11.0 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 because of increasing capital programme activity.

The planned annual increase in borrowing of £35.5 million plus the WPDG and WRIF loan facilities 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.

Debt Capacity

The council's current external debt is £321.4m. The amount of debt that an organisation can take without jeopardising its financial position is, as the name suggests, referred to as its debt capacity. In practical terms it means the organisation can meet its financial obligations over the short, medium and long-term, without any operational setback.

Debt capacity is not just an important concept for organisations, whether they be companies or local authorities. It is also a critical metric for lenders and other stakeholders. Lenders use the same concept before approving a loan to ensure a borrower can handle a particular level of debt. For local authorities this principle is underpinned by the Prudential Code and the Public Works Loan Board (the main source of external debt for local authorities), which governs the financing of local authority capital expenditure.

The table below therefore shows the debt capacity for a basket of selected indicators at the shire county average and upper quartile levels and then the average of WCC's implied debt capacity.

Ratio	Shire County Average Implied Debt Capacity £m	Shire County Upper Quartile Implied Debt Capacity £m
Debt to total asset ratio	364	434
Debt to usable reserves ratio	278	353
Debt service coverage	347	452
CFR to usable reserves	434	509
CFR to total asset ratio	571	656
CFR to council tax income	507	639
Basket average	**417**	**507**

Therefore, based on these ratios, with Warwickshire's current Capital Financing Requirement at £267.4 million, there is capacity to increase the CFR by:

1) a further £150 million to the shire county average of £417 million, or;
2) a further £240 million to the upper quartile level of £507 million.

However, as the council is currently £54 million overborrowed this would suggest our capacity to increase actual external borrowing is between **£96 million** and **£186 million**.

Accounting for Leases

On 1 April 2024 the Council is required to 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 12 months.

From 1 April 2024 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 2024/25 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. Therefore, there will be no impact on available capital resources or the capital financing requirement from this new accounting requirement.

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 with 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.

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.

The procedures and mechanisms used to assist officers and members in managing the capital programme are subject to review with an aim of continual improvement. A widespread review of the management of the capital programme is currently underway and implementation of improvements will commence in 2023/24.

Appendix E

Annex A

Summary of Capital Investment Fund Scheme Evaluation Criteria

The high-level weighted criteria under which all technical evaluations of investment bids will be assessed are:

1) 40% - Evidence of Measurable Benefits and Change
2) 40% - Finance, Project Management and Risk
3) 10% - Levelling Up
4) 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 Capital Gateway Group which will ensure that the commissioning/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;
- 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; and
- Comparison to the level of the remaining unallocated investment fund to understand the optimum investment given limited resources available.

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 and non-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 contribution the new asset can make to addressing the Climate Change Emergency

The results of this evaluation process are taken forward to Capital Strategy Board 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. 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.

Appendix E

Annex B

Capital Investment Priority Outcomes

The table below sets out the Council's capital investment priorities. A pipeline of potential investment bids has been formulated, aligned to this priority list. The next stage is for business cases to be completed that demonstrate the contribution of the new assets to the delivery of the corporate outcomes and the delivery plans, 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
Best Lives	✓ Quality and accessible education spaces for all school children in Warwickshire to ensure education place sufficiency ✓ 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
Sustainable Futures	✓ 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 ✓ 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
Thriving Economy and Places	✓ 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 ✓ Initiatives which contribute towards employment skills and skills development ✓ Building stronger communities by helping communities to help themselves ✓ Improvements the Fire and Rescue Service aspects of our estate
Invest to Save	✓ 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 ✓ Better ways of delivering services, such as libraries and heritage/culture

Appendix E

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.

The LFRMS is in the early stages of a review and refresh, however additional locations may be prioritised for a potential scheme should a flood event occur that was not captured in the ranking, but would make the location high risk.

Household Waste Recycling Centres (HWRC) and Transfer Stations

Prioritisation Methodology

Maintenance will be prioritised as follows:

a) Health and Safety and wellbeing – 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.

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 data is further measured through a scoring system (embedded below), to give a total weighted score which then ranks the items to be addressed in priority order. 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.

Appendix E

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.

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.

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

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.

Climate Change Emergency

The Council is committed to reaching net zero carbon by 2030, by reducing our energy consumption through improving the energy efficiency of our buildings and making our corporate buildings carbon neutral; and substantially increasing our renewable energy generation.

All capital maintenance works carried out on Buildings, Asbestos and Safe Water will follow their condition-based prioritisation methodology, they also will strive to address the Climate Change Emergency strategy by ensuring the design solutions align to the target of reaching net zero carbon by 2030.

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 and is also used to procure equipment if required following National Fire Chiefs Council guidance following a major incident.

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 and Investment Strategy
- Minimum Revenue Provision Policy

Other relevant strategies, plans and documents

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

Cabinet

27 January 2023

Allocation of 2023/24 Dedicated Schools Grant

Recommendations

That Cabinet:

1. Approve the allocation of the Schools Block DSG, as outlined in Section 3.
2. Approve the Early Years Block DSG allocation of funding for all early years providers as outlined in Section 4.
3. Approve the allocation of the High Needs DSG budget for 2023/24, as set out in Section 5.
4. Support the proposals for allocating the 2023/24 Central School Services DSG budget, as set out in Section 6.

1. Purpose of the Report

1.1. The Dedicated Schools Grant (DSG) is the ringfenced grant from Government that provides each local authority with an allocation of funding for schools and services for pupils.

1.2. The report outlines the 4 blocks of the DSG, and the current proposals to allocate the provisional DSG allocation. Warwickshire Schools Forum received these proposals at the meeting held on 12 January 2023, and subject to Cabinet approval, they will be confirmed at the Schools Forum meeting on 23 March 2023.

1.3. Full Council will approve the 2023/24 budget resolutions on Tuesday 7 February 2023 which allocates resources to schools and other educational settings in accordance with the National Funding Formula (NFF) for schools and early years settings. There is an expectation in the annual budget that the cost of schools and educational settings will be contained within the level of the DSG, but a reserve has been created to support a deficit if spending continues at the levels currently estimated without further external funding and/or recovery plan activities do not deliver cost reductions.

2. Dedicated Schools Grant

2.1. Whilst the DSG is often referred to as a single grant it is, in fact made up of four blocks with minimal flexibility to move funding between the blocks. Therefore, in considering how the DSG is allocated it is necessary to consider each block separately.

2.2. The provisional 2023/24 DSG allocation of £562.346m, split across the four blocks by the Education and Skills Funding Agency (ESFA) is set out in Table 1.

Table 1: 2023/24 DSG Allocations	**£m**
Schools Block	425.638
Early Years Block	37.924
High Needs Block *(Note 1)*	94.682
Central Schools Services Block	4.102
Total DSG Allocation 2023/24	**562.346**

Notes

1. Provisionally, the amount of the 2023/24 High Needs Block DSG allocation that will come to the authority is £78.842m. The Education and Skills Funding Agency (ESFA) will top slice £15.840m to allocate directly to non-maintained providers. Similarly, £280.555m of SB funding will be paid by ESFA direct to Academy Schools.

2.3. The rest of this section outlines the powers and responsibilities of the Local Authority and Schools Forum in relation to DSG allocations before the rest of this report covers the basis of allocations in each of the blocks separately.

2.4. Please note that in last financial year, the DfE allocated a Schools Supplementary Grant which was allocated as a separate grant outside of the DSG allocation. For the financial year 2023/24, this funding has been rolled into the DSG allocation.

2.5. Schools Block

It is the responsibility of the County Council to propose and decide any changes to the formula which is used to allocate Schools Block DSG to all primary and secondary schools. The Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

2.6. Early Years Block

Funding rules require that the whole of the funding allocation for 2 year olds to be passported to all early years providers offering places for 2 year olds.

The local authority must passport a minimum of 95% of funding for the universal 15 hour entitlement for 3 and 4 year olds and the additional 15 hours entitlement for 3 and 4 year old children of eligible working parents directly to settings. This means up to 5% can be retained by the Council to fund early years functions delivered by Education Services.

It is the responsibility of the local authority to propose and decide the allocation of Early Years Block funding. Schools Forum and an Early Years Working Group are consulted annually and given an opportunity to give their view on the local authority proposal.

2.7. High Needs Block

The High Needs Block supports provision for children and young people with special education need and disabilities (SEND). The High Needs Block also provides the resources for place funding, top-up funding for institutions and funding for high need services delivered by the local authority.

It is the responsibility of the local authority to propose and decide the allocation of High Needs Block funding. Schools Forum is consulted on any proposed changes and informs the governing bodies of all consultations.

2.8. Central School Services Block

The Central School Services Block provides funding for the local authority to carry out central functions on behalf of pupils in both maintained schools and academies. Services are split between ongoing and historic responsibilities.

The local authority proposes the spending allocations funded from the Central School Services Block, but the final decision is made by the Schools Forum.

3. Schools Block National Funding Formula 2022/23

3.1. The Schools Block DSG allocation for 2023/24 is £425.6 million which is an increase of £28.8 million (7.26%) from the equivalent 2022/23 allocation and is mainly due to increase in pupil numbers.

3.2. The total Number on Roll for 2023/24 has increased by 1,316 pupils (1.70%) above 2022/23 pupil numbers. Table 2 shows the Number on Roll changes by phase.

Table 2: Changes to the Number on Roll between 2021/22 and 2022/23 October Census Points	
	Total on roll
Primary Pupils	368
Secondary Pupils	948
	1,316

3.3. In addition, the minimum pupil funding for 2023/24 has increased to £4,405 for Primary Schools and £5,715 for Secondary school compared to £4,265 in Primary Schools and £5,525 in Secondary Schools for 2022/23. This represents an increase of 3.03% above 2022/23 funding levels mainly due to the Supplementary grant paid in 2022/23 being rolled into the school NFF for 2023/24.

3.4. Note that also, pupil led funding formula factors were increased by between 2.17% and 3.85% above 2022/23 funding levels. The Minimum Funding Guarantee has been set at +0.50%.

The Schools Block DSG allocation for 2023/24 means the Local Authority can fully implement the ‘hard’ National Funding Formula (NFF) in 2023/24 as follows:

- Set the Age Weighted Pupil Unit (AWPU) rate in line with the ‘hard’ NFF.
- Use all Deprivation rates (Free Schools Meals and Income Deprivation Affecting Children Index) in line with the ‘hard’ NFF.
- Allocate funding for English as an additional language for the maximum 3 eligible years in line with the ‘hard’ NFF.
- Prior attainment set at 100% in line with the ‘hard’ NFF.
- All schools are allocated a lump sum of £127,500, in line with the ‘hard’ NFF.
- Split sites allocated £38,500 per site and this is a local factor.
- Business Rates are fully funded, and this is mandatory.
- Funding to meet minimum per pupil funding (£4,265 for primary school pupils and £5,525 for secondary school pupils) in line with the ‘hard’ NFF.
- Set the Minimum Funding Guarantee at +0.50% in line with the ‘hard’ NFF.

- Allocate £3.5m to the Growth Fund, as approved at Schools Forum on 12 January 2023.

3.5. A breakdown of the movements in the NFF factors between 2022/23 and 2023/24 is shown in Table 3 below.

Table 3 NFF movements					
Factor	**2022/23**	**2023/24**	**Difference**	**Difference**	**Reason for Change**
	£m	**£m**	**£m**	**%**	
Age Weighted Pupil Unit (AWPU)	301.2	324.2	23.1	7.66%	Pupil led factor and increase in rates. 23/24 rates include Supplementary grant funding as per NFF guidance
Deprivation	25.4	29.6	4.2	16.48%	Pupil led factor and increase in rates. 23/24 rates include Supplementary grant funding as per NFF guidance
English as an Additional Language	2.5	3.1	0.6	23.32%	Pupil led factor
Mobility	0.0	0.1	0.1	100.00%	As per NFF requirement
Prior Attainment	25.1	26.5	1.4	5.44%	Pupil led factor
Lump Sum	28.0	29.6	1.6	5.64%	Lump sums rates include part of Supplementary grant as per NFF guidance
Split Sites	0.2	0.2	0.0	0.00%	No change
Sparsity	1.0	1.1	0.1	6.80%	Increased rate
Rates	3.7	3.7	0.0	0.00%	Actual costs of rate bills are fully funded
Minimum Pupil Funding	6.8	3.9	-3.0	-43.28%	As other factors increase there is less need to protect schools through this factor
Minimum Funding Guarantee	0.6	0.2	-0.4	-61.67%	As other factors increase there is less need to protect schools through this factor
Growth Fund	2.3	3.5	1.2	50.76%	Increase in pupil number for bulk classes
Total	**396.9**	**425.6**	28.8	7.26%	*note that numbers may be impacted by roundings*

3.6. At their 12 January 2023 meeting, Schools Forum recommended that Cabinet approve the following in relation to the Schools Block allocation for 2023/24. Please note that this is subject to the ESFA verifying our schools funding submission which needs to be submitted by Friday 20 January 2023. Schools Forum will therefore receive the final budget position at the March meeting.

- The lump sum in 2022/23 is £121,300 per school in line within the NFF. Local Authorities can increase this to a maximum of £175,000, subject to affordability, in 2023/24. Schools Forum recommend that Cabinet approves an increase in the lump sum for 2023/24 to £127,500 for all mainstream schools and academies. Note that £3,680 of this increase relates to the mainstreaming of the supplementary funding which was provided as a separate grant in 2022/23.
- Schools Forum do not recommend an increase of any factor beyond that within the NFF as this would only benefit some schools and not all of

them. Schools who are protected, either through the minimum per pupil funding or minimum funding guarantee, do not generally benefit from any factor increases. This is because an increase in a factor would be offset by an equal and opposite decrease in either their minimum per pupil funding or minimum funding guarantee protection.

- The aim of ESFA approach for rolling the 2022/23 supplementary grant into the schools' NFF in 2023.24 is to ensure that the additional funding that schools attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as a separate grant in 2023/24, without adding significant additional complexity to the formula. In line with the guidance, Schools Forum recommend that the previous supplementary grant is 'rolled in' in three ways, to reflect the three different ways in which schools attract funding through the NFF.
  - Adding £97, £137 and £155 to the primary, key stage 3 and key stage 4 per pupil funding factors respectively
  - Adding £85 and £124 to the primary and secondary FSM6 factors.
  - Adding £3,680 to the school lump sum

3.7. Schools Forum's recommendations amount to a full implementation of the 'hard' National Funding Formula which has been the direction of both Schools Forum and the Council for a number of years.

3.8. Within National Funding Formula guidelines, a Local Authority can transfer up to 0.5% from the Schools Block to the High Needs Block. Following an annual consultation with schools, unlike 2021/22 and 2022/23, Schools Forum did not approve the transfer of any of the Schools Block DSG to the High Needs Block DSG in 2023/24 at their extraordinary meeting in November. The primary reasons for this decision were:

- the current pressures faced by school budgets (and the wider economy) during the current 'cost of living' crisis and rising inflation
- the impact that the transfer would have had on reducing many Individual School Budgets (ISB)

4. Early Years Block National Funding Formula 2023/24

4.1. The Early Years Block element, within the Dedicated Schools Grant (DSG) funds the universal provision for all 3 and 4 year old children as well as the early years provision for disadvantaged 2 year old children.

4.2. Following the Government's consultation during last summer, more up to date data sets will now be used by the Government for the early education entitlements for children aged 2, 3 and 4. This change will help the funding system to be fair, effective, and responsive to changing levels of need.

4.3. From the 2023/24 financial year funding early years grants will be mainstreamed, bringing early years in line with schools and high needs, making it easier for institutions to manage their finances. For schools, teachers' pay and pensions grants funding will be within baseline grants. For maintained nursery schools teachers' pay and pensions grants will be allocated through their school supplementary funding (see below).

Allocations for 2 year olds

4.4. The hourly allocation for 2 year olds has increased by 24p per hour from £5.66 per hour in 2022/23 to £5.90 per hour in 2023/24. This represents a 4.24% increase above the 2022/23 funding allocation.

4.5. Funding rules requires the whole of this funding is passported to all early years' providers offering places for 2 year olds.

Allocations for 3 and 4 year olds

4.6. All children in England and Wales are entitled to 15 hours of free nursery education per week, 38 weeks a year from the term after their third birthday until they reach statutory school age. Parents may choose to take this up in a maintained school, nursery or in a private, voluntary or independent sector (PVI) early year setting or with a childminder.

National Funding Formula Guidance

4.7. The Early Years National Funding Formula allocates funding to Local Authorities using an hourly rate. 95% of this must go directly to providers either as a universal rate or as the mandatory supplement for deprivation, and 5% can be retained by the Local Authority to fund central early years functions (since 2018/19). The formula also may have a fixed number of supplements in addition to the required deprivation factor.

4.8. The ESFA announced in December 2022 early years allocations for 2023/24 and the Early Years Working Group met on Wednesday 4 January 2023 to discuss the allocation of funding for 3 and 4 year olds and to make a recommendation to Schools Forum.

4.9. The hourly allocation for 3 and 4 year olds has increased by 26p per hour from £4.61 per hour in 2022/23 to £4.87 per hour in 2023/24, which includes £0.03 for the teachers' pay and pensions grants. This represents a 3.5% increase to the 2022/23 funding allocation.

4.10. A breakdown of how Schools Forum recommend that the £4.87 is allocated in set out in Table 4 below:

Table 4: Breakdown of Hourly rate			
Factor	**2022/23 Allocation Per Hour, £**	**2023/24 Allocation Per Hour, £**	**Increase, £**
Total for 3 and 4 Year Olds	**4.61**	**4.87**	**0.26**
Universal rate allocated to all providers	4.30	4.51	0.21
Teachers' Pay and Pension Grants	0.00	0.03	0.03
Deprivation Supplement	0.08	0.09	0.01
Central Provided Services (5%)	0.23	0.24	0.01

Supplementary Funding for Maintained Nursery Schools (MNS)

4.11. Maintained nursery schools has been receiving supplementary funding in recognition of their structural costs. This funding is allocated to the MNSs outside of the main early years formula allocation.

4.12. From 2023/24 ESFA have reformed the distribution of MNS supplementary funding to ensure that it is being shared more evenly across all local authorities with MNSs. As consulted on over the summer, ESFA have now introduced a minimum and a cap on the hourly funding rate that local authorities can receive for their MNSs. In 2023/24, the minimum hourly rate is £3.80 and the cap has been set at £10 per hour. The ESFA have also mainstreamed the funding that MNSs previously received through the teachers' pay and pensions grants, so it has now been rolled into the supplementary funding allocation.

4.13. The supplementary funding rate for Warwickshire has been set at £3.80 by the ESFA and must be paid to 6 Maintained Nursery Schools for the Universal funded hours.

4.14. Although this represents the minimum hourly funding rate set by the ESFA, it is an increase of 44p for WCC (before taking into account the teachers pay and pensions grant that will be rolled into the supplementary funding).

5. High Needs DSG Budget Allocations 2023/24

5.1. The 2023/24 allocation for High Needs Block DSG is £94.682m. This represents a £8.651m increase on the equivalent allocation for 2022/23. Of the total allocation of £94.682m the ESFA will top slice and allocate £15.840m direct to academies for high needs places. The allocation available to the local authority to manage is therefore £78.842m.

5.2. The High Needs Block allocation will be distributed to individual service budgets, taking into account both expenditure requirements and savings requirements (based on workstreams and interventions within the SEND and Inclusion Change Programme (DSG High Needs Recovery Plan).

5.3. High Needs Block funding is based on SEND pupil numbers at October 2022 in mainstream; special and resourced provision, maintained schools and academies, and SEND pupil numbers at January 2022 in independent provision. The funding is made up as follows:

- Basic entitlement factor funding at £4,711 per pupil, adjusted for area costs. This is an increase of £0.391m above 2022/23 per pupil funding.
- Historic spend factor. This amount is maintained at a cash-flat level and accounts for 85% of the total high needs allocation. The remaining amount of overall funding is distributed to local authorities using the following proxy indicators:
  - 2–18 year old population
  - deprivation
  - health and disability
  - low attainment
- The formula then applies the protection of a funding floor to all elements except the basic entitlement factor.
- Hospital education funding is added.
- Import/export adjustments are made mid-year to reflect the transfer of pupils with SEND into and out of the County
- Additional funding for Special Free Schools

5.4. The 2022/23 Quarter 3 forecast figures reported to Cabinet elsewhere in this Cabinet's agenda, forecasts a 2022/23 High Needs Block in year overspend of £4.939m. It is recognised that nationally pressures on the school system, and the high needs budget in particular, are an issue; and Local Authorities continue to raise this with Central Government.

5.5. With the Government requiring all schools and early years services to be provided within the level of DSG allocated, more still needs to be done to ensure the budget for these services is robust and sustainable. The SEND and Inclusion Change Programme sets out Warwickshire's plan towards how the DSG can be brought back into balance. Whilst further stages of the plan are developed and implemented, and/or the Government brings forward proposals for funding DSG deficits at a national level, sufficient funding will be set aside in reserves, as per the Table 5 below, to create an equal and opposite position to offset the projected deficit until a sustainable solution is in place.

Table 5: DSG Offset Reserve	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**
Opening Balance	21.650	26.505	32.497	34.891	36.285
Contribution to Reserve	4.855	5.992	2.394	1.394	1.394
Closing Balance	26.505	32.497	34.891	36.285	37.679

6. Central Schools Services Block 2023/24

6.1. The allocation to the Central School Services Block (CSSB) is £4.102m in 2023/24. This represents a £0.026m decrease on the 2022/23 figure. CSSB funding is allocated partly for historic commitments and partly for ongoing functions relating to both maintained schools and academies.

6.2. For Warwickshire's historic commitments allocation, this was due to be reduced by 20% from 2022/23 but a successful appeal to the ESFA has meant that the funding of £1.003m is same as 2022/23. The cost of the historic commitments has similarly remained static.

6.3. Funding for ongoing functions is allocated using a pupil-led formula. based on October 2022 pupil numbers and comprises a basic per-pupil amount. This has been reduced from £40 to £39 for 2023/24. The effect of this reduced rate has been mitigated by the increase in overall pupil numbers as detailed in Table 2 above.

6.4. The decision on the use of the CSSB is one for the Schools Forum. The CSSB allocations for 2023/24 will be confirmed by the Schools Forum at their meeting on 23 March 2023.

7. Financial Implications

7.1. In addition to the financial implications which are within the body of the report. the following paragraphs are for noting:

7.2. While Councils are not permitted to fund DSG overspend from funding outside of the ringfenced DSG grant without Secretary of State approval, the issue of the terms and conditions of the DSG conflicting with accounting standards and audit requirements has determined the need for the DSG offset reserve. Section 5.5 details the building of this reserve. This reserve will be released to the General Reserve if funding or spending varies positively from estimates.

7.3. It should be noted that the ESFA has indicated that any local authorities overspending their overall DSG by more than 1% in 2022/23 is expected to have a recovery plan that they may request a copy of. As at Quarter 3 forecasting. Warwickshire is projecting an overspend of 0.9%. Warwickshire, within the remit of the SEND & Inclusion Change Programme, is maintaining a DSG recovery plan and ensuring that it is updated annually so that it remains a 'live' plan.

7.4. This demand and cost pressures, alongside the need to deliver material savings and manage future demand to bring the budget back into balance, means the High Needs Block DSG remains an area that requires close oversight. Progress on the recovery plan will continue to be reported to Cabinet and to Schools Forum as appropriate.

7.5. A High Needs Block DSG deficit is not unique to Warwickshire and reflects a major national problem. The Council welcomes the additional DSG funding from Central Government, especially in relation to SEND, and this has helped to reduce the overall growth in the projected deficit, but it doesn't fully address the remaining gap in High Needs Block funding. A sustainable funding model needs to be implemented by Central Government.

8. Environmental Implications

8.1. There are no specific environmental implications arising from the decision being made as part of this report.

9. Background Documents

None

10. Supporting Papers

- Schools Forum 12 January 2023

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

Cabinet

27 January 2023

Treasury Management Strategy and Investment Strategy

Recommendations

That Cabinet recommends to Council that it approves:

1. The Treasury Management Strategy for 2023/24 (Appendix 2) with effect from 1st April 2023.

2. The Investment Strategy for 2023/24 (Appendix 3) with effect from 1st April 2023.

3. Requiring the Strategic Director for Resources to ensure that gross borrowing does not exceed the prudential level specified (Appendix 2, Section 3.22, Table 12 “Authorised Borrowing Limit”).

4. The revised lending limits for the Warwickshire Property Development Group (Appendix 3 Annex 7).

5. The revised lending limits for the WRIF(Appendix 3 Annex 7).

6. Requiring 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).

7. Authorising the Strategic Director for Resources to undertake delegated responsibilities in respect of both strategies (Appendix 2, Annex 7, and Appendix 3, Section 2.5).

8. Requiring the Strategic Director for Resources to implement the Minimum Revenue Provision (MRP) Policy (Appendix 2, Section 2.11).

9. Requiring the Strategic Director for Resources to enact an early payment of pension fund contributions subject to the conditions set out in Appendix 1, Section 5.14 being met.

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 Treasury Management activity in the years prior to 2022 has focused on managing the significant cash balances of the Council in secure and liquid settings as needed.

1.4 Thanks to these high cash balances, no borrowing has been required to finance the capital programme of the Council.

1.5 2021/22 and 2022/23 has seen the launch and full year activity of 2 new strategic investments made by the Council:

- Warwickshire Recovery Investment Fund (WRIF); and
- Warwickshire Property and Development Group (WPDG).

1.6 The financial year 2022/23 has seen 2 very different periods of economic activity; the first half of the year saw the tail end of the Covid-19 pandemic as the country returned to normal, while the second has seen political instability and huge fluctuations in economic markets.

1.7 These economic circumstances in the second half of the year so far have caused a dramatic rise in inflation, reaching a 41 year high, and also a rise in interest rates from the lows of the Covid-19 Pandemic. The impact of these on treasury management returns will prove significant in the second half of the year.

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 driven by "internal borrowing" whereby the Council makes use of temporarily available cash balances in order to reduce the amount of external borrowing required to support new investment. This approach is taken because internal borrowing is cheaper than external borrowing. Appendix 2 Table 7 shows how the position will move in this direction and become "under borrowed" (i.e. the Council will be borrowing both externally and internally rather than just externally).

2.2 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 investments in WPDG and the WRIF.

Changes to the Prudential Code and Treasury Management Code.

In December 2021 CIPFA published a revised Prudential Code and Treasury Management Code to be adopted by 2023/24. The relevant changes to these codes regarding this strategy are:

- Revised Prudential Indicators to show affordability and prudence;
- Liability Benchmark introduced as an indicator;
- Inclusion of ESG considerations in credit and counterparty polices;
- Knowledge and Skills schedule to the included in reporting and strategy;
- Revised definitions of the term "investments";
- Non-Treasury Activity to have a separate policy document; and
- Local Authorities must not borrow to invest for the sole purpose of financial return.

Other changes to Treasury Management Practices include:

- Extended time periods for investment counterparties; and
- Extended amount limits for investment sectors.

Interest Rates

2.3 Interest rates are very volatile. The outlook for 2023/24 is for rates to rise and peak during the year before settling. The bank rate rose to 3.5% in December 2022 in a further effort to slow the rapid rise in inflation. The rates at which local authorities can borrow from the Public Works Loan Board (PWLB) have risen from historic lows at the end of 2021/22 to far higher cost of borrowing, in line with the trend in interest rates.

2.4 Interest returns received on treasury investments will fluctuate during the year as the economy begins to stabilise after a period of volatility. However, compared to previous years the treasury management returns are expected to be higher than the last 2 years due to the significant increase in interest rates following the Pandemic.

2.5 The increase in non-treasury investments will provide a financial benefit by providing greater returns than treasury investments and greater returns than PWLB borrowing, but at greater risk.

Borrowing

2.6 PWLB borrowing is expected to be more expensive than in previous years (Appendix 2 Section 3). A key requirement 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"); and
- By making non-treasury investments that meet PWLB lending criteria (Appendix 3, Annex 1).

2.7 The current borrowing maturity profile includes a concentration of debt due to be repaid around 2050-2060 (Appendix 2 Annex 2). When new borrowing is taken out the opportunity will be taken to consider spreading out the maturity profile more evenly.

2.8 Limits for borrowing have been set based upon expected levels of investment, including an "Authorised Borrowing Limit" which cannot be exceeded (Appendix 2, Table 12).

Pension Contributions

2.9 The Council will consider a payment of its 3-year pension fund contributions (for the valuation period 2023/24-2025/26) in one lump sum at the start of the valuation period. An early payment in April 2023 would be given a discount rate compared to cash payments made at normal monthly intervals.

2.10 The benefits for making this early payment include a gross saving of £6m total cash contributions over the 3 year period. A net one off saving is possible after having regard to the reduced Treasury Management returns should the payment be made.

2.11 Various costs and risks need to be considered if making an early pension contribution payment, these are set out in Section 5 of Appendix 1.

2.12 The payment will only be made based on the several conditions being met. These are listed in Section 5.14 of Appendix 1.

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

3.1 The significant non-treasury developments, WPDG and WRIF, will continue in full operation in 2023/24. Both initiatives have refreshed strategies, including a reduction of the total WRIF budget as per the WRIF Business Plan. These initiatives continue to create non-treasury investments on a significant scale that will be funded from internal and external borrowing.

3.2 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 objectives of the WPDG and WRIF reflect this requirement, and are set out in their respective strategies.

3.3 The Council holds a small amount of other non-treasury investments, all related to the delivery of service objectives (Appendix 3, Section 14). These are already fully funded or otherwise paid for, 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; and
- Holding a land bank of investment properties.

Risk

3.4 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 (as set out in Appendix 3, Annex 2 – Annex 4). In addition, more detailed requirements may be determined for specific funds and incorporated into the approval of those funds.

3.5 Investment risk and return are linked, with higher risks typically being rewarded by higher returns. How financial risk 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.

3.6 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).

3.7 The reasons for the differences are:

- Treasury investments prioritise security and liquidity 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 although they are made with the primary purpose of delivering organisational objectives, and not purely or primarily to make a financial return, they are assumed to retain or increase their original asset value and are assumed to provide a more

significant financial return than traditional treasury investments. 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.

3.8 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 into 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.

3.9 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.

3.10 Aside from the risks associated with any 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 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

3.11 The Investment Strategy has been updated to have regard to revised investment plans, including the relevant Prudential Indicators (Appendix 3 Annex 7) that place limits on gross and net investment.

3.12 The gross amount that may be invested in each fund annually is controlled by 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 lower than expected due to repayment defaults, this would trigger a review of future gross investment limits.

3.13 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; and
- the amount of a fund that may be debt or equity investment.

3.14 The “Authorised Borrowing Limit” set within the Treasury Management Strategy (Appendix 2, Table 12) includes borrowing required to service these investments.

3.15 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 to retain access to PWLB lending. The Government has specified the kinds of investment that may be made (Appendix 3 Section 3). 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 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

3.16 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 Timescales Associated with Next Steps

6.1 The Treasury Management Strategy and Investment Strategy will, subject to approval by Council, come into effect on 1st April 2023.

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:
Local Member(s): None.
Other members: Councillors Jonathan Chilvers, John Holland, and Jerry Roodhouse

Appendix 1

Explanation of Capital Expenditure, Treasury Investments, and Non-Treasury Investments

	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 to meet service objectives and/or commercial objectives
Investment Timescales	Long term	Short-term (up to 1 year)	Short term through to exceptionally 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 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 must be accounted for as such. • Will also feature in the Treasury Strategy where the investment drives borrowing or the use of cash balances.

	Capital Expenditure	Treasury Investments	Non-Treasury Investments
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	• Pre-existing non-treasury investments (e.g. land bank, companies such as ESPO, loans to Educaterers, and loans made via CWRT). • WPDG

Appendix 2

Treasury Management Strategy Statement

Warwickshire County Council
2023/24

1.0 Introduction

Background

1.1 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."

1.2 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 and managed 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.

1.3 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.

1.4 The contribution the Treasury Management function makes to the authority is critical, as the balance of debt and investment operations ensure cash liquidity and 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.

Treasury Management reporting

1.5 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.

d.) **Scrutiny -** The above reports are scrutinised by the Resources and Fire and Rescue Overview and Scrutiny Committee.

e.) **Quarterly reports** – In addition to the three major reports detailed above, from 2023/24 quarterly reporting is also required. However, these additional reports do not have to be reported to full Council/Cabinet but do need to be adequately scrutinised. This role is undertaken by the Resources and Fire and Rescue Overview and Scrutiny Committee.

Capital Strategy and Investment Strategy

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

1.6.1 **Capital Strategy -** The CIPFA 2021 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 strategy is to ensure that all the Council's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite.

1.6.2 **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 three 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.

1.7 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.

Treasury Management Strategy for 2023/24

1.8 The strategy for 2023/24 covers two main areas:

a.) Capital considerations -
- Capital expenditure plans and the associated prudential indicators; and
- Minimum revenue provision (MRP) policy.

b.) Treasury Management considerations -
- The current Treasury position;
- Treasury indicators which limit the Treasury risk and activities of the Council;
- Prospects for interest rates;
- Borrowing Strategy;
- Policy on borrowing in advance of need;
- Debt rescheduling;
- Investment Strategy;
- Creditworthiness policy; and
- The policy on use of external service providers.

1.9 These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.10 The Treasury Management scheme of delegation, and responsibilities of the Section 151 officer are set out in Annex 6 and 7 respectively.

Training

1.11 The CIPFA Treasury Management Code requires the responsible officer to ensure that members with responsibility for Treasury Management receive adequate training in Treasury Management. This especially applies to members responsible for scrutiny.

The following is carried out to monitor and review knowledge and skills:

- Planned and recorded attendance at training and events.
- Tailored learning plans for Treasury Management officers and board/Council members.
- Treasury Management officers and board/Council members undertake a self-assessment against the required competencies.
- Regular communication with officers and board/Council members to highlight training needs on an ongoing basis.

A formal record of the training received by officers central to the treasury function will be maintained by the treasury team. Similarly, a formal record of the Treasury Management/capital finance training received by members will also be maintained by the Treasury Manager. Both records will be included in Treasury Management Outturn reports at the end of the financial year.

Treasury Management Consultants

1.11 The Council currently contracts Link Group, Treasury Solutions as its external Treasury Management advisers.

1.12 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 our external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, our Treasury advisers.

1.13 It also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources as and when required. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly contracted, agreed and documented and subjected to regular review.

1.14 In respect of non-Treasury investments, two advisers are used for access to specialist skills and resources. These are detailed in the Investment Strategy and the contracts remain separate to the above treasury adviser contract at all times.

2.0 The Capital Prudential Indicators 2023/24 – 2025/26

2.1 The Council's capital expenditure plans are the key driver of Treasury Management activity. The outputs of the capital expenditure plans are reflected in the prudential indicators (Annex 1), which are designed to assist members to review and confirm capital expenditure plans.

Prudential Indicator - ***Capital Expenditure and Financing***

2.2 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. Members are asked to approve the capital expenditure forecasts:

Table 1 – Total Capital Programme

£000's	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital Expenditure	115,343.67	277,242.12	181,276.51	82,427.25	63,135.61	57,329.40
Non-Treasury Investment WPDG*	-	19,101.40	21,762.84	7,610.72	242.41	16,334.00
Non-Treasury Investment WRIF*	2,500.00	20,600.00	20,000.00	20,000.00	26,500.00	-
Total	**117,843.67**	**316,943.52**	**223,039.36**	**110,037.96**	**89,878.02**	**73,663.40**

***WPDG Warwickshire Property and Development Group**

***WRIF Warwickshire Recovery and Investment Fund BIG and PIF Pillars**

2.3 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 to fund the shortfall.

Table 2 – Financing of Capital Expenditure

£000's	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Capital receipts	8,779.80	3,984.00	4,128.00	-	-	-
Capital grants	78,162.09	150,183.25	66,522.20	30,526.78	21,928.00	21,828.00
Self Financed Borrowing	-	-	-	-	-	-
Revenue	462.70	319.99	-	-	-	-
Capital Programme Funding/Income	87,404.59	154,487.25	70,650.20	30,526.78	21,928.00	21,828.00
WPDG Receipts	-	12,596.42	15,547.63	26,506.92	7,778.87	6,449.49
WRIF Receipts	1.67	532.08	2,470.42	6,416.25	10,857.08	13,756.67
Non Treasury Investment Funding/Income	1.67	13,128.50	18,018.04	32,923.17	18,635.96	20,206.15
Total Funding/Income	**87,406.25**	**167,615.75**	**88,668.24**	**63,449.95**	**40,563.96**	**42,034.15**
Total Capital Expenditure	117,843.67	316,943.52	223,039.36	110,037.96	89,878.02	73,663.40
Net financing need for the year	**30,437.41**	**149,327.77**	**134,371.12**	**46,588.01**	**49,314.06**	**31,629.25**
Minimum Revenue Provision (MRP)	- 10,502.91	- 11,300.29	- 16,821.39	- 21,523.38	- 22,525.97	- 23,597.49
Borrowing Requirement	**19,934.50**	**138,027.48**	**117,549.73**	**25,064.63**	**26,788.10**	**8,031.76**

2.4 The net financing need split between capital expenditure and non-Treasury investments is shown below, to help show the relative scale of non-Treasury investments.

Table 3 – Financing of Non-Treasury Investments

£000's	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
WPDG Capital Investment	-	19,101.40	21,762.84	7,610.72	242.41	16,334.00
Less: WDPG Related Receipts and Repayments	-	12,596.42	15,547.63	26,506.92	7,778.87	6,449.49
WRIF Capital Investment	2,500.00	20,600.00	20,000.00	20,000.00	26,500.00	-
Less: WRIF Related Receipts and Repayments	1.67	532.08	2,470.42	6,416.25	10,857.08	13,756.67
Net financing need for the year	**2,501.67**	**52,829.91**	**59,780.88**	**60,533.89**	**45,378.37**	**36,540.15**
Percentage of total net financing need %	8.2%	35.4%	44.5%	129.9%	92.0%	115.5%

2.5 Further details in respect of non-Treasury investments are set out in the separate Investment Strategy document.

Prudential Indicator - ***The Council's Borrowing Need (Capital Financing Requirement)***

2.6 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the indebtedness and underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

2.7 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

Table 4 – Capital Financing Requirement

£000's	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
CFR – Capital Programme	284,792.96	396,247.54	490,052.47	520,429.55	539,111.20	551,015.11
CFR - WPDG	0.00	6,504.98	12,720.20	(6,176.01)	(13,712.47)	(3,827.96)
CFR - WRIF	2,498.33	22,566.25	40,095.83	53,679.58	69,322.50	55,565.83
Total CFR	**287,291.30**	**425,318.77**	**542,868.50**	**567,933.13**	**594,721.23**	**602,752.98**
Movement in CFR - Capital Prog		122,754.87	110,626.32	51,900.46	41,207.61	35,501.40
Movement in CFR - WPDG		6,504.98	6,215.21	(18,896.20)	(7,536.47)	9,884.51
Movement in CFR - WRIF		20,067.92	17,529.58	13,583.75	15,642.92	(13,756.67)
Movement in CFR - Total		**149,327.77**	**134,371.12**	**46,588.01**	**49,314.06**	**31,629.25**
Movement in CFR represented by						
Net financing need for the year	30,437.41	149,327.77	134,371.12	46,588.01	49,314.06	31,629.25
Less MRP and other financing	(10,502.91)	(11,300.29)	(16,821.39)	(21,523.38)	(22,525.97)	(23,597.49)
Movement in CFR net of MRP	**19,934.50**	**138,027.48**	**117,549.73**	**25,064.63**	**26,788.10**	**8,031.76**

Prudential Indicator – ***Liability Benchmark***

1.1 A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum**.**

1.2 There are four components to the LB: -

- Existing loan debt outstanding: the Authority's existing loans that are still outstanding in future years.

- CFR: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

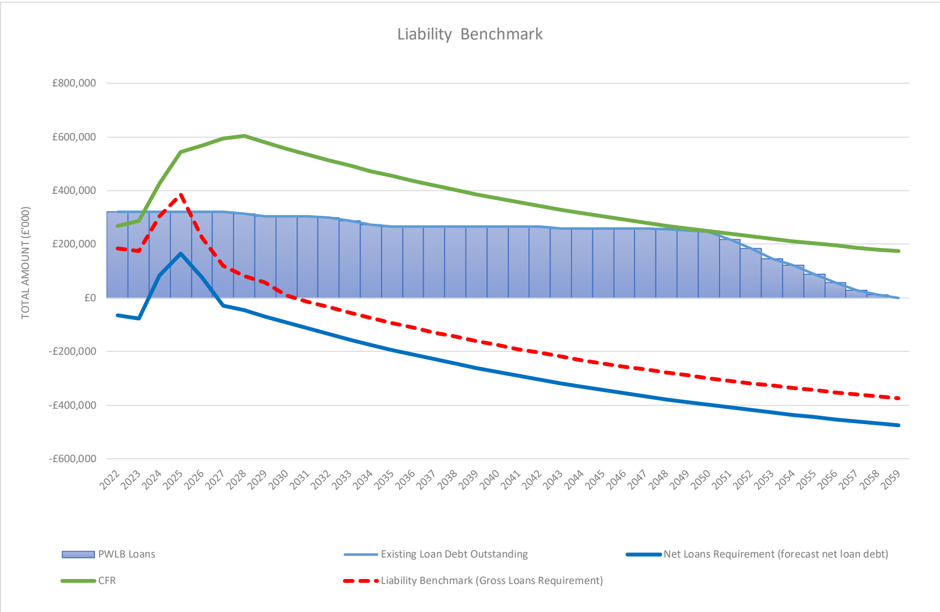
- Net loans requirement: this will show the Authority's gross loan debt less Treasury Management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

- Liability benchmark (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

Table 6 Liability Benchmark

In £000's	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Existing Loan Debt	£321,413	£321,413	£321,413	£321,413	£321,413	£313,413	£303,413	£303,413	£303,413	£299,413
Net Loans Requirement	-£76,154	£83,949	£164,895	£75,508	-£29,307	-£44,873	-£68,792	-£91,754	-£113,798	-£134,959
CFR	£287,291	£425,319	£542,869	£567,933	£594,721	£602,753	£578,834	£555,872	£533,829	£512,667
Liability Benchmark	**£184,348**	**£173,846**	**£303,949**	**£384,895**	**£225,508**	**£120,693**	**£80,127**	**£56,208**	**£8,246**	**-£13,798**
Forecast Investments	£387,064	£210,000	£200,000	£200,000	£150,000	£150,000	£125,000	£125,000	£100,000	£100,000
(Over)/Under LB	-£137,064	-£147,567	-£17,464	£63,482	-£95,905	-£200,720	-£233,286	-£247,205	-£295,167	-£317,210

Chart 1 Liability Benchmark



Core Funds and Expected Investment Balances

2.10 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 7 – Expected Investments

£000's	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Fund balances / reserves	223,244.36	188,595.40	178,378.17	176,305.94	170,383.71	170,383.71
Capital receipts	-	-	-	-	-	-
Other	3,305.42	4,577.99	4,577.99	4,577.99	4,577.99	4,577.99
Total core funds	**226,549.78**	**193,173.39**	**182,956.16**	**180,883.93**	**174,961.70**	**174,961.70**
Working capital	127,000.00	127,000.00	127,000.00	127,000.00	127,000.00	127,000.00
(Under)/over borrowing	34,114.70	- 103,912.77	- 206,462.50	- 191,527.13	- 188,315.23	- 196,346.98
Expected treasury investments	**387,664.48**	**216,260.62**	**103,493.66**	**116,356.80**	**113,646.47**	**105,614.71**

* Working capital balances shown are estimated year-end; these may be higher mid-year

Minimum Revenue Provision (MRP) Policy Statement

2.11 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).

2.12 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.

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

MRP for Capital Programme Expenditure.

2.14 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; and
- Vehicles, plant and equipment and intangible assets.

2.15 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.

2.16 The 2020 review shows that the remaining useful life of our assets is now 22 years. By using an average life of 25 years for our assets equates to an annual provision of 4% straight line MRP.

2.17 For vehicles, plant and equipment, the remaining useful life is assumed to be 6 years e.g. 5 years average remaining useful life will result in 20% straight line MRP.

MRP for the Warwickshire Property Development Group (WPDG)

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

2.19 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 WPDG will be to make a provision as follows:

- No MRP will be charged to the revenue account on any 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 WPDG) 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 WPDG for purchase of assets from DevCo) will be charged to the revenue account over 25 years (4% 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.

MRP for the Warwickshire Recovery Investment Fund (WRIF)

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

2.21 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 WRIF will be to make a provision as follows:

- MRP on WRIF loans that are capital in nature will be 4% per year. This aligns with the intention for MRP to be associated with the underlying asset life rather than the duration of the loan.
- Any capital receipts then received as repayment of the loan principal from WRIF will be used to offset “traditional” borrowing requirements for financing the wider capital programme.

MRP Calculation

2.22 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.

2.23 The Council has the option to directly and specifically link internal borrowing to specific investments and where this is the case a MRP would not be made. This would mean that repayments associated with the loan would not be capital and would therefore not be ringfenced to financing capital spending. Any anticipated impairments will be treated following the relevant accounting standards (namely IFRS9 - Financial Instruments), and not charged through the capital financing regime. However, the default position is that specific funding sources are not directly linked to specific investments therefore an express decision to link specific funding to a specific investment would need to be made for this to happen.

3.0 BORROWING

3.10 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The Treasury Management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Capital Strategy. This involves 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 Investment Strategy

3.11 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.

Current Portfolio Position

3.12 The overall Treasury Management portfolio as at 31st March 2022, 30th September 2022 and 31st December 2022 are shown below for both borrowing and investments.

Table 8 – Current Portfolio Position

Treasury Portfolio						
	Actual 31.03.2022 £m	Actual 31.03.2022 %	Actual 30.09.2022 £m	Actual 30.09.2022 %	**Actual 31.12.2022 £m**	**Actual 31.12.2022 %**
Treasury investments						
Banks	28.60	6.24%	25.49	5.61%	37.57	8.64%
Building Societies	80.10	17.47%	80.00	17.60%	80.00	18.39%
Local authorities	180.09	39.27%	176.00	38.72%	176.00	40.45%
Total managed in house	**288.79**	**62.97%**	**281.49**	**61.93%**	**293.57**	**67.48%**
Bond funds	31.87	6.95%	27.89	6.13%	29.05	6.68%
Property funds	12.00	2.62%	12.09	2.66%	10.22	2.35%
Cash fund managers	125.95	27.46%	133.07	29.27%	102.22	23.50%
Total managed externally	**169.83**	**37.03%**	**173.05**	**38.07%**	**141.49**	**32.52%**
TOTAL TREASURY INVESTMENTS	**458.62**	**100%**	**454.54**	**100%**	**435.07**	**100%**

3.13 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.

3.14 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 9 – External Debt Forecast

£m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
External Debt						
Debt at 1 April	321.406	321.406	321.406	336.406	376.406	406.406
New Debt	-	-	15.000	40.000	30.000	-
Actual gross debt at 31 March	**321.406**	**321.406**	**336.406**	**376.406**	**406.406**	**406.406**
The Capital Financing Requirement	287.291	425.319	542.869	567.933	594.721	602.753
Under / (over) borrowing	**- 34.115**	**103.913**	**206.463**	**191.527**	**188.315**	**196.347**

Internal Debt

3.15 The Council will seek to hold efficient levels of cash and will therefore run down external investment balances and use cash to finance a share of the Capital Financing Requirement. This is referred to as internal borrowing and when implemented it will improve our annual net interest costs, as the loss of interest on investment is currently lower than the cost of interest on external loans. The level of internal borrowing will be kept under review to ensure that the level of total Treasury investments (a liquidity buffer) does not fall below £100m.

Table 10 – Internal Debt Forecast

£m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
External Debt	321.406	321.406	336.406	376.406	406.406	406.406
Internal Debt (internal borrowing)	-	103.913	206.463	191.527	188.315	196.347
Internal borrowing as % of CFR	**0.0%**	**24.4%**	**38.0%**	**33.7%**	**31.7%**	**32.6%**

3.16 Where it is deemed appropriate to add to the level of current external loan finance, any risks associated with such borrowing will be subject to prior appraisal (including borrow now or borrow later analysis) and subsequent reporting through the mid-year or annual reporting mechanism.

3.17 Within the range of prudential indicators there are 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 2023/24 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.

3.18 The Assistant Director - Finance reports that 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 budget report.

Treasury Indicators: Limits to Borrowing Activity

3.19 **The operational boundary** – This is the limit beyond 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 under-borrowing by other cash resources.

Table 11 – Operational Boundary

£m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
External Debt	321.406	467.851	597.155	624.726	654.193	663.028
Total	**321.406**	**467.851**	**597.155**	**624.726**	**654.193**	**663.028**

The Authorised Limit for External Debt

3.20 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.

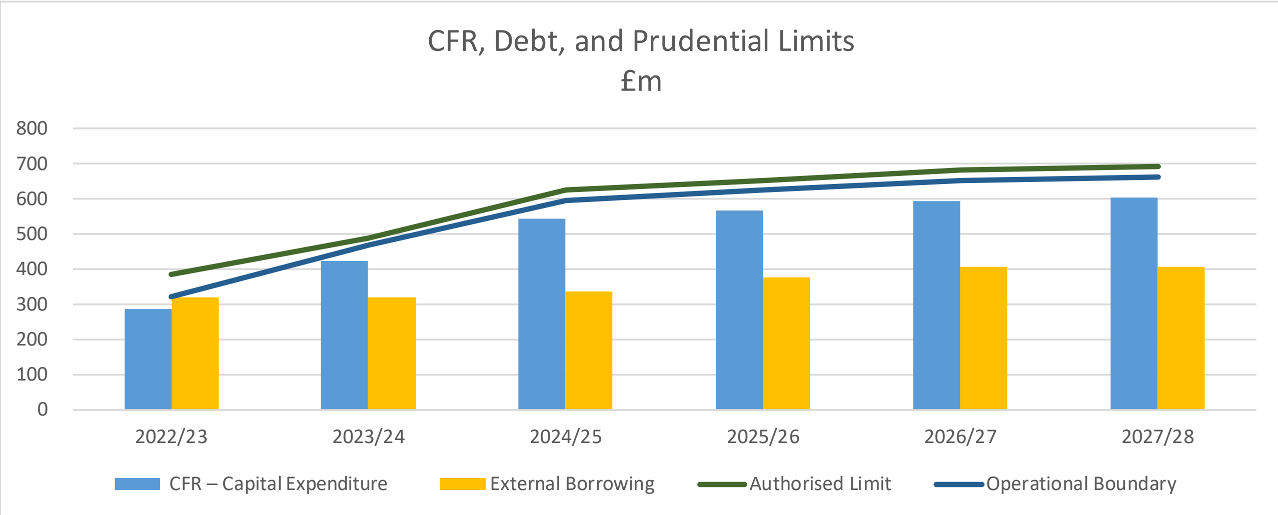
3.21 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

3.22 The Council is asked to approve the following authorised limit.

Table 12 – Authorised Limit

£m	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
External Debt	386.00	490.00	625.00	654.00	684.00	694.00
Total	**386.000**	**490.000**	**625.000**	**654.000**	**684.000**	**694.000**

Chart 2 - Capital Financing Requirement, Debt and Prudential Limits



Prospects for Interest Rates

3.23 The Council has appointed Link Group as its Treasury adviser and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 19th November 2022. These are forecasts for certainty rates, gilt yields plus 80 bps.

Table 12 – Interest Rate Forecasts

Link Group Interest Rate View	19.12.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

3.24 This forecast from Link Group reflects a view that the Monetary Policy Committee (MPC) will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. Bank Rate stands at 3.5% currently but is expected to reach a peak of 4.5% in H1 2023.

3.25 Link anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened however the timing of this is uncertain.

3.26 The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living crisis that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

3.27 Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

3.28 In the upcoming months, Link forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

3.29 On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

3.30 PWLB RATES

- Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).
- Link view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

3.31 The balance of risks to the UK economy: -

The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).

- The Bank of England acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- 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 and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.

- The Government acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.

- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer term US Treasury yields rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

Borrowing advice:

- Link's long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

- Link suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows: -

Average earnings in each year	
2022/23 (remainder)	4.00%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

- As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

- Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

Borrowing Strategy

3.32 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.

3.33 Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 Treasury operations. The Assistant Director - Finance will monitor interest rates in financial markets and adopt a pragmatic approach 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. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

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

3.35 With the current over-borrowed position, but also being mindful of the economic outlook for 2023/24 (annex 8) 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.
- 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.
- To ensure that the Council considers all options to secure long-term certainty, the Council may also look to make use of forward starting loans as this will allow us to lock into a known financing rate out of a future date. These loans tend to be offered by Financial institutions (primarily insurance companies and pension funds but also some banks, where the objective is to use the forward loan with a

mix of internal loans/temporary borrowing to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Policy on Borrowing in Advance of Need

3.36 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.

3.37 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; and
- 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.

Debt Rescheduling

3.38 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; and
- Enhancing the balance of the portfolio, for example reducing concentration of the debt maturity profile.

3.39 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, currently the penalty premiums that would be incurred by doing so means there currently is no net financial benefit from such early repayment.

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

3.40 Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both Housing Revenue Account and non-Housing Revenue Account borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons (for full list see annex 3):

- 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).

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

4.0 ANNUAL INVESTMENT STRATEGY

Investment Policy – Management of Risk

4.10 The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with Treasury (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, (a separate report).

4.11 The Council’s investment policy has regard to the following:

- DLUHC’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

4.12 The Council’s 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 and within the Council’s risk appetite. In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider spreading investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options

4.13 The above guidance from the DLUHC 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:

a.) 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.

b.) **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 advisers to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

c.) **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.

d.) 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 -

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

e.) **Non-specified and loan investment limits.** The Council has determined that it will set a limit to the maximum exposure of the total Treasury Management investment portfolio to non-specified Treasury Management investments of £80m.

f.) **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Annex 4.

g.) **Sector Limits.** The Council has determined that it will limit the maximum exposure within different sectors of investments. These are set out in Annex 4

h.) **Transaction limits** are set for each type of investment in Annex 4.

i.) Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.10).

j.) This authority has engaged **external consultants**, (see paragraph 1.11), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

k.) As a result of the change in accounting standards for 2022/23 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. At the current juncture it has not been determined whether a further extension to the over-ride will be agreed by Government.)

4.14 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.

4.15 The above risk management policy criteria are **unchanged** from last year.

Creditworthiness Policy

4.16 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that 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
- 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.

4.17 The Assistant Director – Finance 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. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

4.18 Credit rating information is supplied by the Link Group, our Treasury advisers, 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. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

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

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

and have, as a minimum, the following Fitch Ratings:
- Short Term – F1
- Long Term – A-

b.) **Council's own Bank** – 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.

c.) **Building Societies** - The Council will use all societies which meet the ratings for banks outlined above;

d.) **Money Market Funds (MMFs)**:
- CNAV (constant net asset value) – AAA rated
- LVNAV (low volatility net asset value)– AAA rated
- VNAV (variable net asset value) – AAA rated

e.) **Property Funds** - CCLA (refer to table D and E in annexes)

f.) **Social Bond Funds** - Threadneedle (refer to table D and E in annexes)

g.) **Ultra-Short Dated Bond Funds** – at least AA rated

h.) **Local Authorities and Parish Council Loans** - both spot and forward dates

i.) **Housing Association Loans** - both spot and forward dates

4.20 **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. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

4.21 **Time and monetary limits applying to investments** – The time and monetary limits for institutions on the Council's counterparty list are detailed in Annex 4.

4.22 **Creditworthiness** – Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

4.23 **Credit Default Swaps (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. 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. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

Other Limits

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

a.) **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 *A-*** from Fitch Ratings. The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex 5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

b.) **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 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:

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment Returns Expectations

4.25 The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

4.26 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:

Table 13 – Estimated Investment Returns

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Investment Performance / Risk Benchmarking

4.27 **Benchmarks** are guides to risk, they may be breached depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is so that officers can monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Current advice suggests using the investment benchmark – 'returns above the 7-day SONIA compounded rate'.

Non-Treasury Investment Strategy

4.28 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.**

End of Year Investment Report

4.29 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

External Fund Managers

4.30 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

Environmental, Social, and Governance Policy

4.31 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.

4.32 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.

- Where appropriate, move cash balances to funds that have are ESG driven targets, or “green funds”, to ensure our investment is contributing towards tackling ESG issues.
- Identify and understand the extent to which investments which 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, other local authorities, when considering new investment opportunities.

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.

5.0 Early Payment of Pension Fund Contributions

5.10 The Council intends to pay its 3-year pension fund contributions for the valuation period 2023/24-2025/26 in one lump sum at the start of the valuation period, with the preference being to do this in April 2023. An early payment in April 2023 will be given a discount rate compared to cash payments made at normal monthly intervals. The benefits, costs, and risks this are set out below:

5.11 Benefits

a.) A gross saving of £6.205m in the total cash contributions required over the valuation period.

Total Payments in Normal Monthly Contributions	Total Payment Single Lump Sum Contribution	Gross Difference
£107.879m	£101.674m	£6.205m

b.) A net one-off saving would be made after having regard to the loss of assumed returns that would otherwise have been made on the cash before it was paid out in pension contributions (refer to Section 5.12 below for alternative returns).

5.12 Early payment entails the following costs and risks:

- Timing / volatility risk – Pension fund investments provide a higher rate of return but at a higher level of volatility. Therefore although over time the returns are likely to be better, at any one moment in time the value of the fund could be unusually high or low and across shorter period of time the return could be more distant above or below the expected average. By placing all the cash into the fund at one moment in time the exposure to volatility and therefore to losses is higher. However making the payments more spread out to reduce this risk would also reduce the opportunity to benefit.

- The pension fund contributions to cover future service costs normally vary with the payroll bill by being calculated as a % of payroll but with an up-front payment this cannot happen naturally. Therefore the pension fund will reserve the right to ask for top up payments if the total payroll costs increase significantly enough. This needs to be planned for but this would amount to a correction for costs that would have to be paid anyway – it would not mean a loss. The Council will undertake to pay any such adjustments and holds a Pension Deficit Reserve to assist in providing cover for future pension fund deficits.

- The County Council will run lower cash balances, however the Council will have the facilities to maintain enough cash to manage its operations. The cash position will also gradually over the 3-year period move back to what it would have been if monthly payments had been made, but adjusted to reflect the lower total amount required to be paid.

- The County Council will earn less interest on cash balances which will offset the benefits. For example, if returns of 1.5% were earned on cash balances then the interest foregone would amount to £5m and this would offset the reduction in pension fund contribution payments above.

- The Council could not invest this cash in other new investment opportunities. For example, if the funds were to be invested in high return stocks or property funds. However other opportunities entail different risks, for example with property funds entailing liquidity risks and stocks entailing higher volatility risks. As early payment action has an effect over a period of a few years with most of the impact being in the early part of that time frame it does not preclude the Council from considering wider opportunities in the longer term.

- Scenarios in which the Council would suffer reductions in benefits or incur losses are:

    - If there is volatility in the pension fund investment valuation – in particular an if there are significant falls in volatile assets after the point of payment.

    - If new Treasury investment opportunities with a better risk/return profile become available elsewhere then the cash to pursue those opportunities would be less or would be delayed.

- If lump sum payment is made later than April 2020 then the expected financial benefit would be less as the duration of the benefit would be less, the amounts would be less, and the discount rate may be less. However exposure to timing and volatility risk would also be less.

- If a loss were experienced this would manifest in the next pension fund valuation and would be recovered through future contributions to the pension fund as determined by the next valuation.

5.13 The early payment is a cash flow measure, it does not mean the Council is paying more than it should into the pension fund. From the period April 2023 to March 2026 the Council's cash position will gradually move back to the same position that it would have been in March 2026, except for the net benefit or loss arising from the early payment.

5.14 The potential to benefit is greatest in April 2023, however the strategy provides the flexibility to make an early payment later or not at all if the right conditions are not met. A payment will only be made and the timing of any payment decided on subject to the following conditions being met.

a.) Obtaining legal confirmation that the payment is lawful.
b.) That external auditors are content with the payment and its accounting treatment.
c.) Having the approval of the Section 151 officer and Monitoring Officer.
d.) Having the agreement of the Pension Fund Actuaries.
e.) Having a Rates and Adjustment Certificate from the Pension Fund actuaries setting out the amount payable, which may be varied from the above quoted figure to reflect the final Warwickshire County Council related payment.
f.) That the payment can be accommodated within the overall Treasury position, having regard to wider investment and borrowing commitments.
g.) That the Section 151 Officer is satisfied that the market position at the time of making the early payment still supports the early payment being made, compared to the option of investing Treasury balances with normal Treasury counterparties and taking into account the relative uncertainty of returns from normal Treasury activity.

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

Annex 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 2
Capital Financing Requirement	Table 4
Liability Benchmark	Table 6
Over/Under Borrowing	Table 7
Borrowing - Operational Boundary	Table 11
Borrowing - Authorised Borrowing Limit	Table 12

In addition, the prudential indicators below will be applied.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Upper limit for fixed interest rate exposure						
Net principal re fixed rate borrowing / fixed term investments	100%	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%	25%
Upper limit for total principal sums invested for over 365 days	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
(per maturity date)	150,000	150,000	150,000	150,000	150,000	150,000

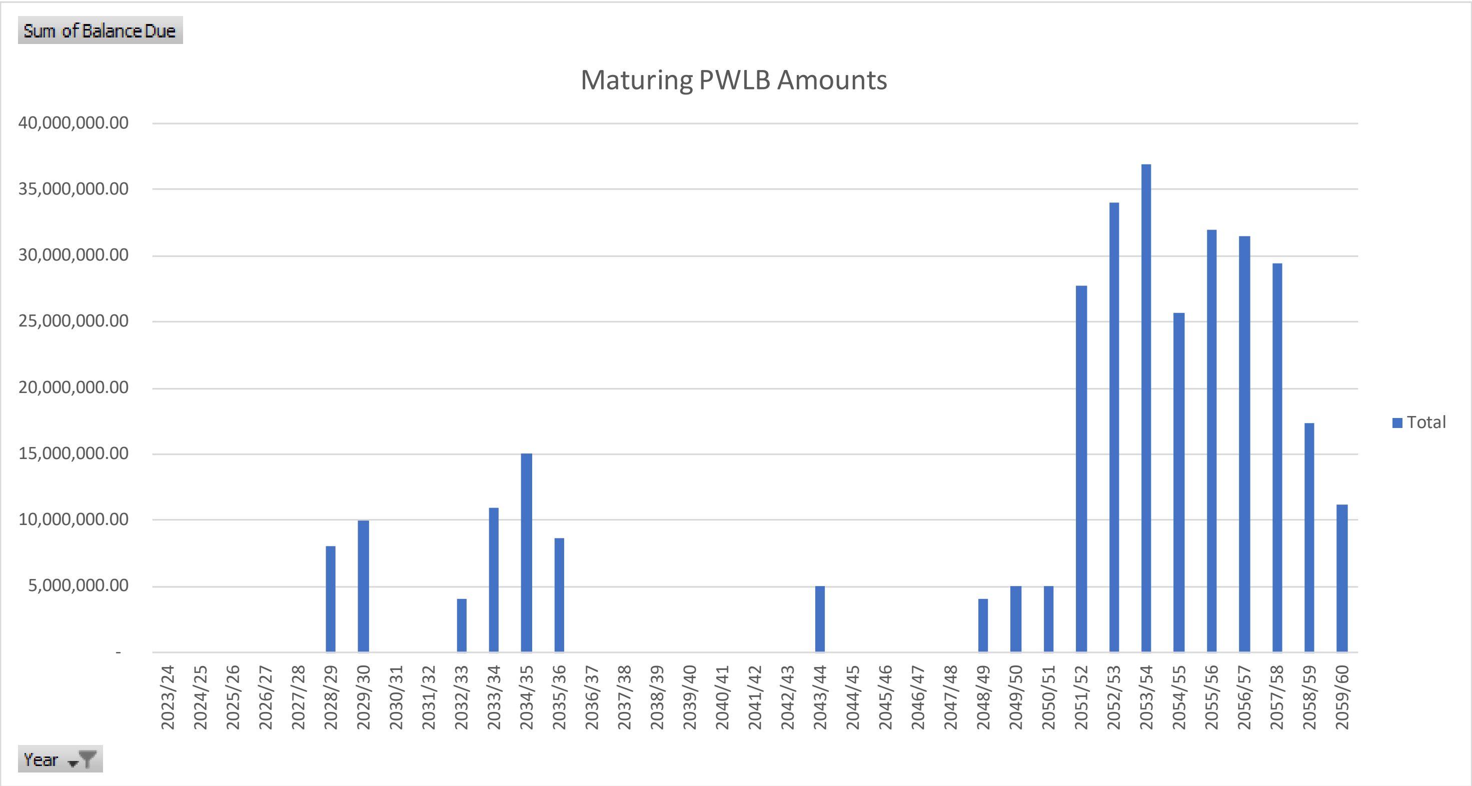
Maturity structure of new fixed rate borrowing during year	upper limit	lower limit
under 12 months	20%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Maturity structure of new external borrowing during year	upper limit	lower limit
under 12 months	35%	0%
12 months and within 24 months	45%	0%
24 months and within 5 years	65%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

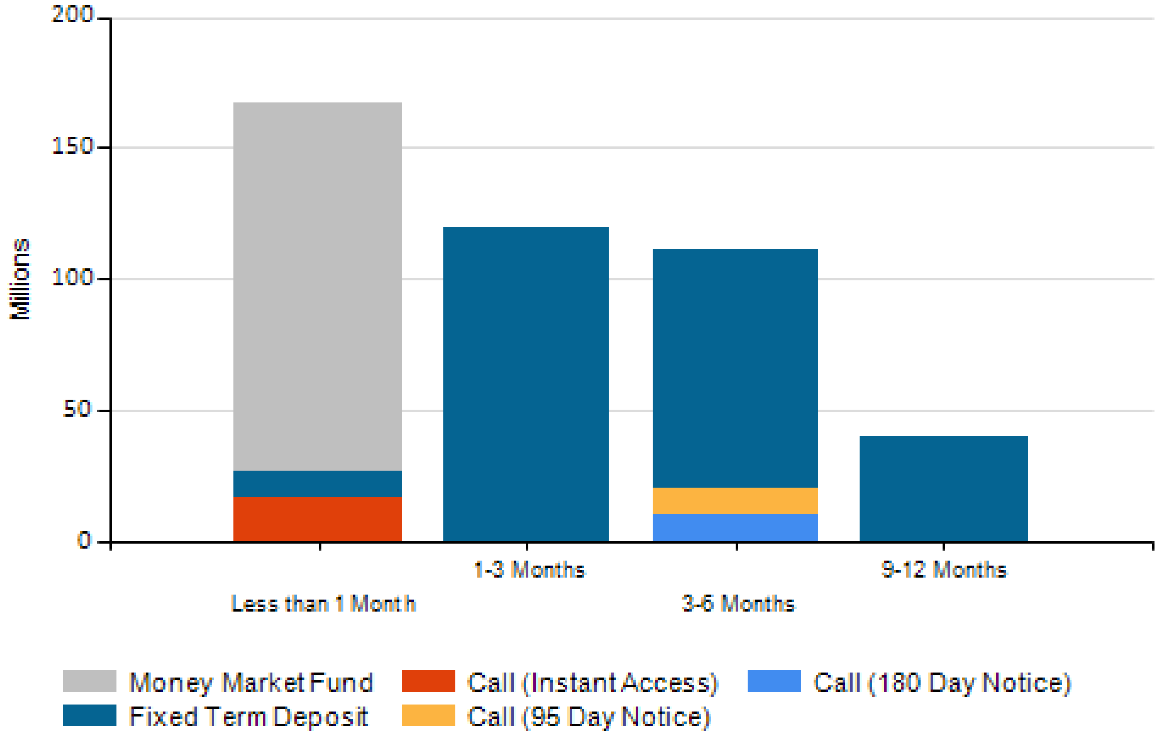
Annex 2

Treasury Management Portfolio

1. Debt Schedule



2. Investment Portfolio as at 31st December 2022



3. Balance Sheet Forecast

Warwickshire County Council
Balance Sheet Projections

2022/23* (£'000)		2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
CAPITAL FINANCING REQUIREMENT						
287,291	CFR Relating to General Fund	425,319	542,869	567,933	594,721	602,753
287,291	Total CFR	425,319	542,869	567,933	594,721	602,753
-	Finance Lease Liabilities		-	-	-	-
287,291	Underlying Borrowing Requirement	425,319	542,869	567,933	594,721	602,753
321,406	External Borrowing c/fwd	321,406	321,406	336,406	376,406	406,406
	Loan Maturities					
-	New Loans	-	15,000	40,000	30,000	-
321,406	External Borrowing	321,406	336,406	376,406	406,406	406,406
(34,115)	Under / (Over) Borrowing	103,913	206,463	191,527	188,315	196,347
-12%	*Borrowing as a % of Requirement*	*24%*	*38%*	*34%*	*32%*	*33%*
RESERVES / BALANCES, INVESTMENTS & WORKING CAPITAL (£'000)						
4,573	General Fund Balance	4,573	4,573	4,573	4,573	4,573
224	Collection Fund Adjustment Account	224	224	224	224	224
218,447	Earmarked reserves	183,798	173,581	171,509	165,586	165,586
-	Capital Receipts Reserve	-	-	-	-	-
949	Provisions	2,221	2,221	2,221	2,221	2,221
2,357	Capital Grants Unapplied	2,357	2,357	2,357	2,357	2,357
34,115	Over / (Under) Borrowing	(103,913)	(206,463)	(191,527)	(188,315)	(196,347)
127,000	Working Capital	127,000	127,000	127,000	127,000	127,000
387,664	Expected Treasury Investments	216,261	103,494	116,357	113,646	105,615

*Year end balances currently estimated for 2022/23

Annex 3

Approved Sources of Long and Short-Term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
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	●	●

Annex 4

Treasury Management – Practice

4.1 Counterparty Limits

	Fitch Long term Rating	Money Limit	Transaction limit	Time Limit
Banks	*A-*	£20m	£20m	1yr
Building Societies	*A-*	£20m	£20m	18 months
Local authorities	N/A	£10m	£10m	2yr
Housing Associations	N/A	£10m	£10m	3yr
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 Sector Limits

Sector Type	Limit Applied
Money Market Funds (overnight funds) and Instant Access funds	£300m aggregate
Money Market Funds (overnight funds) and Instant Access funds	Maximum holding in any one fund should not represent more than 5% of that funds total asset value
Short Term Investments 7-95 day (deposits, call and notice accounts, property and social bond funds)	£200m aggregate
Medium Term Investments 95-365 day (lending, deposit, call and notice accounts)	£100m aggregate
Lending to Local Authorities	Maximum £250m total (increased from £200m last year)
Lending to Local Authorities	Forward deals (deals agreed in advance of the loan issue date) allowed up to a total of 2 years to include both notice and loan term
Deposits with Housing Associations	Maximum £100m total (this is a new limit)
Deposits with Housing Associations	Forward deals (deals agreed in advance of the loan issue date) allowed up to a total of 3 years to include both notice and loan term (this is a new limit).
Deposits with Building Societies	Maximum £100m total
Deposits with Building Societies	Forward deals (deals agreed in advance of the loan issue date) allowed up to a total of 18 months to include both notice and loan term (this is a new limit).

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
Term deposits: Housing Associations	--	£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	--	£25m	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	£20m	In-house and External Manager
Fixed Term Deposit with Variable Rates and Variable Maturities	Short-term F1, Long-term A, Viability a+, Support 3	£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
UK Government Gilts with maturities in excess of 1 year	--	£20m	External Manager
Local Government Association Municipal Bond Agency	--	£20m	--
CCLA Property Fund	--	£20m	--
Threadneedle Social Bond Fund	--	£40m	--
Local Authority wholly owned trading company	--	£5m	In-house

Annex 5

APPROVED COUNTRIES FOR INVESTMENTS

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.**

Annex 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 half year and annual 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.
- Receiving quarterly monitoring reports for overview and scrutiny.

Annex 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;
- approve the early payment of pension fund contributions
- 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.

Annex 8

ECONOMIC BACKGROUND-

Provided by Link Treasury Advisors

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	10.7%y/y (Nov)	10.1%y/y (Nov)	7.1%y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

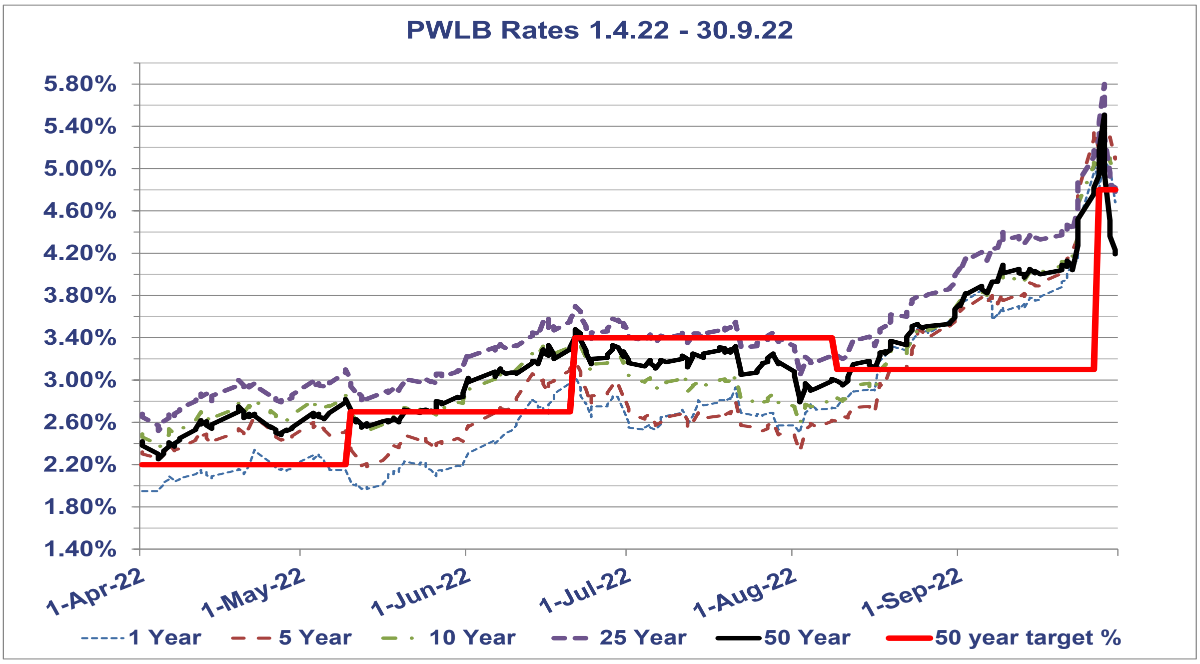
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have almost completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.22. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – DECEMBER 2022

In December, the Federal Reserve System (FED) decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, FED Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Ultimately it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect.

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Appendix 3

Investment Strategy
(For Non-Treasury Investments)

Warwickshire County Council

2023/24

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, 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 or 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 and Development Group (WPDG) and Warwickshire Recovery and Investment Fund (WRIF).

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 for Warwickshire:

- "A county with a vibrant economy and places with the right jobs, skills, and infrastructure";
- "A place where people can live their best lives; where communities and individuals are supported to live safely, healthily, happily and independently"; and
- "A county with sustainable futures which means adapting to and mitigating climate change and meeting net zero commitments."

3.2 In Addition, all Non-Treasury investments will be required to demonstrate how they contribute towards the objectives specified in the Department for Levelling Up, Housing and Communities (DLUHC) 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. DLUHC's 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; and

- 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; and
- 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 2023/24 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 Group (WPDG) will be relatively long term and illiquid in nature. Annexes 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 non-treasury investments relating to the WPDG and WRIF 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 £454.54m) 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 £29m) and CCLA Property Fund (currently £11m). 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 WPDG and WRIF investments will be further up the risk/return spectrum, however this positioning is driven by the objectives of the WPDG and WRIF being different to treasury management 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; and
- Commercial income as a percentage of net service expenditure.

9.6 These measures are incorporated into the indicators detailed in Annexes 5 and Annex 6.

10. Capacity, Skills and Culture

10.1 Non-Treasury investments carry particular risk, and the nature and scale of proposed investments in the WPDG and WRIF 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 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 DLUHC guidance.

12. Warwickshire Property and Development Group

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 2021/22, the Warwickshire Property and Development Company (WPDG) was launched.

12.3 During 2021/22 WPDG has drawn down the working capital facility provided by the Council.

12.4 During 2022/23 WPDG has drawn down scheduled payments of the first capital (development) loan.

12.5 WPDG has been launched 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.

12.6 WPDG investments may be of the following nature:

- Equity Investment;
- Commercial Loans;
- Corporate Guarantees; and
- Partnerships (Joint Venture).

12.7 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.

12.8 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.

12.9 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; and
- The maximum duration of investments will be as set out in the detailed business plan.

12.10 Annex 7 specifies the limits for investment in the WPDG. These limits are specific for the next year, and indicative for the following 4 years.

12.11 The WPDG 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 investment profiles proposed for the WPDG are set out in the table below. The table shows the *planned* investment. Annex 7 also sets out the *maximum* investment per year. The headroom this provides enables the Council and the company to function efficiently and effectively without the need for disproportionate governance approvals should circumstances change or opportunities arise, but at the same time keeping a hard limit to provide Council with certainty and assurance as to the maximum level of investment exposure that could be taken without further approval from members.

Table 1 – WPDG Gross Investment

Indicative Gross Investment £m	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**Total**
Capital Loans	2.61	1.91	-	-	-	**4.51**
Equity	12.28	18.96	7.61	0.24	-	**39.10**
Working Capital Loans (Revenue)	0.30	-	-	-	-	**0.30**
Total	**15.19**	**20.87**	**7.61**	**0.24**	**-**	**43.91**

12.12 All individual investments will be subject to member approve of bespoke business cases and due diligence as required by the specified governance arrangements.

12.13 The investment profile will be updated each year on a rolling basis. For example, before the actual investment limits for 2023/24 are proposed in the next annual Investment Strategy, they will be informed by experience to date of investments made in 2023/24.

12.14 At the time of writing this report £1,200,000 of working capital loans had been lent to WPDG from the Council**.**

12.15 At the time of writing this report £180,000 of development loans had been lent to WPDG from the Council**.**

13. Warwickshire Recovery and Investment Fund

13.1 A business case and strategy have been approved by Council in June 2021 to set up a Warwickshire Recovery and Investment Fund (WRIF) with the objective of providing finance to support business start-ups and business growth within Warwickshire and supporting the Council’s strategic goals and priorities as set out in the Warwickshire Council Plan, Covid 19 Recovery Plan, Economic Strategy, Commercial Strategy, and Place Shaping Programme.

13.2 A revision to the WRIF business case and strategy is being presented to Cabinet in January 2023 with updated investment levels for each pillar of the fund.

13.3 Although he primary objective of this fund is to deliver service objectives (specific examples being job creation and job safeguarding, leveraging additional resources funding into the County, and increasing social value) the fund will operate on a commercial basis and will therefore plan to generate financial returns for the council.

13.4 The business plan and investment strategy for this specific Fund must fit within all of the controls and governance requirements set out in this overarching non-Treasury Investment Strategy. For the avoidance of doubt, should there be any difference this strategy/policy would prevail, and should there be a need or desire to invest outside of the boundaries set out in this policy, that would require bringing this policy back to Council to approve the changes first. In this way members and Council retain direct control of the overall level of risk being taken.

13.5 Annex 7 sets out the limits on gross investment within each fund each year. Following a review of the WRIF, changes have been made to the original WRIF plan. These limits are designed to control exposure to risk. The WRIF is made up of three sub funds with different risk profiles and therefore each sub fund has its own limit as follows:

	Maximum Investment Over The 5 Year Period
Business Investment Growth Fund (BIG) Capital Lending	£50m
Business Investment Growth Fund (BIG) Revenue Lending	£4m
Property and Infrastructure Fund (PIF) Capital Lending	£40m
Local Communities Enterprise Fund (LCE) Revenue Lending	£10m
Total	£104m

13.6 The business plan for the WRIF sets out an explanation of the nature and risks to do with these funds in detail.

13.7 In addition to having a limit on the amount that can be invested over the five-year period, other constraints are also placed on investment activity in order to control exposure to risk as follows:

- Limits for the amount that can be invested in each financial year (Annex 7.3);
- Limits on how much investment may be equity or working capital loans, which carry different risk profiles to debt invested in capital (Annex 7.3, 7.4 and 7.5);
- Limits on how long a loan may stay out with a third party before it must be paid back (Annex 7.4); and
- Each fund will have tailored governance arrangements and individual investments will be assessed against specified criteria that include consideration of risk and the financial strength of the counterparty as well as the benefits in terms of delivering Council objectives.

13.8 No limits will be set on net debt however net debt will be monitored, and in addition to the monitoring of these strategic indicators there will be detailed monitoring of the investment portfolio.

14. Other Non-Treasury Investments

14.1 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

14.2 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

14.3 The share value relating to the above companies recorded in the 2021/22 accounts was £2.075m, with dividend income of £1.147m.

Company Loans

14.4 In addition to the above the Council currently operates two wholly owned Local Authority Trading Companies:

- Warwickshire Legal Services Trading Ltd; and
- Educaterers Ltd.

14.5 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.

14.6 Local authority-controlled company activity has been an area of particular interest to CIPFA and the government, and CIPFA are developing further guidance around the governance of these entities. We will keep up to date with developments and have regard to any new guidance as appropriate.

14.7 The capital programme already includes allocations available for the purposes of making loans to local businesses who cannot raise funds through other means such as banks. This includes the following capital programme forecast for 2022/23

Table 2 – Capital Programme Loans

Forecast £m	2022/23	2023/24 Onwards	Total Balance
Capital Growth Fund Business Loans and Grants	0.200	0.391	2.500
Capital Investment Fund/Duplex Fund	0.100	-	0.100
Capital Investment Fund/Small Business Grants	0.098	0.200	0.298
Total	**0.300**	**0.391**	**2.600**

14.8 Loans and grants are managed via the Coventry and Warwickshire Reinvestment Trust (CWRT), this includes arrangements for assessing loans, issuing loans, and recovery.

14.9 In addition to the above established lending arrangements, loans to the value of £3m have been committed to in respect of Coronavirus Business Interruption Scheme (CBILS). This strategy sets a limit of £5m for lending of this nature (Annex 7.1).

Property Investment

14.10 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.

Table 3 – Property Investment

Table 3 Property Investment

£m	31/03/2022
NUNEATON/Land at former Magistrates Courts, Vicarage Street	0.238
NUNEATON/Land Adjoining 51 Queens Road, Queens Road	0.002
Attleborough Fields Industrial Estate Slingsby Close	0.975
NUNEATON/Former Manor Park Community School, Beaumont Roa	1.594
ARLEY/ARC School (Former Herbert Fowler Junior School)	0.988
RUGBY/Great Central Industrial Estate, Great Central Way	1.484
ALCESTER/Former Area Library, Priory Road	0.300
Kineton/ River Meadows Care Home	0.108
Total	**5.688**

Investment Property as % of Total Fixed Assets	31/03/2022
Total Fixed Assets £m	1,340.00
% of Total Fixed Assets	**0.424%**

14.11 The value of these assets can change, and these assets generate a small amount of incidental income (approximately £50k in 2021/22). The properties classified as investment property had an asset value of £5.688m as at March 2021, which is 0.4% out of a full asset value in the balance sheet of £1.34bn.

14.12 Where any of these properties in future come under the auspices of the WPDG, the governance arrangements in place for the WPDG will apply.

15. Environmental, Social, and Governance Policy

15.1 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.

15.2 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 its effects being desirable. Measurement of impact such as via carbon footprint will be undertaken where practical.

15.3 Investments that have a social impact benefit, either on a local scale or more widely may be considered.

15.4 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.

Annex 1

Public Works Loan Board – Lending Objectives

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 DLUHC 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

DLUHC 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.

Annex 2

Investment Categories

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.

Annex 3

Risk Management

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

Annex 4

Capacity, Skills, and Culture - Policies and Actions

	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.

Annex 5

Indicator Definitions

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 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 lending will be monitored and will inform the gross limits updated 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

Annex 6

Investment Strategy Indicators

6.1 Gross debt as a proportion of net service expenditure

		2023/24	2024/25	2025/26	2026/27	2027/28
Gross Debt	£m	321.41	336.41	376.41	406.41	406.41
Net Service Expenditure	£m	538.99	550.88	564.70	579.19	600.30
Gross debt as % of net service expenditure	%	59.6%	61.1%	66.7%	70.2%	67.7%

6.2 Income as a proportion of net service expenditure

		2023/24	2024/25	2025/26	2026/27	2027/28
WRIF income	£m	2.127	3.590	4.850	5.575	4.207
WPDG income	£m	1.149	1.999	2.623	6.481	5.968
Income (gross)	£m	3.276	5.589	7.473	12.056	10.175
Net Service Expenditure	£m	538.99	550.88	564.70	579.19	600.30
Commercial income as % of net service expenditure	%	0.61%	1.01%	1.32%	2.08%	1.69%

Note - gross income represents income before having regard to costs

6.3 Loan to value

		2022/23	2023/24	2024/25	2025/26	2026/27
Total Loans (Capital)	£m	17.385	41.469	27.611	20.242	26.500
Asset Value	£m	to be monitored				
Loan to value	%					

Note - asset values will depend on lending opportunities, these will initally be monitored rather than a limit being set.

6.4 Non-treasury investment net borrowing as a percentage of net financing need

		2022/23	2023/24	2024/25	2025/26	2026/27
Net Borrowing Relating to Non Treasury Activity	£m	52.830	59.781	60.534	45.378	36.540
Total Net Borrowing Requirement	£m	87.406	167.616	88.668	63.450	40.564
Non Treasury Borrowing as % of Total	%	60.4%	35.7%	68.3%	71.5%	90.1%

Note - in 2025/26 repayment of principal exceeds loans issues hence a net negative figure

6.5 Expected Gross Rate of Return

	Average Rate of Return
WPDG	6%
WRIF - BGF	5%
WRIF - Property Fund	6.5%
WRIF - LCEF	6%-15%

Annex 7 Investment Strategy Plan and Prudential Limits

7.1 Annual Gross Investment Plan - Medium Term

		2022/23	2023/24	2024/25	2025/26	2026/27	Total
WPDG - Equity	£m	2.605	1.906	-	-	-	4.511
WPDG - Development Loans	£m	12.279	18.963	7.611	0.242	-	39.095
WPDG - Owned Property Loans	£m	6.822	2.800	-	-	16.334	
WPDG - Revenue Loans	£m	0.302	-	-	-	-	0.302
WPDG - Joint Venture Equity	£m	15.092	-	1.978	12.363	-	29.433
Sub Total - WPDG	£m	22.009	23.669	7.611	0.242	16.334	43.908
WRIF - Capital (BIG)	£m	2.500	10.600	10.000	10.000	16.500	49.600
WRIF - LCEF (Revenue)	£m	1.300	3.100	3.200	3.400	3.000	14.000
WRIF - Property	£m	-	10.000	10.000	10.000	10.000	40.000
Sub Total - WRIF	£m	3.800	23.700	23.200	23.400	29.500	103.600
Total	£m	25.809	47.369	30.811	23.642	45.834	147.508

Other Revenue Loans		2022/23	2023/24	2024/25	2025/26	2026/27
Other LATC Loans	£m	2.500	2.500	2.500	2.500	2.500
CWRT	£m	3.000	3.000	3.000	3.000	3.000
Total		5.500	5.500	5.500	5.500	5.500

7.2 Cumulative Gross Investment Plan - Medium Term

		2022/23	2023/24	2024/25	2025/26	2026/27
WPDG - Equity	£m	2.605	4.511	4.511	4.511	4.511
WPDG - Development Loans	£m	12.279	31.242	38.853	39.095	39.095
WPDG - Owned Property Loans	£m					
WPDG - Revenue Loans	£m	0.302	0.302	0.302	0.302	0.302
WPDG - Joint Venture Equity	£m	15.092	15.092	17.069	29.433	29.433
Sub Total - WPDG	£m	15.187	36.055	43.666	43.908	43.908
WRIF - BGF	£m	2.500	13.100	23.100	33.100	49.600
WRIF - LCEF (Revenue)	£m	1.300	4.400	7.600	11.000	14.000
WRIF - Property	£m	-	10.000	20.000	30.000	40.000
Sub Total - WRIF	£m	3.800	27.500	50.700	74.100	103.600
Total	£m	18.987	63.555	94.366	118.008	147.508

7.3 Maximum Investment Limits

	£m	2023/24	2024/25	2025/26	2026/27
WPDG Capital Loans	£m	25.00	25.00	25.00	25.00
WPDG Revenue Loans	£m	3.00	3.00	3.00	3.00
WRIF Capital Loans	£m	40.00	40.00	40.00	40.00
WRIF Revenue Loans	£m	2.00	2.00	2.00	2.00
WRIF LCE Revenue Loans	£m	3.00	3.00	3.00	3.00
Other Revenue Loans	£m	7.00	7.00	7.00	7.00
Total	£m	80.00	80.00	80.00	80.00

*Annual investment limits are for in year spend only. These will be amended per year as necessary based on actuals.

7.4 Maximum Duration Limits

WPDG - 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.
WPDG - Development Loans		
WPDG - Revenue Loans		Revenue loans are short term by nature. The balance each year represents the lending facility available.
WRIF - BGF	£m	10 years
WRIF - LCEF	£m	5 years
WRIF - Property	£m	5 years

7.5 Equity Limits

	Equity Limits
WPDG	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.
WRIF	No more than 10% of the gross investment budget for each year may be equity in nature

7.6 Maximum Investment Per Counterparty

WPDG		As per the gross investment values in Table 7.1
WRIF - BGF		£10m
WRIF - LCEF		£500k
WRIF - Property		£10m

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Cabinet

27 January 2023

2022-23 Financial Monitoring – Forecast Position as at Quarter 3

Recommendations

That Cabinet:

1. Notes the adjusted forecast overspend of £6.689m (1.9%) that would need to be funded from the Directorate and General Risk Reserves at the end of 2022/23.

2. Notes the forecast delivery of savings for 2022/23 of £9.415m (91.9%), a shortfall of £0.829m against the target.

3. Notes the forecast capital spend for 2022/23 of £99.834m.

4. Approves the reprofiling of spend on the capital programme of £14.214m from 2022/23 into future years and notes the carry forward of s278 contributions of £1.030m and the reduction in the estimated Warwickshire Recovery and Investment Fund and Warwickshire Property and Development Group capital spend of £31.041m flowing from the refreshed business plans.

5. Approves the reclassification of the Digital Road Map Programme of activity as an Investment Fund.

6. Approves the transfer of £10.872m to the 'Available for Use' reserve following the reserve review to support the MTFS and the Council Plan.

1. Purpose of the report

1.1. This report outlines the forecast financial position of the organisation at the end of 2022/23, based on the information known at the end of the third quarter.

1.2. The current analysis includes:
- capital and revenue financial performance;
- explanations for variations, any mitigating actions and an assessment of any impacts on service delivery; and

- an indication of those areas where the current forecasts carry the greatest risk of further movement before the end of the financial year due to demand volatility and assumptions that could still change.

2. Summary

2.1. Revenue Forecast Summary

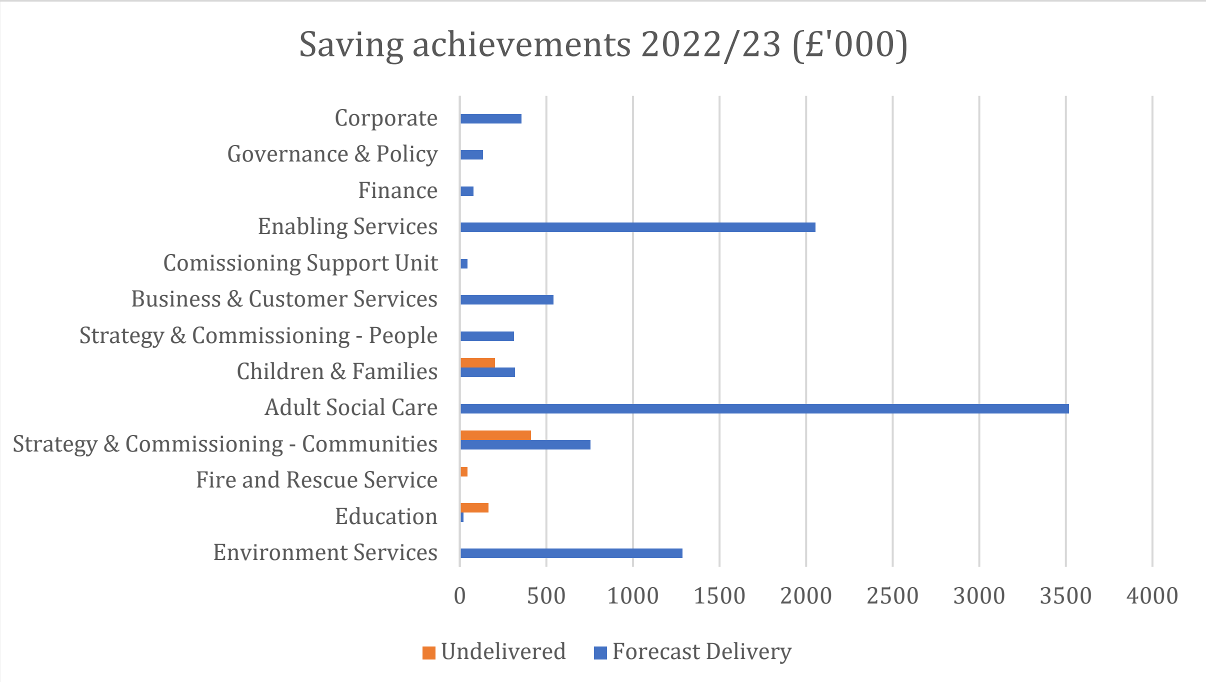
	Q2 £m	Q3 £m	Change £m
Approved Budget	363.060	358.211	(4.849)
Forecast net spending	374.979	371.622	(3.357)
Net overspend	**11.919**	**13.411**	**1.492**
Reason for, and resourcing, of the overspend			
• Covid variance fully funded by Covid grants carried forward from previous years	5.438	5.195	(0.243)
• Reprofiling into future years and/or reduced spend of drawdowns from the Investment Funds	(0.696)	(2.773)	(2.077)
• DSG deficit to be offset against the DSG Offset Reserve	2.100	4.493	2.393
• Spend to be financed from other Earmarked Reserves	0.639	(0.193)	(0.832)
Balance of overspend to be funded Directorate and General Risk Reserves	**4.439**	**6.689**	**2.250**

The headline forecast overspend for 2022/23 is £13.411m. However, specific funding has already been set aside in the Medium-Term Financial Strategy (MTFS) to meet over half of these costs. Once this funding is taken into account the adjusted position is a net overspend of £6.689m (1.9% of the net revenue budget) which will, if unchanged by the end of the financial year, be funded from Directorate and the General Risk Reserves set aside to cover any such residual overspends.

The variance in the net revenue budget at +1.9% is within the +/- 2% target set as part of the performance management framework and is within acceptable parameters for an authority of the size and complexity of the County Council. It is a reflection of the positive and pro-active financial management activity taking place at a time when inflation is running at over 10%.

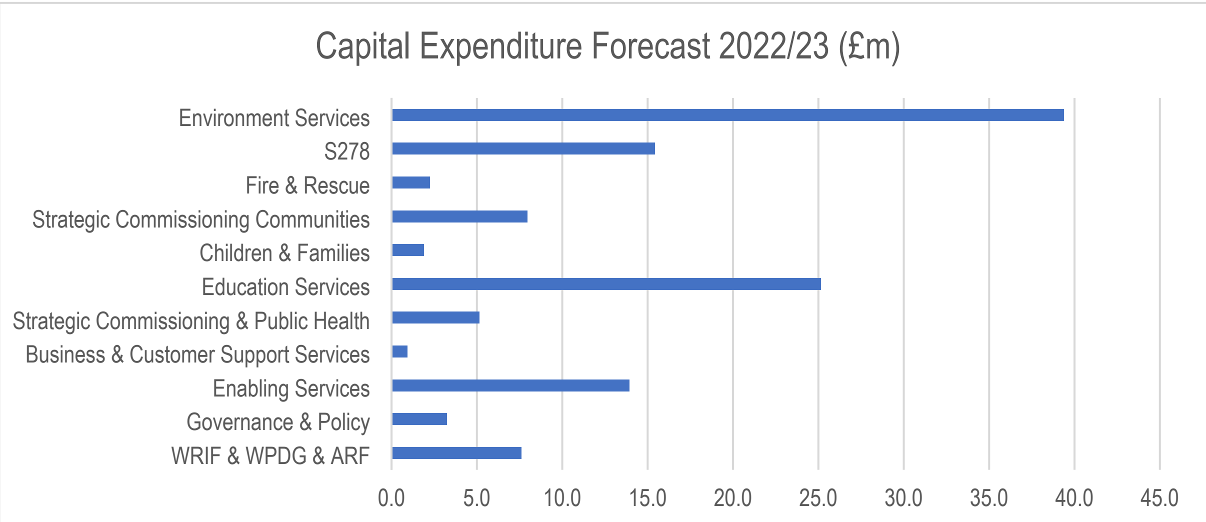
The current Dedicated Schools Grant (DSG) forecast is a £4.493m overspend. Within this there is a £4.939m High Needs block deficit in 2022/23, giving a forecast cumulative High Needs DSG deficit of £20.919m at the end of this financial year. The DSG Offset Reserve is currently £21.650m. If the cumulative DSG deficit remains below the Offset Reserve, at the end of the financial year the Authority will release some of the reserve to increase the Available to Use reserves. If, however, the cumulative deficit increases above £21.650m, the DSG Offset Reserve will need to be topped-up from the Available for Use reserve, reducing the funding available to support the MTFS in future years.

2.2 Savings Achievement Summary



The savings plan for 2022/23 requires the delivery of £10.244m of savings, accumulated from 54 individual saving initiatives. At Q3 £9.415m (91.9%) is forecast to be delivered in line with the plan, with £0.829m (8.1%) forecast to be unachieved. For details on saving performance please refer to Section 4.

2.3 Capital Forecast Summary



*WRIF (Warwickshire Recovery Investment fund), WPDG (Warwickshire Property Development Group), ARF (Asset Replacement Fund)

The total controllable forecast capital spend for 2022/23 is £99.834m. A further £15.429m is expected to be spent relating to schemes funded by S278 developer contributions where the timing is not directly controllable by the Council. In addition it is anticipated £7.602m will be spent on economic growth-related activity through the Warwickshire Recovery and Investment Fund (WRIF) and Warwickshire Property and Development Group (WPDG).

2.4 Covid Summary

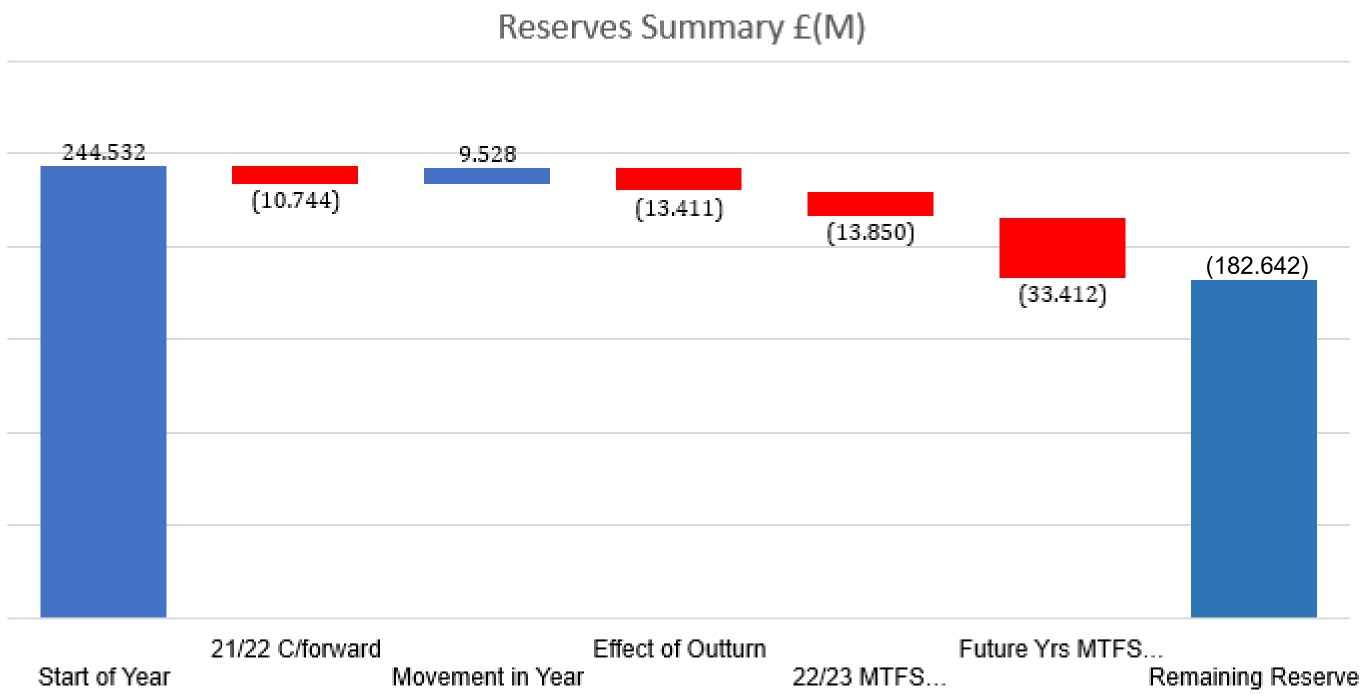
Covid Budget Position	2022/23 Q2 Forecast £m	2022/23 Q3 Forecast £m
Covid Grants Ringfenced	(3.353)	(3.353)
Covid Grants Unringfenced	(15.937)	(15.937)
Available Covid reserves as at 31st March 2022	(19.290)	(19.290)
Covid Related Commitments:		
Covid Grants Ringfenced (Excluding COMF)	0.980	0.980
Covid Grants Ringfenced (COMF)	2.184	1.945
Covid Grants Unringfenced (Excluding Local Council Tax Compensation Scheme)	6.616	4.565
Covid Grants Unringfenced (Local Council Tax Compensation Scheme)	4.891	-
Less: Ringfenced Covid Grant Carry forward (COMF)	0.189	0.431
Approved Covid Spend for 2022/23 & 2023/24	14.860	7.918
Reserve Review: Transfer to Available for Use Reserve	-	(10.872)
Total un-allocated funding	(4.430)	(0.500)

In 2022/23 Covid expenditure to mitigate the on-going impact of the Pandemic is monitored against the resources carried forward from covid-support government grants received in previous financial years. Of the £7.918m approved Covid spend, £5.195m relates to 2022/23 and £2.723m 2023/24.

The UK Health Security Agency has recently announced a change in use of Covid Outbreak Management Fund (COMF) which now allows Local Authorities to carry forward funding of £0.431m into 2023/24.

Moving forward Corporate Board are recommending that from 2023/24 covid-related activity forms part of the overall service and financial management of the Authority. Subject to retaining a contingency of £0.500m this means that £10.872m of unringfenced Covid funds can be consolidated as part of the 'Available for Use' reserve to support the MTFS and the delivery of the Council Plan.

2.4 Reserves Summary[1]



The level of reserves at the start of 2022/23 was £244.532m. The forecast spend in this report and indicative future use of reserves to support the MTFS indicate reserves will reduce by £61.889m over the period of the MTFS to £182.643m. The future MTFS commitments are subject to change as a result of the on-going refresh of the Strategy.

[1] Variations in reserves through the year - red indicates use of reserves and blue indicates an increase in reserves.

3. Revenue Forecast by Service

Service Area	Approved Budget	Service Forecast	(Under) /Over spend	% Change from Budget	Change from Q2	Represented by:				% RS Variance from Approved Budget	RS Variance Change from Q2
						Investment Funds	Impact on Earmarked Reserves	Covid Impact	Remaining Service (RS) Variance		
	£m	£m	**£m**		£m	£m	£m	£m	£m		
Communities											
Environment Services	50.098	57.110	**7.012**	**14.0%**	1.296	-	(0.030)	0.055	6.987	**13.9%**	1.327
Fire & Rescue	23.251	23.332	**0.081**	**0.3%**	(0.203)	-	0.032	-	0.049	**0.2%**	0.005
Strategic Commissioner for Communities	26.786	26.537	**(0.249)**	**-0.9%**	(0.820)	(0.030)	(0.304)	0.616	(0.531)	**-2.0%**	(0.671)
Subtotal Communities	**100.135**	**106.979**	**6.844**	6.8%	**0.273**	**(0.030)**	**(0.302)**	**0.671**	**6.505**	6.5%	**0.661**
People											
Social Care & Support	184.791	187.273	**2.482**	**1.3%**	0.697	(0.056)	1.200	-	1.338	**0.7%**	0.677
Children & Families	85.094	86.858	**1.764**	**2.1%**	1.216	(0.088)	0.549	0.265	1.038	**1.2%**	0.744
Strategic Commissioner for People	36.777	39.903	**3.126**	**8.5%**	0.392	(0.082)	0.444	3.426	(0.662)	**-1.8%**	(0.266)
Education Services - Non-DSG	10.563	10.849	**0.286**	**2.7%**	(0.430)	-	(0.206)	0.108	0.384	**3.6%**	(0.090)
Subtotal People	**317.225**	**324.883**	**7.658**	**2.4%**	**1.875**	(0.226)	**1.987**	**3.799**	**2.098**	**0.7%**	**1.065**
Resources											
Business and Customer Services	20.682	21.218	**0.536**	**2.6%**	(0.175)	-	(0.032)	0.378	0.190	**0.9%**	(0.112)
Commissioning Support Unit	7.063	6.051	**(1.012)**	**-14.3%**	(0.454)	(0.552)	-	0.064	(0.524)	**-7.4%**	(0.341)
Enabling Services	28.426	26.302	**(2.124)**	**-7.5%**	(0.588)	(1.965)	-	-	(0.159)	**-0.6%**	1.372
Finance	6.660	6.646	**(0.014)**	**-0.2%**	0.264	-	0.018	0.030	(0.062)	**-0.9%**	0.069
Governance & Policy	3.972	2.860	**(1.112)**	**-28.0%**	(1.018)	-	0.006	0.003	(1.121)	**-28.2%**	(0.779)
Subtotal Resources	**66.803**	**63.077**	(3.726)	-5.6%	(1.971)	**(2.517)**	**(0.008)**	**0.475**	(1.676)	-2.5%	0.209
Subtotal Directorates	**484.163**	**494.939**	**10.776**	2.2%	**0.177**	**(2.773)**	**1.677**	**4.945**	**6.927**	1.4%	**1.935**
Corporate Services and DSG											
Corporate Services & Resourcing	(127.022)	(128.880)	**(1.858)**	**1.5%**	(1.078)	-	(1.870)	0.250	(0.238)	**0.2%**	0.315
DSG expenditure	252.608	257.101	**4.493**	**1.8%**	2.393	-	4.493	-	-	**-**	-
DSG income	(251.538)	(251.538)	**-**	**-**	-	-	-	-	-	**-**	-
Subtotal Corporate Services and DSG	**(125.952)**	**(123.317)**	**2.635**	(2.1%)	**1.315**	**-**	**2.623**	**0.250**	(0.238)	0.2%	**0.315**
Total	**358.211**	**371.622**	**13.411**	3.7%	**1.492**	(2.773)	**4.300**	**5.195**	**6.689**	1.9%	**2.250**

3.1. Revenue overview

The forecast outturn position is set out in the table in Section 3 above and shows a total forecast overspend of £13.411m representing 3.7% of the Council's net revenue budget, this is an increase of £1.492m since Q2.

There has been one material structural change of £23.2m. This reflects the transfer of the Mainstream and SEND Home to School Transport service from People Directorate (Education Services) to Communities Directorate (Environment Services), Q2 forecasts have been retrospectively adjusted to remove the variance resulting from this transfer. Consultation is not required for the movement of staff as this is effectively a change of line management.

In November, it was confirmed that national agreement had been reached on the 2022 pay award for colleagues on Green Book terms and conditions. The agreement was for an increase of £1,925 applied to all spinal points, the provision for the pay award has been added to Services budgets, from the corporate pay contingency, and actual spend forecast is part of the Q3 figures.

3.2. The material aspects of the overspend are attributable to the following factors.

i.) **Covid (£5.195m):** The table in section 3 shows the Covid spend for each service on the approved initiatives to manage the long term impact of the Pandemic. Any residual cost resulting from Covid (such as ongoing changes to demand or services) over and above these projects is now reported as part of the 'Remaining Service Variance' in the table and Services are required to manage these costs within their approved budget. At Q3 this approach is not forecast to cause any material unmanageable pressures in any Service.

The approved Covid projects are funded from government grants received in previous financial years and the Q3 forecast indicates at the end of 2022/23 £0.500m of uncommitted Covid funding will remain in our reserves. The current forecast assumes that all ringfenced grants will be spent or carried forward to 2023/24, due to a change to the terms and conditions of the COMF grant funding.

ii.) **Dedicated Schools Grant (DSG):** The forecast £4.493m overspend consists of the following variances:

DSG block	Current year forecast variance as at Q3 2022/23 £m	Cumulative forecast variance as at Q3 £m
Schools Block	0.018	(0.373)
Early Years Block	(0.494)	(3.426)
High Needs Block	4.939	20.919
Central Services Block	0.030	(0.459)
Total	**4.493**	**16.661**

The Q3 forecast is based on current information following the start of the new Academic year (Sept 2022) and as such is subject to variability as placements and variability continues, in some cases, until the end of the first term.

The most significant element is the forecast overspend of £4.939m on the High Needs Block (HNB) which has increased by £2.367m since Q2. All of the forecast overspend can be resourced from the DSG and DSG Offset Reserve.

The key driver of the overall position is an overspend of £4.965m from demand for independent special schools provision. The demand on the Independent special schools has increased dramatically without any noticeable effect of intervention and forward projections have therefore, followed suit with an increased forecasted spend of £0.914m

The increase in the overspend since Q2 of £2.367m is due to:

- increased overspend in the Independent special schools budget (£0.848m);
- growth in demand for alternative provision (£0.579m);
- an increase in post 16 provision (£0.343m);
- increased usage of EHCP top ups (£0.412m); and
- increased demand for Hospital tuition of £0.170m.

A detailed analysis of the DSG variance is provided in Appendix A.

3.3. Service specific material variances (for which further detail can be found in Appendix A) include:

i.) **Environment Services remaining service overspend of £6.987m (increase from Q2 of £1.327m).**

The primary driver of this overspend is Home to School SEND (Special educational needs and disabilities) transport forecasting to overspend by £4.035m and with mainstream transport forecasting to overspend by £2.816m. Since Q2 the combined forecast overspend has increased by £2.348m of this increase £1.097m is attributable to SEND transport and is mainly due to an increase of seven routes from November and an increase in taxi costs.

Throughout 2022/23 Home to School Transport has seen ongoing volatility, with increases in the cost for hire of transport vehicles and bus pass demand on commercial routes. The Summer term total average cost of SEND transport was £55,000 per day, this has increased through the Autumn term to £72,000 per day, an increase of £17,000 per day.

Active management of the situation and the market is on-going with a range of projects underway to deliver the planned savings through demand management and cost reductions in future years and also to provide the management information that will better support effective scrutiny and oversight. Increased capacity and formalisation of the oversight arrangements will form part of the 2023/24 MTFS refresh.

ii.) Social Care and Support remaining service overspend of £1.338m (increase from Q2 of £0.677m)

There are significant over and underspends within the headline overspend, primarily due to:

- disabilities age 0-24 (previously named Children with Disabilities) is forecast to overspend by £1.423m, this is attributable to one intensive spot contract and an increase of 12% on the week cost of residential placements;
- disabilities 25-64 is forecast to overspend by £0.767m, and increase of £0.562m from Q2, this is driven by rising demand for residential care, supported living, direct payments and specialist college placements and is partially offset by increased client contributions;
- older people is forecast to overspend by £0.769m, which is an increase of £0.562m from Q2, with the overspend is driven by rising costs in residential, nursing, domiciliary care, and direct payments due to increases in cost and volume;
- integrated care services is forecast to underspend by £1.265m and is due to the limitations of tendering processes placed on on-going projects and recruitment challenges the service is experiencing; and
- the Assistant Director's centralised budget is forecast underspend by £0.845m, this is a decrease of £0.772m from a reduction in forecast to prepare for ASC Reform, fair cost of care adjustment and a reduction in staff and legal expenses.

iii.) Children and Families remaining service overspend of £1.038m (increase of £0.744m from Q2)

Despite the areas of overspend, in summary, the direction of travel is more positive and in line with the investment in staff and early intervention reducing demand on costly placements. There are some pressure points significantly around Leaving Care as well as continued reliance on costly agency staff.

There are significant under and overspends in this area, primarily relating to:

- the combined overspends in Children and Families (relating to salary, agency, legal, Children in Care transport and leaving care accommodation costs) is £6.132m. This is an increase of £1.195m from Q2, primarily, due to additional staff and agency costs as part of implementing the Service's Sustainability Plan to reduce demand on placements and other high-cost services; and
- an offsetting underspend of £3.367m within Children in Care (CiC) due to increased stability of placements, for which the forecast has increased by £0.379m since Q2 and is due to a full year effect of declining numbers in 2021/22. The investment in staffing through the Sustainability Plan is critical to maintain the model that has successfully achieved the reductions in unit cost and placement numbers. The Asylum Grant also contributes to this position by providing funding of £1.262m towards the indirect costs across the service and is a marginal increase on Q2 forecast.

It is acknowledged that recruitment of additional staff will be required to support delivery of the Service's Sustainability Plan and demand management reductions built into the Medium Term Financial Strategy. From 2023/24 onwards the financial impact of this investment will form part of the 2023/24 MTFS refresh.

iv.) Governance and Policy remaining service underspend of £1.121m (increase of £0.779m from Q2)

Of this, £0.590 relates to new Legal contracts being successfully secured, Marketing and Communication is also forecast to overachieve on income by £0.221, this is due to additional internal chargeable work being undertaken. In addition, Strategic Asset Management are forecast to underspend by £0.192m due to delays and difficulties in recruiting to vacant posts.

4. Savings Performance

4.1. Performance against individual saving targets is listed in Annexes A to M of Appendix C in this report. The table below provides a summary of the current forecast. The savings target for 2022/23 is £10.244m of which £9.943m is planned to be delivered leaving a £0.829m shortfall.

2022/23	No. of Savings Options	Saving Delivered	Saving Not Delivered
		£m	£m
Savings target achieved/overachieved	45	9.604	-
Savings target partially achieved	3	0.339	0.071
No saving delivered against target	6	0.000	0.758
Total	**54**	**9.943**	**0.829**

4.2. Below are details of those savings which are highlighting adverse forecast variances:

i.) 54% is attributable to schemes where services are struggling to deliver the planned reductions through service re-design to reduce cost;

ii.) 26% is attributable to schemes where the service has failed to reduce third party spend;

iii.) The other 20% is attributable to schemes where the service has either not increased income streams as planned or due to insufficient cost reduction from vacancy management.

Description	Target £m	Forecast £m	Reason for variance and associated management action
Education - Savings on third party spend - Review of services purchased from third parties to ensure value for money.	0.066	0.00	Savings are not forecast to be achieved this year due to inflationary pressures, alternative plans are to be agreed for how this saving will be delivered.
Education - Vacancy management - Reduction in staffing budgets through recognising natural underspends from staff turnover.	0.100	0.00	Continuing post COVID demand on staff resources mean alternative plans are to be agreed for how this saving will be delivered.
Fire & Rescue - Further savings on third party spend - Review of services purchased from third parties to ensure value for money	0.043	0.00	Delay in siting the Minerva unit has resulted in savings not being achieved and likelihood of the savings being achieved by other methods or absorbed is low due to increase in operational activity over the summer.
SC Communities - SEND Home to school transport - Reduction in the cost of the service as a result of service/route redesign and the positive impact of the SEND Change and Inclusion Programme on both demand and the length of journeys.	0.386	0.00	There is significant overspend on home to school transport driven primarily by inflationary pressures.
SC Communities - Road safety advice - Maximising income generation opportunities from the provision of road safety advice.	0.100	0.075	Saving is not forecast to be fully achieved this year due to fewer requests for audits received.
Children & Families - Savings on third party spend - Review of services purchased from third parties to ensure value for money.	0.107	0.00	Savings are not forecast to be achieved this year due to inflationary pressures, alternative plans are to be agreed for how this saving will be delivered next year.

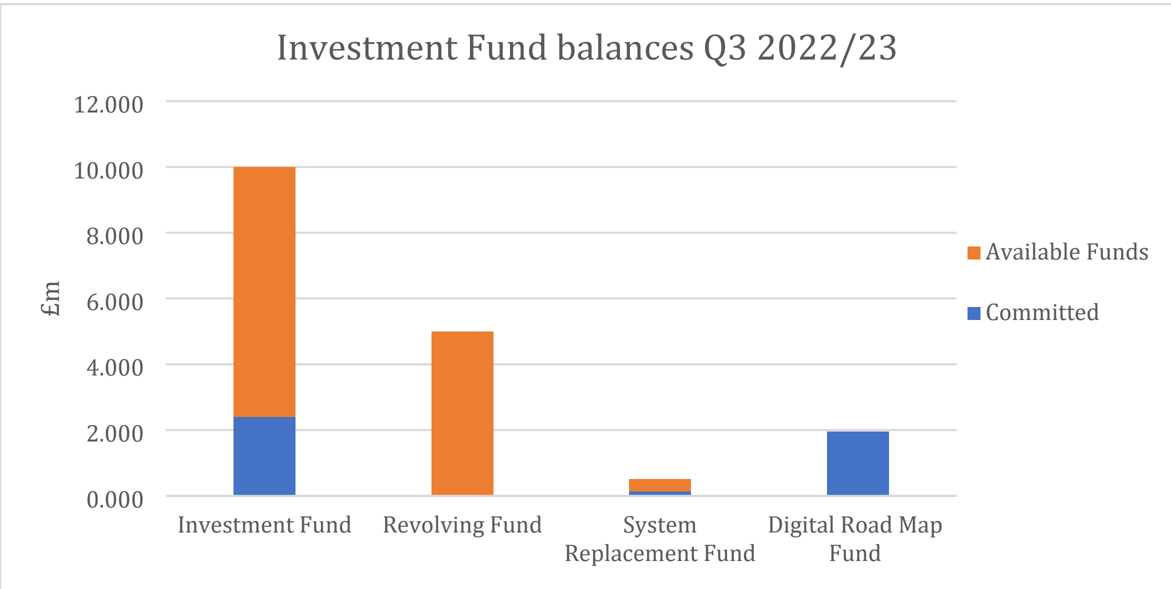
Description	Target £m	Forecast £m	Reason for variance and associated management action
Children & Families - Maximise income and contributions to care packages - Efficient collection of health contributions to children in care placements and income from safeguarding training.	0.300	0.259	Service is forecasting to deliver 83% of the target with 17% not deliverable from Education Safeguarding training.
Children & Families New ways of working - Reductions in staff travel, room hire, client travel and expenses from new ways of working post-Covid.	0.056	0.00	Current forecasts predict an overspend within this service of £0.163m.
Governance and Policy - Paper free meetings - Reduction in the cost of printing as a result of moving to paper free meetings.	0.010	0.005	Take up of paper free meetings is currently approx. 50%.
	1.168	0.339	

4.3. The savings target in Communities relating to the reduction in cost for SEND home to school transport is forecast not to be achieved in Q3. A significant MTFS pressure has been submitted for this area that takes account of the non-delivery of this saving.

4.4. Social Care Services are reporting full achievement of their saving target for the year. Two of their saving plans have proved to be unachievable and the service has identified alternative ways of delivering the target. The undeliverable targets relate to third party spend reduction (£0.228m) and the redesign of the commissioning approach for younger adults (£0.300m). It is now forecast that the growth in client contribution income will be sufficient to meet these targets.

5. Revenue Investment Funds

5.1. The remaining balances of each of the Revenue Investment Funds are shown below:



5.2. In the budget resolution, Council agreed to have three revenue investment funds starting from April 2022; £10m for a single Revenue Investment Fund (RIF), £5m for a Revolving Fund specifically to resource invest-to-save projects and a £0.500m IT System Replacement Fund. The total invested in 2022/23 is £2.3m.

5.3. On the 13 October 2022, Cabinet, agreed a priority funding package of up to £1.0m from the RIF, aimed at alleviating cost of living pressures recognising the significant economic challenges and impact on residents, communities and businesses of Warwickshire. As at Q3 £0.842m has been allocated to projects and initiatives.

5.4. The MTFS this year committed £1.825m time limited funding to the Digital Road Map project, with further commitment in future years. This project has been delayed by capacity being directed to the more urgent adult social care reforms work. Current expectation is that 50% of this year's planned investment will be completed this year. Corporate Board are seeking Cabinet's approval to recategorise the Digital Road Map project as an investment fund. This means that the remaining service variance is not being distorted by funding streams which will be required in future years, as the project spans multiple years. The 2023-28 MTFS has been updated to reflect this change and, if agreed drawdowns of funding from 2023/24 onwards will follow the same formal governance process as the Revenue Investment Fund.

5.5. With the volatile economic outlook, allocating further funding from the Revenue Investment Fund will remain paused for the remainder of 2022/23, except for the priority cost of living allocation. This is to ensure the Council does not over-commit available resources and is able to manage inflationary pressure which is vital in ensuring the Council stays financially resilient through these challenging times.

5.6. The IT System Replacement Fund is available to draw on to ensure we can keep our systems up to date and adapt to changing system requirements. There have been no additional allocations from this fund since Q2. To date £0.132m has been allocated, leaving £0.362m available to spend in the remainder of the financial year. Any unused funding will be carried forward to meet investment need in future years.

5.7. The Revolving fund is also available, and services are encouraged, as part of the on-going refresh of the MTFS, to identify invest-to-save initiatives that can utilise the Revolving Fund and deliver savings in future years.

6. Reserves

Reserve	Opening Balance	Change in year	Outturn Impact	Impact of 2022/23 MTFS	Closing Balance	Reserve Review (Autumn 2022)	Future years Estimated MTFS Use	Balance at 31/03/27
	£m	£m	£m	£m	£m	£m	£m	£m
DSG Deficit Offset	(11.097)	0.000	(4.493)	(1.070)	(16.660)	0.000	0.000	(16.660)
Other Schools Reserves	37.650	7.972	(0.018)	0.000	45.604	(0.014)	0.000	45.590
Covid Reserves	14.399	0.000	(5.195)	0.000	9.204	(5.982)	(2.723)	0.500
Other Earmarked Reserves	113.168	(5.228)	2.984	(1.442)	109.481	(4.891)	(8.063)	96.527
Risk and General Reserves	37.056	(3.558)	(2.672)	6.883	37.709	0.000	0.000	37.709
Available to Use Reserve	53.355	(0.402)	(4.017)	(18.221)	30.715	10.887	(22.626)	18.976
Total	**244.532**	**(1.216)**	**(13.411)**	**(13.850)**	**216.054**	**0.000**	**(33.412)**	**182.642**

6.1. At the start of 2022/23 the Council held £244.532 in reserves and by the end of Q3 there has been a total movement in reserves of £1.216m. This includes the approved carry forwards, funding for investment and transformation projects as approved by Cabinet and Corporate Board as well as the transfer of the revenue contribution to support the DSG deficit offset reserve as agreed in the MTFS.

6.2. The impact of the current forecast revenue position will be a reduction in the reserves by a net £13.411m. The key drivers of this change are the DSG overspend that will further increase the deficit, the Home to School Transport overspend and the use of Covid reserves to support ongoing Covid recovery activities.

6.3. As part of the MTFS refresh a detailed reserves review has been undertaken working jointly with Departmental Leadership Teams with the aim to identify reserve balances that can be released to support the MTFS and the Council Plan. The outcome of this review and recommended by Corporate Board will increase the available for use reserve by £10.887m this is reflected in the table above and a detailed reserves schedule is provided in Appendix C.

7. Capital

7.1. As part of the budget resolution in February 2022 Council approved a capital budget of £250.115m for 2022/23 and a total capital programme of £844.9m for the medium term. The latest forecast for 2022/23 capital payments directly controllable by the Council is £99.834m and a total capital programme of £370.672m.

7.2. A reconciliation of the approved budget for 2022/23 and the capital programme is provided below between the budget resolution and this report:

	Capital Budget 2022/23
	£m
Council Resolution February 2022	250.115
Unallocated Capital Investment Fund	-30.613
Warwickshire Recovery and Investment Fund (WRIF), and Warwickshire Property and Development Group (WPDG) and Asset Replacement Fund (ARF)	-38.643
Education basic needs funding (unallocated)	-9.624
Capital maintenance allocations	-29.016
2021/22 Quarter 3 approved capital programme (including S278, excluding WRIF, WPDG and ARF)	**142.219**
Re-profiling, new schemes, and delays at 2021/22 outturn	-17.455
Opening capital programme for 2022-23	**124.764**
Re-profiling, new schemes, and delays at Q1	4.424
Re-profiling, new schemes, and delays at Q2	-15.140
Re-profiling, new schemes, and delays at Q3	-14.214
Capital programme at Q3 2022-23 (including S278, excluding WRIF, WPDG and ARF)	**99.834**

7.3. The current forecast represents a decrease of £14.214m on the Quarter 2 budget reported in November 2022. The changes to forecasts have been split below in paragraph 7.6 between new schemes, budget reprofiles, net underspends and delays. Additionally, there are £61.786m of S278 projects currently within the capital programme.

7.4. The Capital Investment Fund (CIF) balance which is not included in the above figures is £101.362m.

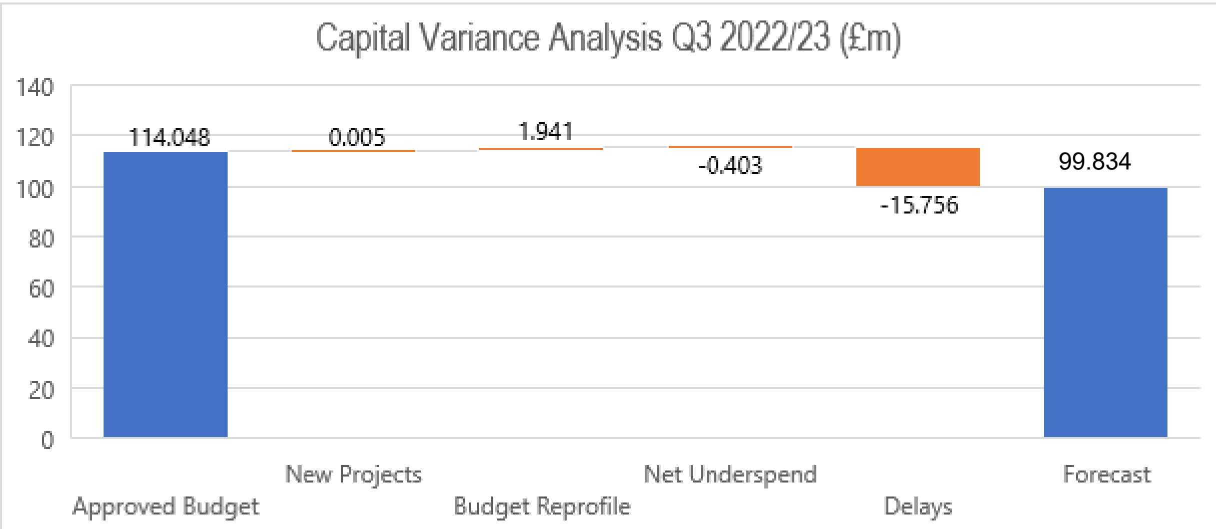
Capital Forecast by Service

7.5. The forecast of 2022/23 capital payments directly controllable by the Authority of £99.834m excludes the forecast spend on s278 developer schemes of £15.429m and corporate allocations for WPDG, WRIF and ARF (Asset Replacement Fund) of £7.602m. These elements are excluded from the headline figures as the timing of the spend is not directly controllable by the Council. If these are included the total 2022/23 capital expenditure forecast is £122.866m.

	2022/23			2023/24 to 2026/27			Total Variance
	Approved Budget £000	Forecast £000	Variance £000	Approved Budget £000	Forecast £000	Variance £000	£000
Environment Services	42,280	39,377	(2,903)	95,801	102,291	6,490	3,587
Fire and Rescue	3,309	2,232	(1,077)	2,757	3,767	1,010	(67)
SC for Communities	10,317	7,946	(2,371)	42,368	45,436	3,067	696
Communities	**55,906**	**49,555**	**(6,352)**	**140,926**	**151,494**	**10,568**	**4,216**
Children and Families	1,912	1,887	(25)	770	795	25	-
Education Services	30,695	25,148	(5,547)	100,917	107,151	6,234	687
Social Care & Support	-	-	-	313	313	-	-
Sc for People & Public Health	5,198	5,149	(49)	21	70	49	-
People	**37,806**	**32,184**	**(5,621)**	**102,020**	**108,329**	**6,308**	**687**
Business and Customer Support	911	911	-	591	591	-	-
Enabling Services	14,657	13,935	(722)	6,442	7,228	786	64
Governance & Policy	4,764	3,250	(1,514)	1,974	3,197	1,223	(290)
Resources	**20,333**	**18,097**	**(2,236)**	**9,007**	**11,016**	**2,009**	**(226)**
Controllable capital programme	**114,048**	**99,834**	**(14,214)**	**251,953**	**270,838**	**18,885**	**4,675**
Corporate: WPDG / WRIF / ARF	38,643	7,602	(31,041)	225,957	256,998	31,041	-
WCC Capital Programme	**152,687**	**107,436**	**(45,249)**	**477,910**	**527,836**	**49,926**	**4,675**
S278 funded schemes	14,785	15,429	644	39,338	46,357	7,019	7,663
Total Capital Expenditure	**167,475**	**122,866**	**(44,605)**	**517,248**	**574,193**	**56,945**	**12,338**

Capital Variance Analysis

7.6. The latest 2022/23 controllable capital budget of £114.048m was approved by Cabinet in November 2022. The chart below explains the changes between the approved budget and the actual forecasted spend of £99.834m.



These figures exclude S278 and Corporate Schemes

7.7. The 2022/23 budget is set according to the 2022/23 forecast spend as estimated as part of the 2021/22 outturn report. The forecast shows the changes in capital programmes since then, made up of:

- <u>Reprofiled and delayed projects</u> – these are schemes where the project timeline has been reprofiled or there has been a delay in the time scale for delivery. The project is still being delivered and with no material change in cost, but the benefits of projects are not realised and available to the taxpayers of Warwickshire in the timeframe originally anticipated. The net position is that there is £14.214m of project expenditure which has been reprofiled into future years, and work is ongoing to make estimates of planned delivery more realistic to ensure reprofiling only occurs where delays are uncontrollable. The key reasons for the current delays are provided in **Appendix B** of this report and they include availability of contractors and materials, project reviews and redesigns due to inflationary pressures and longer than anticipated procurement and planning processes.

- New projects – these are projects recently added to the capital programme or projects where costs have risen as a result of a substantial change in scope. These schemes have been added through formal governance processes, with financing made available from Capital Investment Fund or funded by third parties. At Q3 £1.496m of new Highways funding has been recognised in the capital programme. This has been facilitated by the forward use of 2023-24 Highways Grant.

- Projects with Increased Spend – these are schemes where project costs have risen above the level previously expected and additional funding has been arranged. This may be in the form of a contribution from a Service's revenue budget, the use of Basic Need Funding for education projects or increased grants. In many cases the impact of this is that there is less funding available for other projects/activity.

- Underspent projects – these are schemes which have been delivered under budget. The impact of this is that funds are no longer required for a specific scheme. This may mean the authority will be able to recycle funds to alternative projects or borrow less to fund capital spend in the future.

7.8. Adding £1.501m new projects to the capital programme in 2022/23 requires that an equivalent amount of additional funding has also been identified.

7.9. Detailed explanation at a Service level of all changes to the capital programme is provided in **Annexes A to M**.

7.10. Funding inflationary pressures on capital schemes was considered by Cabinet and Council in September and a new Inflation Contingency Fund was established (funded from the Capital Investment Fund) to manage the impact of inflation. The new Fund contained £15m funding and allocations totalling £3.852m have been made to date by the Strategic Director for Resources in consultation with the Portfolio Holder for Finance and Property. As this is commercially sensitive a confidential note of the allocations made from the Fund is available to Members through Cabinet and the Resources and Fire Overview and Scrutiny Committee.

7.11. In addition, where schemes are in the early stages of design and costing there is a risk that project costs have significantly risen due to inflation. This may mean in some cases the original scheme is not likely to be achievable within the current approved funding envelope. Decisions about whether to proceed or if the projects should be scaled back or aborted will form part of the development of the Capital Investment Fund pipeline as part of the 2023/24 MTFS Refresh. Any abortive costs on discontinued schemes would need to be funded from revenue resources.

Service	Approved 2022-23 capital programme	New projects in year at Q3	Net over / underspend forecast at Q3	Total capital programme	Budget Reprofile at Q3	Delays expected at Q3	Forecast In year capital spend Q3	% of delays
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Environment Services	42,280	157	-	42,437	1,099	(4,164)	39,372	-9.8%
Fire and Rescue	3,310	-	(76)	3,234	6	(1,008)	2,232	-30.5%
SC for Communities	10,317	8	(199)	10,126	164	(2,344)	7,946	-22.7%
Children & Families	1,912	-	-	1,912	-	(25)	1,887	-1.3%
Education Services	30,696	45	(14)	30,727	524	(6,103)	25,148	0.0%
SC for People	5,198	-	-	5,198	-	(49)	5,149	-0.9%
Business and Customer Support	911	-	-	911	-	-	911	-
Enabling Services	14,657	-	(29)	14,628	-	(694)	13,934	-4.7%
Governance and Policy	4,764	(205)	(85)	4,474	148	(1,370)	3,252	-30.1%
Services Capital Programme	**114,048**	**5**	**(403)**	**113,647**	**1,941**	**(15,756)**	**99,834**	-13.8%
Corporate (WPDG & WRIF & ARF)	38,643	-	-	38,643	-	(31,041)	7,602	-80.3%
WCC Capital Programme	**152,691**	**5**	**(403)**	**152,290**	**1,941**	**(46,798)**	**107,436**	**-30.6%**
S278 Developer Funded Schemes	14,785	1,496	-	16,281	180	(1,030)	15,429	-6.3%
Total Capital Expenditure	**167,475**	**1,501**	**(403)**	**168,571**	**2,121**	**(47,828)**	**122,866**	**-28.3%**

Capital Financing

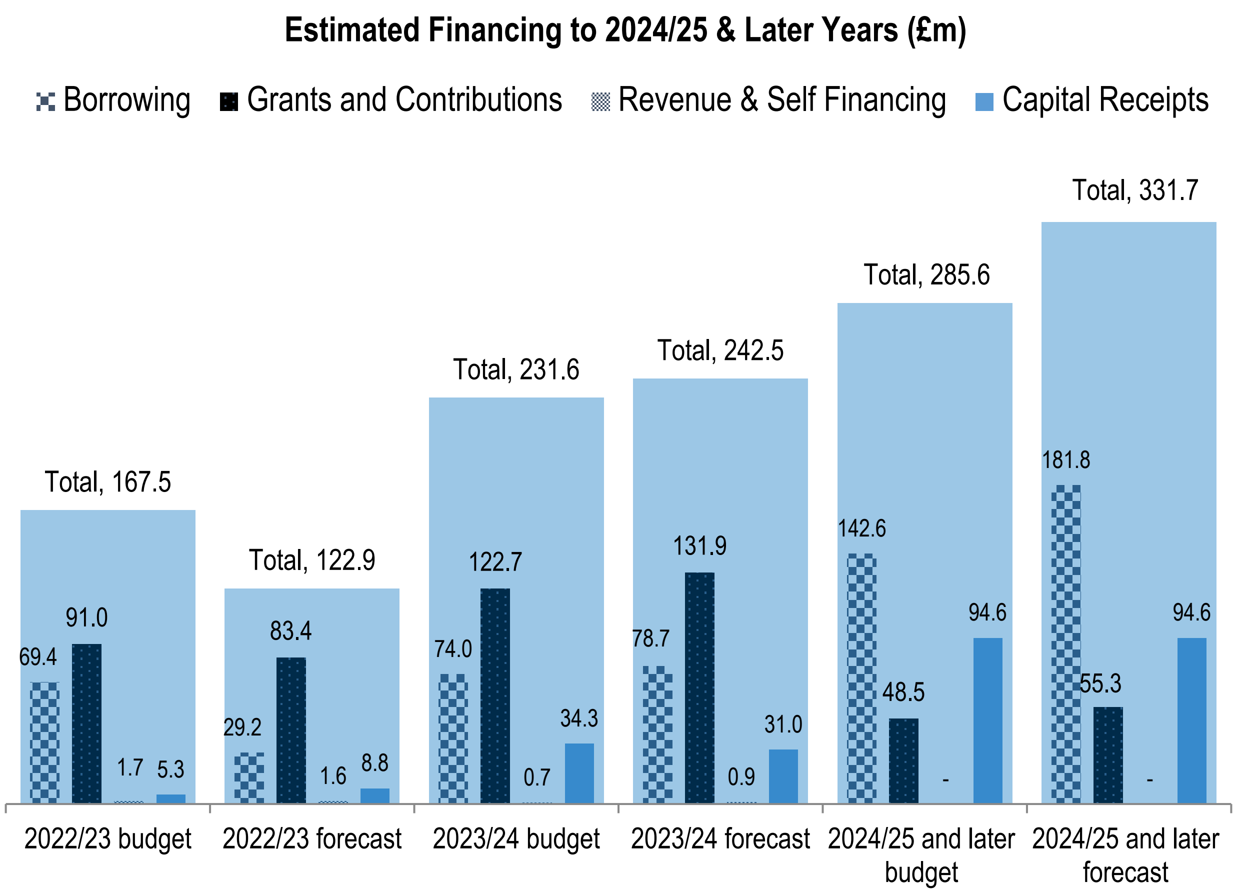
7.12. All local authorities are required to consider their gross capital spend and how it is financed separately. This is because where allowed, at a whole Council level, it is more cost effective to make use of any external capital resources (primarily government grants and capital receipts) before taking out additional borrowing. The approach delays the increase in the need to borrow. For forecasting purposes, we accurately reflect how individual schemes are being financed so that the CFR (Capital Financing Requirement) and MRP (Minimum Revenue Provision) prudently reflect and provide for the repayment of debt.

7.13. The most significant variable in financing the capital expenditure is forecasting the timing of the delivery of capital receipts. Capital receipts and income, including those from the County Council, WPDG and the Warwickshire Recovery and Investment

Fund, are used to avoid the need to incur additional borrowing. Any shortfall in the level of expected receipts may require the Authority to borrow sooner than expected.

7.14. The timing of when additional borrowing is taken out will depend on the Authority's overall cash position which may provide an opportunity to 'internally' borrow from other Council resources in the short term to minimise the impact of financing long-term external borrowing on the revenue budget. Monitoring of longer-term balance sheet projections will continue to be undertaken to ensure the Authority maximises its resources.

7.15. The chart and table below provide further detail on how the approved 2022/23 capital programme and 2022-27 Capital MTFS are currently planned to be financed.



Note: The Council manages cash as a whole, so even where borrowing is shown as a form of financing in this graph it does not mean new borrowing will be necessary. The borrowing figure shown is the gap between our spending and the funding available to us which is called the CFR (Capital Financing Requirement).

	2022/23 budget £'000	2022/23 forecast £'000	2023/24 budget £'000	2023/24 forecast £'000	2024/25 and later budget £'000	2024/25 and later forecast £'000
Corporate Borrowing	69,444	29,170	73,977	78,746	142,573	181,812
Self-financed Borrowing	1,135	1,094	425	552	-	-
Grants and Contributions *	91,038	83,359	122,688	131,882	48,498	55,337
Capital Receipts	5,301	5,301	3,792	3,984	4,128	4,128
Capital Receipts - WRIF	-	-	12,462	12,462	53,127	53,127
Capital Receipts - WPDG	-	-	14,532	14,532	37,311	37,311
Capital Receipts Reserve	-	3,479	3,479	-	-	-
Revenue	557	463	256	320	-	-
Total	**167,475**	**122,866**	**231,611**	**242,478**	**285,637**	**331,715**

* *The income from grants and contributions includes grants from Government and contributions from developers and other third parties.*

8. Financial Implications

8.1. The report outlines the financial performance of the Authority in 2022/23. There are no additional financial implications to those detailed in the main body of the report.

8.2. The key financial issue remains that the MTFS should reflect the need to put sustainable solutions in place for those services reporting material demand-led overspends; the need to ensure the ambitions of the capital strategy are aligned to the capacity to deliver; and that any plans developed to balance the budget going forward are robust so any decisions can be taken promptly. This is critically important for the 2023/24 refresh due to the increased uncertainty and risk as a result of the current inflationary pressures as well as national and international political and economic outlook.

9. Environmental Implications

9.1. There are no specific environmental implications as a result of the information and decisions outlined in the report.

Appendices

Appendix A – Commentary on service revenue forecasts
Appendix B – Commentary on service capital forecasts
Appendix C – Service level narrative, reserves, savings and forecasts

Background Papers

None.

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

Appendix A

Commentary on Service Revenue Forecasts

This Appendix provides commentary on the service revenue forecasts shown in Section 3 of the main report.

1. Communities Directorate

Environment Services - (£7.012m overspend; +14.00%)
Explanation of the Approved Covid allocations (£0.055m)
This is a COMF funded allocation for Community Safety for work in relation to preventing serious violence.
Explanation of the Investment Funds (£0.000m)
N/A
Explanation of the Earmarked Reserves (£0.030m)
The forecast includes a contribution to the Proceeds of Crime Act (POCA) reserve as a result of an award made from a Trading Standards investigation. This will move to reserves and be available to support investigations in future years.
Explanation of the Remaining Service net overspend (£6.987m)

The service overspend is largely made up of the following:
• Transport Delivery is showing a forecast overspend of £6.871m due mainly to the overspends within Home to School Transport.
  ○ SEN Transport is forecasting to be overspend by £4.035m mostly as a result of the number of children being transported and the number of taxi routes being used. Inflation has impacted the cost of transport with taxis increasing by approx. £200 per day and contracts being around £4,000 per day more than in the spring term.
  ○ Mainstream transport is forecasting to be £2.816m overspent as a result of the number of taxis being used and a high demand for bus passes. The forecast estimates that the service will cost £54,000/academic day until the end of the autumn term. It is then forecast to increase to £56,000/academic day in the spring.
• An overspend within the County Highways Service of £0.309m comprises of:
  ○ Increased Maintenance costs of £0.682m as a result of higher energy rates and contractor indexation increases.
  ○ Additional costs within Forestry £0.206m due to a staffing restructure and subcontractors being used to cover vacancies.
  ○ Increased income of £0.579m in relation to Network Management, which offsets the above.
 	
The overspends are partially offset by the following underspends:
• An underspend in the Assistant Director (AD) area of £0.115m where funds had been held to support other pressures across the service, but no specific items had been identified by Q3.
• A £0.099 underspend from delay in staff appointments in relation to the spend of S.38 income within Planning Delivery.

Change in the Remaining Service position since the position reported at Quarter 2 (increase of £1.327m)
• The main change to the position reported at Q2 is **the movement of the Home to School Transport Budgets and associated overspend from Education to Communities.** • Within the Home to School Transport area the forecast overspend has increased since that reported at Q2 by £1.275m. This is due to an increase in forecast for the costs of SEN transport of £1.097m. The increase is mainly due to an increase in the number of routes being used and price increases that have occurred, particularly since October 2022 being reflected in the

Environment Services - (£7.012m overspend; +14.00%)
modelling. • The remaining increase since Q2 of £0.178m has arisen predominately in mainstream transport and is because of increased prices and usage of contracted services (0.297m), increased costs of bus passes due to more being issued throughout the year (£0.104m) and a forecast under recovery of income on contributory income (£0.130m). These increases have been offset by the forecast drawdown of s106 funds (£0.286m). • The forecast in County Highways has increased by £0.317m to show an in year overspend position of £0.309m. This is mainly due an increase in maintenance costs to £0.682m as a result of higher energy rates and contractor indexation increases. There are also additional costs within Forestry's overspend of £0.206m due to a staffing restructure and subcontractors being used to cover vacancies. These overspends are offset by increased income in relation to Network Management where there is an underspend of £0.579m. The increased overspends are partly offset by the change in forecast underspends of: • AD area is forecasting an underspend of £0.115m from releasing funds which had previously been held to support other pressures across the service. • A delay in staff appointments in relation to the spend of S.38 income within Planning Delivery has led to an underspend of £0.099m.
Impact on the MTFS
A time limited pressure bid has been submitted to address the increased Gypsy and Traveller costs.

Fire and Rescue - (£0.081m overspend; +0.30%)
Explanation of the Covid spending (£0.000m)
N/A
Explanation of the Investment Funds (£0.000m)
N/A
Explanation of the Earmarked Reserves net overspend (£0.032m)
There are expected contributions to reserves from: • The residual underspend on Hospital to Home (£0.003m) as all spend is funded via Public Health this year. Draws upon reserves are expected: • There is a forecast overspend against Pensions due to anomalies uncovered during a reconciliation process since the outsource, which means a drawdown from the Pensions reserve of £0.027m is forecast. • A drawdown is expected from the ESN Warwickshire funding of £0.008m to contribute towards the Water Hydrant project and regional posts.
Explanation of the Remaining Service net overspend (£0.049m)
The net overspend mostly comprises of: • An overspend on training costs of £0.114m due to the delay in the delivery of the in-house training facility. • An overspend on IT and communications costs of £0.022m due to annual contract changes in relation to digital transformation. • The above overspends are offset by an underspend in Response and Prevention of £0.089m due to careful management of resources at wholetime stations in addition to being under establishment on on-call staff.
Change in the Remaining Service position since the position reported at Quarter 2 (increased spending of £0.005m)
There has been no significant change to the overall forecast position since the last quarter.
Impact on the MTFS
The remaining service underspend masks the non-delivery of the MTFS saving for 2022/23 of £0.043m on 3rd party spend. The service will be expected to ensure that this saving is delivered on a permanent basis going forward, which should be achievable once the in-house training facility is up and running and spend on external provision reduces. There is also a possible risk that the additional cost of the contractual changes relating to the digital transformation noted above may result in a future recurrent pressure if it cannot be mitigated on an ongoing basis from within existing budgets.

Strategic Commissioning for Communities – (£0.249m underspend; -0.93%)
Explanation of the Covid pressures (£0.616m)
The Covid spending relates to the balance of the original £1.5m Adapt & Diversify grants to small businesses. It represents the expenditure to be made in 2022/23 to assist local businesses with Covid recovery.
Explanation of the Investment Funds (£0.030m)
There is an underspend of £0.030m forecast on the following two projects: • There is an underspend of £0.005m against a Social Enterprise Support programme which has now completed, and the funds are no longer required. • The Tourism Support Programme (Project Warwickshire) has an in year underspend of £0.025m due to reprofiling of the project over the 3 year period. This funding will now be required in 2023/24.
Explanation of the Earmarked Reserves net underspend (£0.304m)
Planned overspends will be met from draws on the following reserves: • Rural Growth Network reserve (£0.100m) • European Match Funding reserve (£0.081m) These draws are offset by a net contribution to: • Speed Awareness Workshops reserve of £0.485m (made up of increased income of £0.621m less a drawdown of £0.136m).
Explanation of the Remaining Service net underspend (£0.531m)
The overspend is predominately made up of the following factors: • £0.802m from an under achievement of Parking income, due to the continuing difficulties in recruiting patrol officers meaning less penalties are being issued. • £0.092m from reduced income levels at Country Parks. These overspends are fully offset by the following underspends: • A forecast underspend in Waste & Environment of £1.028m predominantly due to the Bulk Haulage Service being brought in-house and the impacts of the new 1,2,3 kerbside recycling regime across Stratford-upon-Avon and Warwick. • There are in year staff underspends of £0.249m due to vacancies within Place & Infrastructure and Transport & Highways. • Management Costs are forecasting an in year underspend of £0.075m as a result of a reduction in expected legal fees for the year.
Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.671m)
The change in the position reported at Quarter 2 is mainly due to the increased underspend forecast within Waste. The 1,2,3 kerbside recycling across Stratford-upon-Avon and Warwick only began in August 2022 so data on the impact it is having is only just becoming available to be reflected in the forecasts.
Impact on the MTFS
The review of the Business Centre position and update of the in-year income forecast has now completed and is not likely to give additional savings to put forward in the MTFS.

2. People Directorate

Social Care & Support Service – (£2.482m overspend)

Explanation of the Approved Covid spend (£0.000m)

No Covid pressures.

Explanation of the Investment Funds net underspend (£0.056m)

Reduced spend for the Integrated Care Record project following confirmation that the licence costs and contributions made for the adults project also cover the under 18's project.

Explanation of the Earmarked Funds net spend (£1.200m)

£1.200m forecast expenditure for the home-based therapy discharge service funded as planned from the Development Fund held in reserves.

Explanation of the Remaining Service net overspend (£1.338m 0.7%)

There is a material overspend in Disabilities age 0-24. Variances elsewhere include overspends in Older People and Disabilities age 25-64 Services although they are partly offset by some underspends.

- Disabilities age 0-24 overspend of £1.423m. There is one intensive and costly spot contract to provide care for whom residential care or alternative solutions are not currently deemed appropriate, which explains the overspend in full. Although there is also a forecast overspend on residential placements of £0.686m driven by a 12% increase in average weekly cost compared to last year, this is offset by underspends elsewhere within this service.
- Older People Services has an overspend of £0.769m driven by rising demand and costs in residential care and supported living, and the continuation of the enhanced hospital discharge process. Demand has increased by 2% in two months with cost per package of care increasing by 2.7% in the same period. Driving the unit cost is the increasing use of more costly spot placements because of difficulties in sourcing packages of care at standard rates and placement rates for new packages of care, which are higher than the like for like packages of care that are closing. Client contributions are offsetting this to a substantial degree.
- Disabilities 25-64 has an overspend of £0.767m driven by rising demand for residential care, supported living, direct payments and specialist college placements, partially offset by increased client contributions. Residential care has seen demand increase by 2.3% and supported living increase by 2.1% in this financial year. There has also been an increase in unit cost as per Older People Services.
- Development and Assurance has an overspend of £0.365m due to transportation costs and Mental Health Services has an overspend of £0.124m.

These overspends are offset by:

- Integrated Care Services underspend of £1.265m. Assistive Technology underspend of £0.594m due to tender process which has started and until contract is in place there are limitations on some assistive technology projects. Staff and travel related expenditure underspend of £0.512m as recruitment challenges exacerbated by the current economic climate continue. Further a reduction in the use of equipment as a large proportion of integrated community equipment orders are for health rather than social care in supporting hospital discharge accounting for £0.159m underspend.
- AD Area for Centralised Budgets underspend of £0.845m. This comprises the unbudgeted income of £0.625m to fund Q1 of the enhanced hospital discharge process, (whilst the costs are incurred predominantly in Older People Services). Further there has been reduced project expenditure in this budget area to fund increases in expenditure in other budget areas (a contribution to bad debt provision plus spend beyond the level of grant awarded for the, now delayed, implementation of the Care Cap and Charging Reform element of Adult Social Care Reforms).

Change in the Remaining Service position since the position reported at Q2 (increase in spend of £0.677m <0.4%)

Disabilities 25-64 have increased the forecast overspend by £0.817m which is 1.0% of the service budget. This is due to actual costs for residential care exceeding that expected – which was based

Social Care & Support Service – (£2.482m overspend)
on commissioned data. In addition, reimbursement of unspent direct payment expenditure is expected to reduce and forecast income from client contributions has been adjusted downwards, as the automatic invoicing prior to completion of the financial assessment is based on full contributions and increased expenditure on specialist college placements. Older People Services have increased the forecast overspend by £0.562m which is 1.1% of the Service budget. This is due to increases in packages of care across all key areas: residential, nursing, domiciliary care and direct payments, driven by both cost and volume, with the cost continuing with recent months trends, with new packages of care costing more than those of closing packages of care. The most significant component is residential care with costs increasing in particular in Stratford and the north of the county. This has been offset by a reduction in the forecast spend of AD centralised budgets of £0.772m in relation to a £0.226m reduction in forecast costs to prepare for ASC Reform, a technical adjustment to net off the impact of funded Fair Cost of Care expenditure elsewhere in SC&S until the full funding and impact is forecast and incorporated in SC&S (currently in Other Services), and reductions in forecast staff and legal expenditure.
Impact on the MTFS
There is a permanent allocation for Children with Disabilities built into the MTFS to continue to support current placements, to meet the expected demand for future placements and to reflect increases in unit costs. This has been reviewed as part of this year's refresh and a budget pressure submitted. If overspends in Children with Disabilities continues, this risks the overall achievement of Social Care & Support delivering to or within budget in current and future years. Mitigation in the longer term is part of the rationale for moving the Service from Education to Social Care & Support, and therefore mitigating strategies for the cost pressures in Children with Disabilities are crucial. Furthermore, should the trends in Older People Services continue there may be an overspend continuing and/or growing into future years that could impact on the delivery of the MTFS.

People Strategy and Commissioning Service – (£3.126m overspend)
Explanation of the Approved Covid spend (£3.426m)
The impact of Covid-19 on the forecasts amounts to £3.426m and relates to: £1.735m Covid related activity funded from the Contain Outbreak Management Fund: • £1.400m School air quality assessment and ventilation improvements • £0.235m Supporting high risk workplaces with grants and ventilation improvements • £0.100m Public Health Consultant £0.977m Covid related activity funded from the Test and Trace Grant: • £0.662m Staffing to increase public health capacity • £0.150m Covid Case Management System • £0.090 Housing support for rough sleepers to remain in accommodation • £0.075m Retrospective costs for workplace resilience scheme 'Thrive at Work' £0.714m Covid related activity funded from Generic Covid Grant: • £0.319m Reducing the impact of Covid on BAME communities' project • £0.180m Improving mental health Covid recovery project • £0.137m Suicide prevention role and strategy implementation • £0.046m Children in Crisis Commissioner • £0.032m Learning and Development to support the quality of the Children's Home
Explanation of the Investment Funds net underspend (£0.082m)
This relates to £0.047m underspend on the Tackling Family Poverty project and £0.035m on the Creative Health project.
Explanation of the Earmarked Funds net spend (£0.444m)

People Strategy and Commissioning Service – (£3.126m overspend)
£1.145m to be drawn down from Social Care and Health Partnerships Reserve in relation predominantly to partnership funded Learning Disability and Autism projects including Voiceability, Grapevine coproduction, the 'Experts by Experience' hub, health liaison resources, delivery of the Autism Diagnosis Project, respite care, champions and inpatient sensory environments parts of the Autism Strategy and facilitation of discharge from long term hospital stays into the community. £0.701m of the Domestic Abuse Grant will be transferred to an Earmarked Reserve due to underspend this year of the grant following recruitment delays for the Project Manager, underutilisation of the safe accommodation units and a significant contractual underspend due to only 8% of expected annual referrals being provided with a service in 8 months.
Explanation of the Remaining Service net underspend (£0.662m 1.8%)
Underspend predominantly due to staffing vacancies and SWFT funding 50% of AD salary. Other underspends relate to project designed to help care leavers become independent is now unable to be delivered in year due to the planned provider unable to meet WCC needs, reduced numbers of referrals for Sexual Health Out of Area services and Adult Weight Management, unutilised carry forward for homelessness due to other funding streams becoming available and the co-produced supporting people programme now being delivered from May 2023 due to ambitious original timescales. Partially offset by attempts to increase the number of individuals in residential rehabilitation for drug and alcohol treatment to make progress towards Central Govt targets.
Change in the Remaining Service position since the position reported at Q2 (reduction in spend of £0.266m
This is due to unutilised carry forward for homelessness due to other funding streams becoming available and delays in Supporting People co-production work compared to original ambitious timescales, with projects now expected to go live in May alongside a range of immaterial service wide reductions.
Impact on the MTFS
No adverse impact on MTFS.

Children & Families – (£1.764m overspend)
Explanation of Approved Covid spend (£0.265m)
The approved Covid spend relates to agreed staffing, agency, and sessional staff.
Explanation of the Investment Funds net underspend (£0.088m)
Children's Transformation Fund (CTF) – Underspend caused by delays in some one off projects (until new structure is in place) which will now take place in 2023/24. This is partially offset with the planned use of earmarked CTF funds to extend some short/fixed term posts ahead of permanency within the newly agreed C&F sustainability plan.
Explanation of the Earmarked Funds net underspend (£0.549m)
• The overall forecasted ACE (Adoption Central England) overspend (for the partnership) is £1.105m (covered in part by a specific reserve with a balance of £0.250m) and is related to a reduction in selling of places and a full staffing compliment. A full "mitigation" discussion, requested by the Children & Families AD, to be held at the next 5 LA Executive Board, has been rescheduled to early January. If there are not enough reserves to cover the overspend at year end, then WCC's share would be approximately 23% (£0.208m). It should be noted that in the previous two financial years all the five LAs had a share of refunds to their contributions. The AD has initiated with the T3 manager a review of all spend in order to attempt to reduce the in-year overspend. A report on the current service offer of ACE and the overall funding envelope is also being prepared by the T3 manager and this may possibly, if agreed, have implications for the service but expectations are that this will be managed within Children & Families and not affect the wider MTFS – so WCC's share of any increase will in the first instance be sought from the existing overall Children & Families budget. • The Priority Families programme is forecasting an underspend of £0.561m due to greater than expected fixed element of the grant rather than payment by results element. • There has been a shift in spend within the remand bed placements. This is due to 2 more young people in placement plus the 1 young person already in a bed has had a delay in the court process. This means that there is now a small overspend of £0.017m compared to the underspend of £0.076m at Q2. An MTFS savings proposal has been submitted in the recent MTFS refresh for 2023/24.
Explanation of the Remaining Service net overspend (£1.038m, 1.22%)

• <u>Underspends</u>: The service has experienced increased stability within Children in Care (CiC) placements resulting in less pressure on the placement budget which is forecast to underspend by £3.367m. This is in part due to the full year effect of a decline in numbers in late 2021/22 and is reflected across the 3 main placement types. Currently the residential forecast average unit cost is £4,669 compared to the £4,610 per week in 2021/22. This reflects success in securing partner contributions from 2021/22 but increasing spot purchase and/or new placement costs in 2022/23. The Asylum grant continues to provide funding of £1.262m for indirect costs across the service due to meeting the higher threshold eligibility. This funding will go some way to cover the overspends mentioned below.
• <u>Overspends:</u> include staffing (£3.310m), Leaving Care Accommodation and related costs (£1.055m), short-term specialist care (£0.960m), approved Innovate Agency contract (£0.422m), CiC Transport (£0.385m).
    o With the steady transition stage and necessary HR consultations required for the new staffing structure (as part of the Sustainability Plan) there are some in year salary overspends of £1.034m ahead of the new MTFS refresh savings plan which will require greater savings than the current MTFS in order to fund the ongoing staff costs. Associated with this transition, as well as experiencing some key vacancies, the service is forecasted to spend £2.276m on agency staff and staffing SLAs. In order to mitigate difficulties in obtaining agency front line social workers for a recent surge in demand of children cases, a short-term contract has been entered into (Innovate) at a cost of £0.422m.
    o During the past couple of months there has been a review of all packages which has led to better assurance on forecasted costs. That notwithstanding, the leaving care forecast this month has increased again by £0.240m to now being £1.055m overspent with new placements of high value bought and changes in rates and providers. Significant progress has now been made by the new Operations Manager in auditing all supported

Children & Families – (£1.764m overspend)
accommodation placement packages and their elements. Unit costs of supported accommodation placements are continually rising and at Q3 this stands at approximately £2,102 per week which is £1,250 more per week than external foster-care. The AD is progressing discussions with Strategic Commissioning to review the commissioning and suppliers of this accommodation. Also, within the “extra-care” there is a forecast overspend of £0.960m against a new budget of £0.100m created for children who need more short-term specialist care, in order to keep them from progressing to more costly care. This forecast has moved significantly with added growth factored in. Despite the areas of overspend, in summary, the direction of travel is more positive than in recent years and in line with the investment in staff and early intervention reducing demand on costly placements, although there are still some pressure points significantly around Leaving Care as well as continued reliance on costly Agency staff as well as some recruitment over establishment. Forecasting information recently provided by Transport Operations, is now showing a £0.385m overspend on CiC Transport to School. The overspend appears to be due to similar cost of fuel/living increases experienced in mainstream and SEND Transport (Communities Directorate).
Change in the Remaining Service position since the position reported at Quarter 2 (increase of £0.744m)
This is a net change predominantly due to the increase associated with previously mentioned “extra Care (£0.550m increase) and supported accommodation placement packages (a £0.352m increase). The other main element is the growth of £0.248m within CiC Transport but also a reduction in CiC placements, with a decrease in spend of £0.379m since Q2.
Impact on the MTFS
The final Sustainability Plan has been approved by Corporate Board. The emphasis on the plan is to reduce demand on placements and other high-cost services in order to meet the necessary financial savings plan for C&F as well as build headroom budget to fund the increased establishment cost. It is acknowledged there may be a timing issue of staffing costs being incurred before the budget is re-set. In contributing to the requirements of the MTFS refresh, the service has proposed a number of savings proposals, some of which will be very challenging. The AD understands that due to the lateness of the CiC transport forecast growth this is not covered in the current MTFS but may need to be a new pressure for next year’s refresh if offsetting savings cannot be identified.

Education Services Non DSG – (£0.286m overspend, 2.7%)
Explanation of the Approved Covid spend (£0.108m)
These are staffing costs for short term posts where there was a delay in recruitment in 2021/22.
Explanation of the Investment Funds position (£0.000m)
It is envisaged that the part Investment funding for the Education MIS (Synergy) will be fully spent, hence there is no variance forecast.
Explanation of the Earmarked Funds position (£0.206m underspend)
This is due to planned training & development costs delay within the SEND & Inclusion Change, There are also minor time limited underspends for Education wide transformation which will be contributed to the Education Transformation Fund.
Explanation of the Remaining Service net overspend £0.384m, 3.64%
This overspend is the result of: • The AD budget is forecasting a £0.100m overspend. The budget contains a savings target of £0.207m which is partially achieved by one-off underspends on staffing and project slippage and reduced use of Legal Services. There are also unbudgeted interim agency cost of £0.180m forecast. • Within the Education & Early Years service area there are within the Education, Capital & Sufficiency team increased agency & staffing costs and high legal cost SLA usage. • Within the SENDAR service there is also a forecast overspend of £0.461m, consisting of staffing, legal and mediation costs, all of which have been highlighted in the MTFS refresh along with plans to mitigate some of these overspends. These overspends are slightly offset by underspends elsewhere in the service most notably Education Psychologists (£0.147m), £0.078m on Ethnic Minority & Traveller Achievement Service, and £0.134m within SEND Integrated service. • Currently there is an expected pressure (£0.155m) on Adult Learning due to £0.120m grant reduction / pupil numbers and staffing inflation cost although this may be a worse-case scenario ahead of analysing the impact of the new Academic year and a review of the accounting treatment of the grant. • There is also a £0.074m overspend on Music Service due to reduction in income. These overspends are partially offset by some minor operational underspends and some increased traded surplus.
Change in the Remaining Service position since the position reported at Quarter 2 (decrease of £0.090m)
This change is attributable to improved positions in covering pressures within the AD area around staffing and general non pay items (lower legal charges). Within the SEND and Inclusion area there have been increased staffing costs due to new academic year demands for services. This has been offset by improving position in reviewing costs within the Adult Community Learning budget as well as a slight improvement in the trading position of all Traded Services.
Impact on the MTFS
The current MTFS includes savings which are at risk of not being achieved with the current forecasts predicted. The MTFS refresh process has considered all the major areas of pressures currently being experienced within Education. The AD is currently planning how to mitigate savings from 2022/23 not yet achieved as unless delivered will continue into 2023/24. These are predominantly related to 3rd party savings and vacancy management. These need to be addressed in conjunction with the 2023/24 3rd party savings and vacancy factor targets.

Education Services DSG – (£4.493m overspend)
Explanation of the DSG net overspend (£4.493m)

Education Services DSG – (£4.493m overspend)

This forecast is based on current information following the start of the new Academic year (Sept 2022) and as such is subject to variability as placements and variability continues in some cases until the end of the first term.
 	
There are minor net overspends on the Schools Block of £0.018m and the Central School Services Block of £0.030m, which will be covered by existing Schools Block & Central School Services DSG reserves.
 	
Early Years Block:
• The Early Years Block is now forecasting an underspend of £0.494m net position.
• There is a forecast underspend of £1.154m on - & 4-year-old provision and £0.143m overspend on 2 years old provision. This was in part a result of the revised funding was issued in August by ESFA which increased the for 3&4 years old allocation by £1.2m. A more accurate forecast will be available after the spring census after the new term starts, with further funding adjustments being potentially made by the ESFA in the next financial year.
• There is also an estimated £0.500m recoupment of payments to providers which experienced less demand / take up in the summer term.
• Education Services are forecasting a small operational underspend of £0.125m from recent staff vacancies and some adjustment to operating models.
• Also included in the Early Years forecast is planned one off expenditure of £1.143m, which consists of the release of a package of Covid recovery related grants available to all early years providers and mainstream nurseries. Take up of the first tranche was not as large as expected but the forecast is hopeful that the second tranche launch in January will meet expectations, but this is dependent on individual institutions applying.
 	
High Needs Block:
• The main area of ongoing concern is the High Needs Block where the forecast overspend is £4.939m. This forecast net overspend consists of a number of significant budgets which are subject to interventions by the SEND & Inclusion Change programme (SICP). The over-arching aim over the long term (as funding for SEND is a national issue) is to reduce high costs volumes while increasing lower costs areas of service. For example, reducing the reliance of Independent Specialist Provision and increasing "SEND Top-ups" to mainstream and special schools.
• This new forecasted position of £4.939m is considerably greater than that planned by the SEND & Inclusion Change Programme (SICP) at the start of the year which balanced its budget by including £2.245m of future years savings, so this is a deterioration in this position. This is somewhat mitigated going forward with the recent larger than expected HNB DSG settlement figure for 2023/24. The final out-turn position will be triangulated into the long term DSG recovery plan, to take account of any on-going pressures (as well as the increased funding). This will be reported back to the SICP board for any mitigating action to ensure that the overall DSG recovery plan is covered by the updated MTFS proposals.
• A decision taken at the inception of the SICP to set budgets for individual services as they might be after several years of the change programme (i.e. aspirational) does lead to several large over/underspends because budget is set for the future while the forecasted costs are for the present. Therefore, a holistic view is best taken.
• However, what should be noted is that excluding “future years” SICP planned savings of £2.245m the HNB is forecasting £2.694m in year overspend, and this is net of the £1.908m contribution from the Schools Block to the High Needs Block, which is subject to annual agreement by the School Forum, which at present will not be forthcoming next year.
• Areas of overspend include:
  o Budgeted planned over allocations of budget for future years savings (SICP) of £2.245m offset by the contribution from the Schools Block £1.908m as well as achieving some savings/cost reductions earlier (£0.197m).
  o An overspend of £4.965m on Independent Schools Provision. The demand on the Independent special schools has increased dramatically without any noticeable effect of intervention and forward projections have therefore, followed suite with an increased

Education Services DSG – (£4.493m overspend)
forecasted spend of £0.914m. September saw growth of 35 places; Oct incurred 6; and Nov is projected at 14 known cases. There are now 8 projected per month until the end of the year. For the whole of 2021/22 there were 277 places purchased at £54k, Q2 22/23 the forecasted numbers were 327 @£57k, for Q3 it is now forecasted at 337 @ £58k. o Top ups of supplemental & Teacher's pension payments for special schools £1.672m (this also includes some minor commissioning contracts). The forecast overspends are partly offset by the following underspends: • Top ups and Resourced provision of £1.013m due to lower demand. • Post 16 Provision of £0.358m due to lower take up, although it should be noted the numbers of places to be funded between P6 and P12 is very volatile at the start of the Academic year and do not settle until at least the start of the second term. • Alternative provision of £0.707m with a drop in demand but increased unit costs. • Slight overall net underspend of £0.240m for some support services.
Change in the DSG since the position reported at Quarter 2 (increase of £2.393)m
The change is predominantly related to the increase in overspend by £2.367m for the High Needs Block: • Increased overspend in the Independent special schools budget (as mentioned above), with an increase of £0.848m. • Alternative provisions & ABP, a decreased underspend of £0.579m with growth in demand since the new academic year. • Post 16 provision – an increased forecast of £0.343m after the start of the new academic year. • Increased usage of EHCP top ups (reduced underspend) of £0.412m after the start of the new academic year. • Increased demand for Hospital tuition of £0.170m.
Impact on the MTFS
This overall size of the DSG overspend has increased significantly and will impact on the overall recovery plan and the contributions from the MTFS to cover the cumulative deficit. The key will be to continue momentum with the recovery plan and to achieve future years savings. The growth in the overspend may be mitigated by recent greater than expected (but with conditions) growth on the HNB DSG grant for 2023/24. The key is to ensure that growth in HNB spend does not match the unexpected growth in the funding.

3. Resources Directorate

Business and Customer Services (£0.536m overspend, +2.6%)
Explanation of Covid spending approval (£0.378m)
This Covid approval consists of: • The second year of a two year time limited allocation to support the implementation of the FOM (£0.290m) • Allocations from the COMF fund for Digital Inclusion Project (£0.051m) and Befriending project (£0.003m) • Allocations from COMF for the Backward Contact Tracing team (£0.009m) • Additional support for the placement hub (£0.025m)
Explanation of the Investment Funds net und/overspend (£0.000m)
There is no variance forecast on investment funds.
Explanation of the Earmarked Reserves net overspend (£0.032m)
The drawdown from the welfare reserve is part of a 5 year plan to reduce the reserve whilst increasing capacity within the welfare team to meet higher level of demand.
Explanation of the Remaining Service net overspend (£0.190m)
The remaining service overspend is the mainly as a result of: • Business Support is forecasting to overspend by £0.187m mainly due to staffing costs arising as a result of demand within Social Care and Support. • A further overspend on staffing costs of £0.130m is also forecast within the Library Service due to covering some long term sickness coupled with reduced income. The forecast overspends are partially offset by forecast underspends due to: • An underspend of £0.068m against income received from Public Health for a temporary post for the Creative Health Programme over a two year period which was delayed due to the difficulty of community engagement during Covid. • In year underspends in the AD area of £0.060m due to reduced consultancy spend, a vacancy and income from staffing recharges.
Change in the Remaining Service position since the position reported at Quarter 2 (decrease of £0.112m)
There have been reductions in the forecast overspends within Business Support by £0.088m and Customer Contact by £0.085m, due to reduced staffing forecasts as well as reduced spending on equipment, printing, stationery and interpreting and translation services, and revisions to salary forecasts to reflect current vacancy levels. In addition there has been an increase in the AD area underspend by £0.032m due to reduced consultancy spend and in year salary underspends. These reductions are partly offset by increased forecast costs in the community hub by £0.095m to reflect the library in year staffing pressures.
Impact on the MTFS
There are a number of existing savings within the MTFS that relate to staffing reductions. Therefore there will continue to be a focus through this the financial year and next, on how these savings will be met and the risk of overspends mitigated.

Commissioning Support Unit - (£1.012m underspend, -14.3%)
Explanation of the Covid pressures (£0.064m)
The Covid spending consists of: • Quality Assurance Technical Specialist (£0.053m) – funded by COMF. • Community Testing (£0.011m) – funded by COMF.
Explanation of the Investment Funds net underspend (£0.552m)

The underspend forecast on Investment Funds relates to the following projects: • Transformation (£0.166m) – Electronic Document & Records Management System (EDRMS) Implementation Support, this project has been reviewed and the costs will now be absorbed by Digital & ICT, this funding will be returned by the service. • Transformation (£0.127m) – Implementation of Business Analytics, represents the contingency amount built into the original funding allocation and will be reviewed by the Programme Board. • Digital/ICT Future Operating Model Implementation (FOM) (£0.099m) – underspend due to delay in Digital & Data • Programme Management Office (PMO) – Climate Change Fund (£0.081m) -due to a vacancy that has not been filled • Mosaic Change Hub (£0.043m) • WCC Residents Panel (£0.035m) Due to the change of the scope in project work, it is now forecast that a number of projects will be returning funds to the Revenue Investment Fund at project completion – all projects will be reviewed during the final quarter.
Explanation of the Earmarked Reserves net und/overspend (£0.000m)
N/A
Explanation of the Remaining Service net underspend (£0.524m)
The remaining service underspend is largely made up of: • Staff vacancies within Contract Management (£0.210m). An element of this relates to a time limited MTFS allocation to recruit staff to realise savings across the organisation in non contracted third party spend. However, in the current climate the recruitment market is quite challenging and one recruitment round has already proved unsuccessful. A revised approach to reduce the number of staff recruited, but increase the length of the time they work for us is in development. It is not anticipated that this will impact the delivery of the savings in the MTFS but reduces the lead in time for delivery and aims to make the positions more attractive to the market. • Within Procurement there has been an over recovery of income of £0.144m as a result of the ESPO dividend being greater than anticipated. • There are in year salary underspends of £0.132m in PMO and Business Intelligence due to in year vacancies in both areas. Within PMO these vacancies have been held ahead of a planned restructure.
Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.341m)
The reductions in the service forecast since Q2 reflects the increased ESPO dividend, and the adjustments to salary forecasts and internal recharges to more accurately reflect the current vacancy levels.
Impact on the MTFS
None identified

Enabling Services - (£2.124m underspend, -7.5%)
Explanation of the Covid pressures (£0.000m)
N/A
Explanation of the Investment Funds net underspend (£1.965m)
This underspend relates to two projects: • Transformation Digital – How We Do Things (£0.505m) • Digital Roadmap Project (£1.460m) This represents an increase of £1.958m since the last report. The Digital Roadmap project underspend had previously been included within the remaining service variance as it was a time limited MTFS allocation, however, subject to Cabinet's approval, it is now more accurately reflected

as a Revenue Investment Fund (RIF) allocation. The underspend has increased due to the ongoing delays as requirements for the ASC reform programme have been developing. The Transformation Digital underspend has increased by £0.498m since the last report due to a reorganisation of service priorities now being reflected in the forecast.
Explanation of the Reserves net under/overspend (£0.000m)
N/A
Explanation of the Remaining Service net underspend (£0.159m)
The remaining service underspend is made up of the following: • An underspend is forecast within County Buildings of £0.432m as a result of timings of energy payments, following the review of year-end adjustments. • In year staffing underspends in HR Enabling and ICT Strategy of £0.327m mainly due to difficulties in recruiting to vacant posts. • An underspend on HR training levy of £0.068m These underspends are offset by overspends: • £0.200m and £0.115m from additional spend on Mosaic Services and software licences respectively, due to increased demand and project development. • £0.200m from Increased Agency Support within Digital and ICT to meet increased demands and project development. • £0.175m from an under recovery of Engineers income.
Change in the Remaining Service position since the position reported at Quarter 2 (reduction in underspend of £1.372m)
The forecast has changed largely as a result the following: • The re-classification of the Digital Roadmap project (£0.912m) to reflect the budget allocation more accurately as RIF. • An increased in the spending forecast on software and maintenance by £0.200m • An increase in the staffing and agency costs in Digital & ICT of £0.186m to meet current demand levels.
Impact on the MTFS
None identified

Finance Service – (£0.014m underspend, -0.2%)
Explanation of the Covid spending (£0.030m)
The Covid approved spending relates to the remaining costs for an Interim post within Operational Finance Delivery.
Explanation of the Investment Funds net underspend (£0.000m)
• Agresso Development Programme previously forecast underspends have now been removed as approval has been given to progress the Cloud migration. • Capital Financial Management Improvement Programme previously forecast underspends within this project have now been committed. • During the final quarter a full review of the profile of this spending on both projects noted above will take place.
Explanation of the Earmarked Reserves net overspend (£0.018m)
The draw on reserves is the impact of the Schools Absence Insurance Scheme
Explanation of the Remaining Service net underspend (£0.062m)
• Across Finance there are forecast in year salary underspends of £0.199m which are as a result of difficulties recruiting to vacant posts, including the Strategic Risk Management post. • This underspend is offset by an overspend related to WPDG of £0.141m due to the Procurement project taking 9 months longer than anticipated and requiring considerable resource from internal legal, external legal and external consultants.

Change in the Remaining Service position since the position reported at Quarter 2 (reduction in underspend of £0.069m)
The change since the position reported at Q2 is mostly due to the updated forecast cost of the WPDG procurement being offset by increased in year salary underspends.
Impact on the MTFS
None identified

Governance and Policy – (-£1.112m overspend, +28.0%)
Explanation of the Covid spending (£0.003m)
The approved Covid spending is for video translation costs. Please note that previously forecast COMF funds for Croxhall Street have been returned as the project could not be completed and so has now ceased. Alternative solutions for this project to be considered as part of the wider property rationalisation.
Explanation of the Investment Funds net under/overspend (£0.000m)
N/A
Explanation of the Earmarked Reserves net overspend (£0.006m)
There is an overspend on the North Warwickshire project management and consultancy fees (£0.006m) which will be funded by a drawdown from the One Public Estate (OPE) reserve.
Explanation of the Remaining Service net underspend (£1.121m)
The remaining service underspend comprises of: • Over recovery of income of £0.784m within Legal services • Delays and difficulties in recruiting to vacant posts within Strategic Asset Management giving an in year underspend on staff of £0.192m • Over recovery of internal income of £0.150m within Marketing and Communications • Corporate Policy & Commissioning are forecasting an underspend of £0.042m.
Change in the Remaining Service position since the position reported at Quarter 2 (increased underspend of £0.779m)
The increase in the forecast underspend compared to Quarter 2 is largely a result of improved income within Legal Services and Marketing & Communications. Legal services income has increased by £0.590m due to a thorough review of the position taking place for Q3 and the reflection of a number of new contracts that have been won. Within Marketing and Communications an over recovery of income of £0.221m has been forecast this is as a result of a review of the chargeable work being conducted.
Impact on the MTFS
The MTFS includes future savings linked to legal traded income. The position will need to be kept under close review as more legal income is being generated internally and some large contracts for external work have been lost and not yet replaced.

4. Corporate Services and Resourcing

Corporate Services and Resourcing – (£0.238m underspend, 0.2%)
Explanation of the Covid spending (£0.250m)
Additional covid expenditure to mitigate the on-going impact of the Pandemic.
Explanation of the Investment Funds net under/overspend (£0.0m)
N/A
Explanation of the Earmarked Reserves net underspend (-£1.870m)
• Net contribution to the commercial risk reserve of (£1.590m) from the central WPDG budget as a result of underutilised provision for delayed capital receipts set aside as part of the Business Plan; • the transfer to earmarked reserves relates to the (£0.243m) quadrennial local elections as the budget allocation is not required in non-election years and transferred to earmarked reserves building up sufficient funds to pay for the elections when they take place every fourth year; • in addition (£0.320m) will be transferred from the Apprenticeship Levy to be used in future years.
Explanation of the Remaining Service net underspend (£0.238m)
• There is a £525k underspend which relates to the reversal of the 1.25% National Insurance rate rise as per the autumn statement. • A £0.434m underspend change is due to a reduction in forecast capital financing costs flowing from the refresh of the future need to spend across 2023-28 MTFS period. • County Coroners is forecast to underspend by £0.121m due to the reduced level of demand compared to the assumptions made when setting the budget specifically in body retrievals, post-mortems and mortuary usage and a £350k paid dividend underspend; • offsetting these is the increase in salaries due to the pay award of £667k and lower than estimated grant income of £0.545m
Change in the Remaining Service position since the position reported at Quarter 2 (decrease of £0.317m)
The significant change is due the underspend the pay award and additional underspends as mentioned above.
Impact on the MTFS
Pay award estimate and changes to National Insurance for future years has been reviewed and updated in the MTFS.

APPENDIX B

Commentary on Service Capital Forecasts

The main reasons for the £15.756m delays in the quarter compared to the approved budget are set out below. These changes generally mean the expected benefits of the capital schemes may not be realised to the original time frame, however in some cases the change only relates to the timing of the expected cash flow without any impact on the deliverables of the scheme.

In addition to the £15.756m above there is an additional £1.030m of delays relating to projects funded by S278 developer contributions. There is also a £31.041m of delays on Corporate Schemes; the Warwickshire Recovery Investment Fund (WRIF), Warwickshire Property Development Group (WPDG) and the Asset Replacement Fund (ARF). The timing of these schemes is largely outside of the control of WCC therefore they are excluded from the analyses below, but details of these schemes can be found in Annexes A to M.

A section 278 agreement (or s278) is a section of the Highways Act 1980 that allows developers to enter into a legal agreement with the council (in our capacity as the Highway Authority) to make permanent alterations or improvements to a public highway, as part of a planning approval. The developer is responsible for paying the full costs of the works, including elements such as design, legal and administration fees, land acquisition and maintenance. A developer will submit an S278 application early in the design process, in many cases at least 12 months before the works are required on site. Although the council is involved throughout in discussing schemes and their timing with developers, ultimately the decision to go ahead with a scheme and enter into an agreement is the developers, and the council has no control over this. Developers are charged for the cost of works as these are incurred.

Environment Services – £4.164m:
- Lawford Road / Addison Road Casualty Reduction - £1.323m. Due to supply issues this scheme is being pushed back to 2023/24 financial year.
- A3400 Birmingham Road, Stratford Corridor improvements - £1.000m. This includes £803,703 of CIF inflation funding as costs have risen above original estimates which has necessitated a reprofiling of spend into 2023/24.
- A452 Myton Road and Shire Park Roundabouts - £0.528m. This scheme has been reprofiled with contractors expected on site in Summer 2023. £0.343m of CIF Inflation funding has been granted on the scheme.
- There are a number of other schemes with delays of less than £0.200m each which are detailed in the annexes A to M.

Fire & Rescue - £1.008m:
- Fire & Rescue training programme at Lea Marston - £0.714m. Slower than expected progress has been due to the absence of a travel plan which was necessary for the submission of a full planning application. The Minerva Unit is expected to be sited by May 2023.
- Fire & Rescue training programme: EA water site - £0.274m. The priority for the service has been to complete the Minerva training project. Until that project is completed, plans for the further training sites cannot be determined.
- Delays in the national Emergency Services Network (ESN) project - £0.020m have caused a

knock-on delay to the procurement of station end equipment, which is now not expected until 2023-24. The WCC scheme is entirely dependent on the national project, we don't have control over the timing of the project's progress.

Strategic Commissioning for Communities - £2.344m:

- Evidence Led decision making in tackling climate emergency and air quality - £0.712m. There has been a delay in the procurement of the equipment necessary to provide the evidence.
- Library & Business Centre Nuneaton (CIF funded) - £0.500m. Following a cost review and decision at Corporate Board agreement has been reached to commission a building re-design to bring the scheme back within budget. Costs have been moved back to reflect the likely delays while the redesign takes place. The aim is to deliver the scheme within the original timeframe.
- Transforming Nuneaton - £0.296m. Inflation allocation from CIF inflation pot of £433k. Some delays to realign spending with expected timescales.
- Casualty reduction annual maintenance 2022/23 - £0.229m. One of the projects within the block of schemes in not progressing due to feasibility issues.
- There are a number of other schemes with delays of less than £0.200m each which are detailed in the annexes A to M

Education Services - £6.103m:

- Stratford Upon Avon School 2 form entry expansion - £5.252m. Project is at the planning permission stage. Construction planned to start in April 2023 with a target completion date in August 2024. The forecast has been reprofiled to reflect this timescale.
- Myton School, Warwick. New sixth form teaching block. - £0.364m. This academy led project is underway but the timescales for the expenditure is unclear. The building is due to be operational in September 2023 with the bulk of the spend expected to fall after March 2023.
- There are a number of other schemes with delays of less than £0.200m each which are detailed in the annexes A to M

Children & Families Services - £0.025m

- Adaptations to support child placements 2020/23 - £0.025m. One of the applications to the fund which had previously been provisionally agreed has now been withdrawn. Since the scheme is demand led the spend has been re-profiled to future years pending further applications to the fun.

Public Health and People Strategy & Commissioning - £0.049m

- Adult Social Care Modernisation & Capacity 2012/13 - £0.049m. This funding is allocated to the changing places project. These projects are demand led based on applications to the fund.

Enabling Services - £0.694m:

- Development of Rural Broadband - £0.694m.
  1.) An adjustment in the Broadband Investment Funding calculation from BT/Openreach for 2022/23 has resulted in reduced gainshare expenditure and corresponding reduction in funding utilised in this financial year.
  2.) The Superfast Community Fibre programme has been delayed by BDUK until 2023/24, resulting in reduced project expenditure and funding utilised in 2022/23.
  3.) Extra revenue funding received for Additional Services Revenue and Government consultancy work has resulted in increased revenue income.

Governance & Policy - £1.370m:

- Land at Leicester Lane, Cubbington - £0.806m. The delays were due to further geo-technical surveys to establish the levels of contamination from the historic landfill before a decision is made on whether WCC purchased the land.
- Maintaining the smallholdings land bank - £0.391m. There have been no feasible purchases this year and the budget has been re-profiled to 2023/24.

Annex B1 DSG Revenue - Education Services - Chris Baird
Strategic Director - Nigel Minns
Portfolio Holders - Cllr Kam Kaur (Education)

22/23 DSG Revenue Budget

Service	Gross Exp Budget £'000	Gross Inc Budget £'000	Net Exp Budget £'000	Net Exp Variation Over/ (Under) £'000	Net Variance Represented by Contra to/from Earmarked Reserves £'000	Reason for Net Variation and Management Action
Schools Block	3,180	(100)	3,079	**(31)**	**(31)**	This minor under-spend relates primarily to less demand for DBS checks and small savings in EMTAS from a part FTE vacancy and additional income. There is just and overall £0.005m increase in forecast since Q2 with the expected demand for DBS checks rising since Q2.
Early Years Block	35,458	(30)	35,428	**(1,637)**	**(1,637)**	There is an adverse movement of variance by £0.021m from Q2 is mainly due to increase in pay inflation for SEND Integrated Services - Early Years. There is £0.5m recoupment for over payments to all school for 2 years old and 3-4 years old in first term. The service is showing further £1.154m underspend on 3-4 years old mainly due to revised funding has been issued in Aug. by ESFA , there is an overspend of £0.143m for 2 years old funding. Any over or under budget will be adjusted by ESFA in Nov./Dec. revised allocations. This is offset by planned use of reserves (as spend in 22/23) for post covid recovery grants to the sector - see below There are minor under-spends in the service teams funded by this DSG block(aka the 5% top slice) , which amount to £0.125m caused by a number of staff vacancies and planned changes in service delivery.
High Needs block	63,954	(895)	63,060	**4,939**	**4,939**	The forecast is based on current predictions for the current Academic year and is historically subject to much variability. Currently the forecasted over-spend consists of a number of large budgets/ costs which are subject to interventions by the SEND & Inclusion Change programme (SICP). The over-arching aim over the long term (as funding for SEND is a national issue) is to reduce high costs volumes while increasing lower costs areas of service. For example reducing the reliance of Independent Specialist Provision and increasing "SEND Top-ups" to mainstream and special schools. A decision taken at the inception of the SEND & Inclusion Change programme to set budgets for services as they might be after several years of the change programme (i.e. Aspirational) does lead to several reported large over/ under-spends as budget is set for the future while the forecasted costs are for the present, Therefore a holistic view is best taken. There is an adverse variance of an increased overspend of £2.3671m from Q2 to a forecasted overall overspend of £4.939m, mainly due to increase pressure in Independent Special schools, Post16, Hospital Education and Alternative Provisions. The demand on the Independent special schools has increased and forward projections have therefore, followed suite with an increased forecasted spend of £0.914m. September had 35 places growth. Oct 6. Nov is projected at 14 known cases. There are now 8 projected per month until the end of the year. For the whole of 2021-22 there were 277 places purchased at £54k, Q2 22/23 the forecasted numbers were 327 @£57k, for Q3 it is now forecasted at 337 @ £58k. The overall overspend is forecasted to be £4.965m The overall forecast also includes variances related to:- a) (£1.908)m underspend - 0.5% Disapplication from SB to HNB offset by£2.245m overspend - Future DSG Savings that are required from the DSG recovery plan in future years less £0.197m achieved earlier. b) £1.672m overspend on SEND Commissioning and £0.270m overspend on Hospital Tuition(increased demand since Q2 of £0.170m) c) (£0.130m) under-spend on Specialist Resource Provision, an increased underspend of £0.056m since Q2. d) (£0.707m) underspend on Alternative provisions & ABP, a decreased underspend of £0.579m since Q2. e) (£0.883m) underspend on for Mainstream and Special School EHCP Top Ups, there has been forecasted increased spend since Q2 of £0.412m mainly on Special School Top ups. f) (£0.358)m underspend on Post 16, a decreased underspend of £0.343m since Q2.
Central Services block	2,127	0	2,127	**90**	**90**	There is no change from Q2. Budgeted shortfall in the CSSB that will be covered from reserves at year end dependent on final outturn of the rest of the CSSB. Of expected £0.351m use of reserves, there are underspends of £0.093m on the copywrite licences bill and £0.150m for Children's Safeguarding which is now being funded outside the DSG as part of the wider CAMHS contracts.
Net Education Service DSG Spending	**104,719**	**(1,025)**	**103,694**	**3,361**	**3,361**	
Schools Block	137,999	0	137,999	**49**	**49**	Minor timing discrepancy between ISB budget and update for Academy conversions
Early Years Block	314	0	314	**1,143**	**1,143**	Agreed Post Covid support / development grants to all EY providers agreed by School Forum as a planned and approved use of EY DSG reserves. The second round of applications is due in January so this is an estimate of possibly applications.
High Needs block	7,575	0	7,575	**0**		
Central Services block	2,001	0	2,001	**(60)**	**(60)**	Minor Underspend on Central services
Net Non Education DSG Spending	**147,889**	**0**	**147,889**	**1,132**	**1,132**	
Schools Block	0	(140,008)	(140,008)	**0**	**0**	
Early Years Block	0	(35,742)	(35,742)	**0**	**0**	
High Needs block	0	(70,635)	(70,635)	**0**	**0**	
Central Services block	0	(4,128)	(4,128)	**0**	**0**	
Net DSG Income	**0**	**(250,513)**	**(250,513)**	**0**	**0**	
NET DSG	**252,608**	**(251,538)**	**1,070**	**4,493**	**4,493**	

Annex B Reserves - Education Services - Chris Baird
Strategic Director - Nigel Minns
Portfolio Holders - Cllr Kam Kaur (Education)

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000
DSG Reserve - Central Block	**489**		-30	459
DSG Reserve - Early Years Block	**2,932**		494	3,426
DSG Reserve - High Needs Block	**(15,980)**		-4939	(20,919)
DSG Reserve - Schools Block (Growth Fund)	871	(1,070)	0	(199)
DSG Reserve - Schools Block (other)	590		-18	572
Total	**(11,098)**	**(1,070)**	**(4,493)**	**(16,661)**

Annex B2 Non-DSG Revenue - Education Services - Chris Baird
Strategic Director - Nigel Minns

Portfolio Holders - Cllr Kam Kaur (Education)

22/23 Non-DSG Revenue Budget

Service	Gross Exp	Gross Inc	Net Exp		Net Variance Represented by				Reason for Net Variation and Management Action
	Budget	Budget	Budget	Variation Over/ (Under)	Revenue Investment Funding	Contra to/from Earmarked Reserves	COVID Approved Allocations	Remaining Service Variance	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Assistant Director - Education Services	2,554	(777)	1,778	**(83)**	**0**	**(183)**	**0**	**100**	There is favourable change in variance of £0.091m since Q2 due to reduction on Historic Early Retirement Pension costs and HR Occupational Health with under-spends of £0.051m and £0,026m respectively. This budget contains a savings target of £0.207m which is partially funding by one-off £184k underspend on Pears centre. There are plans to achieve the savings although these have not been instigated yet) and the Interim AD with new in-coming permanent AD (alone with their SLT) will address this going forward. There are also unbudgeted consultancy fees of £0.180m estimated against the service with mitigations. This is a one off cost in 2022/23.
Education & Early Years	4,078	(2,079)	1,999	**161**	**0**	**1**	**66**	**94**	There has been a small increase of £0.009m in forecasted variance since Q2. There is an increase of £0.031m on Education, Capital & Sufficiency team due to increased Consultant cost and high legal cost SLA usage. Overall the major variances include staff costs, due to demand, in the Early Years Strategy team, Virtual School and the Safeguarding & Intervention service. The Education, Capital & Sufficiency team are forecasting an overall £0.031m overspend due to increased Consultant cost and high legal cost SLA usage.
SEND & Inclusion	8,064	(2,641)	5,422	**147**	**0**	**12**	**36**	**99**	There is a favourable variance reduction of £0.200m from Q2 mainly due to delay in implementing the SEND & Inclusion change programme. The spend on this project will be funded from earmarked reserve. Also there is also reduction in overspend of SENDAR service. Within the SENDAR service there is also a forecasted over-spend of £0.461m,consisting of staffing , legal and mediation costs, all of which have been highlighted in the MTFS along with plans to mitigate some of these over-spends. Also there is small overspend of £0.039m overspend on Access to Education, however these over-spends are partially offset by under-spends elsewhere in the service most notably Education Psychologists (£0.147m), underspend of £0.078m on Ethnic Minority & traveller achievement Service, and a £0.134m underspend on SEND Integrated service.
Education Service Delivery	6,445	(5,080)	1,364	**61**	**0**	**-36**	**6**	**91**	There is favourable forecasted variance reduction of £0.147m since Q2 mainly due to reduction in the overspend in ACL and Music Service. The overall pressure on ACL is a forecasted over -spend of £0.155m due to grant & fees reductions. The service is now reviewing provision which should bring expenditure back in line with the grant/ fees from next financial year - so this is a one off issue. There is a forecasted over-spend for the Music service of £0.074m due to reduction in traded income as they continue to recover from losses of trade due to COVID. These two major pressures are off-set by £0.088m underspend on Education Development and delivery service and minor operational under-spends and some increased traded surplus.
Net Service Spending (excluding DSG)	**21,141**	**(10,577)**	**10,563**	**286**	**0**	**(206)**	**108**	**384**	

Annex B Reserves - Education Services - Chris Baird

Strategic Director - Nigel Minns

Portfolio Holders - Portfolio Holders - Cllr Kam Kaur (Education)

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000
School Improvement Monitoring & Brokering Reserve	893		0	893
Education management information system	46		(1)	45
Total	**939**	**0**	**(1)**	**938**

Education Transformation Fund	1,425	(184)	208	1,449
Schools in financial Difficulty	1,641		0	1,641

Annex B Savings - Education Services - Chris Baird
Strategic Director - Nigel Minns
Portfolio Holders - Cllr Kam Kaur (Education)

Saving Proposal	Target £'000	Actual £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
NEETs contract - More effective contracting of the service to support those not in employment, education of training.	10	10	10	0	
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	66	0	0	66	Not achieved/ identified
Traded income - Increased traded income from Governor and Attendance services as well as a review to modernise music services.	10	10	10	0	
Vacancy management - Reduction in staffing budgets through recognising natural underspends from staff turnover.	100	0	0	100	Work taking place to capture this for this financial year
Total	**186**	**20**	**20**	**166**	

Education Services - Chris Baird
Strategic Director -Nigel Minns
Portfolio Holders - Councillor Kaur (Education)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years	2022/23 £'000	2023/24 £'000	2024/25 onwards	Total £'000	Variance in Year £'000	Total Variance £'000	
Learning - Non Schools														
11399000	CMS Music Instruments Purchases 2015/16 - 2017/18	105	0	0	0	**105**	105	0	0	0	**105**	0	0	
11583000	Early Years Capital Fund/ Dunchurch Infants	132	10	0	0	**142**	132	10	0	0	**142**	0	0	Project complete @ Qtr3 2022-23
Learning - Other														
10008000	Education - S106 Financing	1	0	0	0	**1**	1	0	0	0	**1**	0	0	
11393000	Minor Works Block Header 15/16	663	0	0	0	**663**	663	0	0	0	**663**	0	0	
11573000	Planning & Development block header E&L	101	154	100	33	**389**	101	151	-65	202	**389**	-4	-0	Expecting to move feasibility costs shortly in respect of schemes now approved as main projects which will release feasibility funding for future projects
11621000	High Meadow Infant School - New Classrooms, group rooms and Toilets	2,219	41	0	0	**2,260**	2,219	41	0	0	**2,260**	0	0	Park at year end 2022-23 - project complete
11630000	Minor Works E&L	327	-58	1	0	**269**	327	-58	1	0	**269**	0	0	.
11678000	Seedlings Nursery HRI Wellesbourne - Modular Building	119	2	0	0	**121**	119	0	0	0	**119**	-2	-2	Balance of S106 remaining to be cleared and then project parked
11682000	Temporary Classroom Removal	141	0	0	0	**141**	141	0	0	0	**141**	0	0	
11683000	Healthy Pupil Capital Fund	0	0	0	0	**0**	0	0	0	0	**0**	0	0	
11807000	Maintained Nursery Schools Capital Funding to Ensure Access for Children with SEND & Inclusion	112	-6	0	0	**106**	112	-6	0	0	**106**	0	0	.
11965000	improvements at Bunting Preschool to the Capital Programme at an estimated cost of £250,000 to be funded from section 106 receipts (£228,000) and a contribution by the School (£22,000).	0	228	0	0	**228**	0	228	0	0	**228**	0	0	
11999000	Clopton Nursery	0	40	0	0	**40**	0	40	0	0	**40**	0	0	Project complete - to be closed at end of 2022-23
12012000	Sunbeams Nursery based at Radford Semele CofE School	0	57	0	0	**57**	0	57	0	0	**57**	0	0	School Led scheme - 50% paid so far, 50% due on completion
Primary - expansion														
11255000	Paddox school extension Targeted Basic Need	2749	0	0	0	**2,749**	2,749	-10	0	0	**2,739**	-10	-10	Unused creditor to be returned to Basic Need funding at year end and project closed (scheme completed 2015)
11386000	Long Lawford permanent expansion	2,734	0	408	0	**3,142**	2,734	0	408	0	**3,142**	0	0	Qtr3 still awaiting Highways S278 approval to proceed with remainder of project
11570000	Coten End Primary School	168	0	0	0	**168**	168	-0	0	0	**168**	-0	-0	Unused creditor to be returned to Basic Need funding at year end and project closed (scheme completed 2017)
11628000	Michael Drayton Primary - Expansion	2,456	0	0	0	**2,456**	2,456	0	0	0	**2,456**	0	0	
11646000	Barford St Peters - Extension of Kitchen facilities	235	0	0	0	**235**	235	0	0	0	**235**	0	0	Park @ Q4 data cleanse - project complete
11677000	Harbury Primary School - Internal Alterations	0	0	93	0	**93**	0	0	0	0	**0**	0	-93	Project is complete - park at year end
11736000	Weddington Primary School - Bulge Class	4	58	88	0	**150**	4	58	0	0	**62**	0	-88	Prop Serv confirmed scope reduced - unused S106 to be utilised elsewhere. Project complete - to be parked at year end
11779000	Whitnash Primary, Expansion of 2 additional Classrooms	179	590	580	0	**1,349**	179	672	497	0	**1,349**	83	0	No forecasts/spend profile from PM - estimates based on actuals therefore have to be increased when new actuals arise.
11843000	Long Lawford Primary School - Studio Hall	436	199	0	0	**635**	436	199	0	0	**635**	0	0	Project complete - park at year end
11851000	Burton Green Primary School	0	0	290	0	**290**	0	0	290	0	**290**	0	0	
11863000	Lighthorne Heath Primary School, Lighthorne	0	0	146	0	**146**	0	0	146	0	**146**	0	0	
12000000	Radford Semele CE Primary School	0	16	0	0	**16**	0	16	0	0	**16**	0	0	Project complete - park at year end
12001000	Former Radio mast site (Houlton) Rugby (expansion at St Gabriels)	0	663	0	0	**663**	0	663	0	0	**663**	0	0	
12011000	Bridgetown Primary School - Hall and Grounds Enhancements of Shared Fac	0	29	0	0	**29**	0	29	0	0	**29**	0	0	
12013000	Southam St James	0	30	0	0	**30**	0	30	0	0	**30**	0	0	
12020000	Oakley School - Primary phase temporary solutions at Bishops Tachbrook, Briar Hill and St Margarets	0	0	1,186	0	**1,186**	0	70	1,116	0	**1,186**	70	0	Initial feasibility and survey spend arising in current financial year; main construction will be during 2023-24 for school handover Sep 23
12030000	Long Itchington	0	58	195	0	**254**	0	58	195	0	**254**	0	0	
Primary - new														
11384000	New School, The Gateway, Rugby (Griffin School)	309	2,365	4,538	0	**7,213**	309	2,495	4,408	0	**7,213**	130	0	Internal fees higher than previously estimated
12034000	Myton Gardens Primary School (new)	0	100	10,000	3,300	**13,400**	0	100	10,000	3,300	**13,400**	0	0	
Primary - other														
11319000	Eastlands Primary temporary classroom	119	0	0	0	**119**	119	0	0	0	**119**	0	0	
11847000	Kingsway site changes to aid Academy conversion	156	135	4,873	0	**5,165**	156	141	4,967	0	**5,265**	6	100	Tenders received and over budget - discussions taking place with contractors but likely to need to seek approval for additional funding. £100k CIF inflation funding (Corp Res) added at Q3
11861000	Bridgetown Primary, Stratford upon Avon	57	0	0	0	**57**	57	0	0	0	**57**	0	0	Previously forward funded from BN - now received and applied S106. Project complete.
11944000	Quinton Primary School - Improvements works including an outdoor space for EYSF	94	0	0	0	**94**	94	12	0	0	**106**	12	12	Previously forward funded from Basic Need - now S106 received and applied. Project complete.
11957000	Alveston Cof E Primary - fencing	0	60	0	0	**60**	0	60	0	0	**60**	0	0	
12021000	Lighthorne Heath Primary School refurbishment	0	164	0	0	**164**	0	164	0	0	**164**	0	0	
12029000	Rokeby Primary School - levelling the playing field	0	30	0	0	**30**	0	28	0	0	**28**	-2	-2	Works carried out Sep-Nov22. Project Complete. £1,916 to be returned to Structural Maintenance 11969000 (Enabling Serv)
12042000	Brownsover	0	0	0	0	**0**	0	0	965	0	**965**	0	965	@Qtr3 no Prop Serv project set up yet as feasibility still being finalised
School access														
11800000	Schools Access 20-21	552	0	0	0	**553**	552	0	0	0	**553**	0	0	

Education Services - Chris Baird
Strategic Director -Nigel Minns
Portfolio Holders - Councillor Kaur (Education)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years	2022/23 £'000	2023/24 £'000	2024/25 onwards	Total £'000	Variance in Year £'000	Total Variance £'000	
11897000	Disability Access Block Header 2021/22	601	60	0	0	**661**	601	60	0	0	**660**	-0	-0	
12010000	Disability & Access Block Header	0	694	0	0	**694**	0	517	177	0	**694**	-177	-0	Newbold & Tredington, Holy Trinity and Goodyer's End works still to be commenced - forecast only included in 2022-23 where costs are known (N&T)
Secondary - expansion														
11472000	Kineton High School	3,187	0	0	0	**3,187**	3,187	0	0	0	**3,187**	0	0	
11645000	Coleshill Secondary School	3,339	0	0	0	**3,339**	3,339	0	0	0	**3,339**	0	0	
11776000	Campion School Expansion Phase 2	4,719	3,571	689	0	**8,979**	4,719	3,750	103	0	**8,572**	179	-407	S106 reduced by £407k to match actual allocation, BN not altered. Construction complete and school operational Sep22 - final snagging, retention and fees bills awaited
11842000	Stratford Upon Avon School - Dining Facilities	1,332	0	0	0	**1,332**	1,332	27	0	0	**1,359**	27	27	Defects period ended 18/11/22 - project complete. Unclear if there are any further costs likely - current overspend of £27k will need to be funded from additional Basic Need
11859000	Stratford Upon Avon School - 2fe expansion	758	5,787	7,229	0	**13,773**	758	265	7,250	5,500	**13,773**	-5,522	0	Project at Planning permission stage - construction planned to start April 2023 with a target completion in Aug 24 so forecast reprofiled to reflect this timescale (no forecasts from Prop Serv PM)
11860000	Etone College - 1fe expansion	68	2,377	2,309	0	**4,753**	68	2,377	2,309	0	**4,753**	0	0	Project is school (Academy) led so unclear of timescale of project - awaiting invoices from school for our funding contribution.
12014000	The Queen Elizabeth Academy Atherstone	0	500	1,765	0	**2,265**	0	500	1,765	0	**2,265**	0	0	School (Academy) Led project - unclear of timescales for contributions to be paid over so profile of spend is estimated
12022000	Shipston High School - expansion	0	50	1,000	9,481	**10,531**	0	35	6,000	4,497	**10,531**	-15	0	Feasibility costs to be transferred - target construction dates Jun23 to Aug 24 so forecasts estimated to reflect that.
Secondary - new														
11730000	New School Leamington (Oakley School)	414	8,000	38,025	9,712	**56,151**	414	8,000	38,025	9,712	**56,151**	0	0	Unable to sign construction contract yet due to delays with planning permission, discharge of planning conditions, S278 approval, road closure approval and tender bid/report. This delay could impact on the target completion date of Aug24, but also could cause increased costs which may result in an additional funding requirement for the project unless issues can be resolved shortly.
Secondary - other														
12009000	Myton School, Warwick - New 6th form teaching block	0	3,000	3,130	0	**6,130**	0	2,636	3,494	0	**6,130**	-364	0	Academy led project - unclear on exact timescales for expenditure but project due to be operational Sep23 and construction is underway
12031000	Aylesford School washroom facilities	0	102	0	0	**102**	0	102	0	0	**102**	0	0	
SEN - other														
11589000	SEND facilities block header	266	51	0	0	**317**	266	31	20	0	**317**	-20	0	Sub projects both operationally complete - unclear if Prop Serv fees are still to be charged so forecast moved to future year.
11631000	Specialist Nurture Provision at Special School	0	0	200	0	**200**	0	0	200	0	**200**	0	0	
SEN - expansion														
11624000	Evergreen school - Reconfiguration of classrooms	65	0	0	0	**65**	65	0	185	0	**250**	0	185	Project complete - Basic Need removed at Q2 (project scope reduced) but funding shortly to be transferred to new Evergreen scheme (replacing the reduced scope) so added back at Q3
11641000	Keeping SEND pupils local	0	0	190	0	**190**	0	62	128	0	**190**	62	0	Only £142k allocated to individual projects to date and limited progress so far.
SEN - new														
11350000	New AEN School McIntyre Discovery Academy (Former Manor Park)	6,009	0	0	0	**6,009**	6,009	0	0	0	**6,009**	0	0	
11644000	Water Orton Evergreen Unit	583	0	0	0	**583**	583	0	0	0	**583**	0	0	
11750000	Old Pears Site / Warwickshire Academy	15,569	1,540	56	0	**17,166**	15,569	1,540	57	0	**17,166**	-1	-0	At Qtr 3 it is believed that all expenditure has ben incurred except final payments for the Hydrotherapy Pool works and the FFE. It is possible that there may be a small underspend once all final bills are paid.
Learning - Devolved														
10554000	Devolved/School Level Budgets	0	0	0	0	**0**	0	0	0	0	**0**	0	0	.
11899000	S106 Contribution to the DFE for Lower Farm	0	0	1,300	0	**1,300**	0	0	1,300	0	**1,300**	0	0	
	Grand Total	**51,079**	**30,695**	**78,390**	**22,527**	**182,691**	**51,079**	**25,148**	**83,941**	**23,210**	**183,378**	**-5,547**	**687**	

Annex C Revenue - Fire & Rescue Service - Ben Brook
Strategic Director - Mark Ryder
Portfolio Holders - Cllr Andy Crump (Fire & Rescue and Community Safety)

22/23 Revenue Budget

Service	Gross Exp	Gross Inc	Net Exp		Net Variance Represented by				Reason for Net Variation and Management Action
	Budget	Budget	Budget	Variation Over/ (Under)	Approved Investment/Transformation funds	Contra to/from Earmarked Reserves	COVID Pressures	Remaining Service Variance	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Fire Leadership Team	1,142	(179)	963	**(9)**				**(9)**	No notable variances on individual cost centres. There has been a big change in the anticipated use of the LRF Reserve (Local Resilience Forum). This is due to a change in the prioritisation of funding. LRF will now be using in-year DLUCH funding to cover the costs of anticipated work this year.
AM Response	16,050	(7)	16,043	**(87)**		**8**		**(95)**	The overall underspend within the area of Response has decreased, which is largely due to anticipated overspend within Technical. Due to break-ins at on-call stations, CCTV has been installed and equipment replaced. There have also been some planning costs in anticipation of future potential industrial action, alongside fuel inflation pressures within Transport.
AM Protection	3,264	(544)	2,720	**123**				**123**	The majority of this overspend is still relating to the delay in the Minerva unit being sited and operational, which is having a knock-on effect on outsourcing training costs.
AM Prevention	2,339	(338)	2,000	**4**		**(3)**		**7**	Ongoing discussions with Public Health and focus on the Hospital to Home budget has confirmed the current funding can cover expected costs for this financial year with no impact on the Reserve. Overall, the Prevention forecast is fairly balanced with little variance with underspends within the area offsetting overspends in other cost centres.
Business Support	1,525	0	1,525	**50**		**27**		**23**	Reconciliation work undertaken by West Yorkshire Pension Fund has highlighted the potential for historic pension corrections that may result in revenue costs. This has currently been estimated at £40k although further investigation work is required until this is completely resolved. The remainder variance of £23k is a reduced overspend on IT and Communications. Due to the delay in some projects, anticipated increased contract spend will not materialise until next financial year.
Net Service Spending	**24,320**	**(1,068)**	**23,251**	**81**	**0**	**32**	**0**	**49**	

Annex C Reserves - Fire & Rescue Service - Ben Brook
Strategic Director - Mark Ryder
Portfolio Holders - Cllr Andy Crump (Fire & Rescue and Cc

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000
Emergency Service Network	907		(8)	899
Pensions Reserve	133		(27)	106
Vulnerable People Earmarked Reserve	143		3	146
Local Resilience Forum	392			392
Total	**1,575**	**0**	**(32)**	**1,543**

Annex C Reserves - Fire & Rescue Service - Ben Brool
Strategic Director - Mark Ryder
Portfolio Holders - Cllr Andy Crump (Fire & Rescue an

Saving Proposal	Target £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Further savings on third party spend - Review of services purchased from third parties to ensure value for money	43	0	43	The Service has limited third party spend and due to regional and national procurement, costs in this area are already cost effective. The Service are not expecting to achieve the third party spend saving in 2022/23 primarily due to increased third party spend due to the delay in successfully siting the Minerva unit. Any likelihood of the savings being achieved by other methods or absorbed within the Service is extremely low because of the increase in operational activity over the summer due to extreme heat
Total	**43**	**0**	**43**	

Chief Fire Officer - Ben Brook
Strategic Director - Mark Ryder
Portfolio Holders - Councillor Crump (Fire and Community Safety)

2022/23 to 2024/25 Capital Programme

		Approved Budget					Forecast					Variation		
Project	Description	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Variance in Year £'000	Total Variance £'000	Commentary
11895000	Vehicle Replacement Programme 2021/22	837	0	425	0	**1,262**	837	0	425	0	**1,262**	0	0	
11974000	Vehicle Replacement Programme 2022/23	0	1,167	0	0	**1,167**	0	1,092	0	0	**1,092**	-76	-76	3 x Volvo Fire Appliances @ £275k each, 1 x Command Support Vehicle @ £250k, Van @£16,500 - Revenue contribution for 2 Hospital to Home vehicles have been removed as will not be delivered until next financial year.
Sub Total - F&R Self Financing Projects		**837**	**1,167**	**425**	**0**	**2,429**	**837**	**1,092**	**425**	**0**	**2,353**	**-76**	**-76**	
11797000	Equipment for fire engines 20-21	224	0	0	0	**224**	224	0	0	0	**224**	0	0	
11894000	Equipment for new Fire Appliances 2021/22	91	0	94	0	**185**	91	6	88	0	**185**	6	-0	Replacement AED's for appliances @ £36,610, 6 x Ladders @ £50,000, 6 x Pumps @£30,000, 3 x Battery Fans @£15,000 - some of 2021/22 budget needed for this year's spend.
11973000	Equipment for new Fire Appliances 2022/23	0	126	0	0	**126**	0	126	0	0	**126**	0	0	
Sub Total - Projects Funded from Corporate Resources		**315**	**126**	**94**	**0**	**535**	**315**	**132**	**88**	**0**	**535**	**6**	**-0**	
11601000	Fire & Rescue HQ Leamington Spa	106	200	1,987	0	**2,293**	106	200	1,987	0	**2,293**	0	0	Project currently on hold, awaiting capacity from the Strategic Asset Management Team to move the project forward.
Sub Total - F&R Future Estate Project		**106**	**200**	**1,987**	**0**	**2,293**	**106**	**200**	**1,987**	**0**	**2,293**	**0**	**0**	
11374000	Training Centre - New Build	1,516	700	0	0	**2,216**	1,516	700	0	0	**2,216**	0	0	
11700000	F&R Training Programme: Lea Marston	138	733	0	0	**871**	138	19	714	0	**871**	-714	0	Slippage in the project is due to: the travel plan being delayed in its production. Without that plan, full planning application wasn't able to be submitted which has caused a two and half month delay. The Minerva unit is now expected to be sited in May 2023, falling into next financial year.
11701000	F&R Training Programme: Stratford	392	0	0	0	**392**	392	0	0	0	**392**	0	0	
11702000	F&R Training Programme: Kingsbury	1,446	23	0	0	**1,469**	1,446	23	0	0	**1,469**	0	0	
11703000	F&R Training Programme: EA Water site	27	274	0	0	**301**	27	0	274	0	**301**	-274	0	The priority for the Service has been to complete the Minerva training project. Until that project is completed, plans for further training sites cannot be determined, hence why the project is on hold.
Sub Total - F&R Training Programme		3,519	1,729	0	0	5,249	3,519	742	988	0	5,249	-988	0	
11766000	Fire Emergency Services Network (ESN) Preparedness	483	87	250	0	**820**	483	67	278	0	**829**	-20	8	£8k increase funded from inflationary bid to Capital investment fund
Sub Total - F&R Emergency Services Network		**483**	**87**	**250**	**0**	**820**	**483**	**67**	**278**	**0**	**829**	**-20**	**8**	
Grand Total		**5,260**	**3,309**	**2,757**	**0**	**11,326**	**5,260**	**2,232**	**3,767**	**0**	**11,259**	**-1,077**	**-67**	

Annex D Revenue - Communities - Dave Ayton-Hill

Strategic Director - Mark Ryder
Portfolio Holders - Cllr Wallace Redford (Transport & Planning), Cllr Heather Timms (Environment, Climate & Culture), Cllr Martin Watson (Economy)

22/23 Revenue Budget

	Gross Exp	Gross Inc	Net Exp		Net Variance Represented by				
Service	**Agreed Budget**	**Agreed Budget**	**Agreed Budget**	**Variation Over/ (Under)**	**Revenue Investment Funding**	**Contra to/from Earmarked Reserves**	**COVID Approved Allocations**	**Remaining Service Variance**	**Reason for Net Variation and Management Action**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Assistant Director - Communities	857	0	857	**(75)**				**(75)**	
Transport & Highways	9,973	(9,191)	782	**244**		**(485)**		**729**	Impact of reduced income in CPE. Driven by recruitment/retention of CEOs. Adjustment made to CEO salaries in Nov 2022 is already showing increased numbers of applications.
Place & Infrastructure	2,308	(345)	1,963	**(138)**				**(138)**	Accumulated underspend due to vacancies in the group
Waste & Environment	26,552	(4,312)	22,241	**(936)**				**(936)**	Household waste has reduced this year which could be for a variety of reasons inc a reversal of COVID increases, introduction of 3 weekly collection of residual waste in Stratford and Warwick, less consumer spending in the face of cost of living increases, reduced green waste because of a very dry growing season, easier kerbside recycling in Warwick. The reduction in tonnage to be managed has led to an increase in the forecast underspend.
Economy & Skills	6,067	(5,124)	943	**656**	**(30)**	**181**	**616**	**(111)**	
Net Service Spending	**45,757**	**(18,972)**	**26,786**	**(249)**	**(30)**	**(304)**	**616**	**(531)**	

Annex D Revenue - Communities - Dave Ayton-Hill
Strategic Director - Mark Ryder
Portfolio Holders - Cllr Wallace Redford (Transport & Planning), Cllr Heather Timms (Environment, Climate & Culture), Cllr Martin Watson (Economy)

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000	Closing Balance 31/03/2023 £'001
Speed Workshops	958		485	1,443	Ring fenced to road safety activity. Will be used to fund WRSP work
Rural Growth Network	242		(100)	142	
Kenilworth Station	552			552	
Skills Delivery for Economic Growth	76			76	
European Match Funding	166		(81)	85	
Total	**1,994**	**0**	**304**	**2,298**	

Annex D Revenue - Communities - Dave Ayton-Hill
Strategic Director - Mark Ryder
Portfolio Holders - Cllr Wallace Redford (Transport & Planning), Cllr Heather Timms (Environment, Climate & Culture), Cllr Martin Watson (Economy)

Saving Proposal	Target £'000	Actual £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Country parks income - Apply commercial approach to Country Parks income streams.	30		30	0	This saving is forecast to be achieved, however, the very stretching parking income budget will not be fully achieved this year. Commercialisation continues and parking arrangements are being reviewed.
Savings on third party spend - Review of services purchased from third parties to ensure value for money and management of the cost increases of externally purchased services.	258		258	0	
Business centres portfolio - Increased income generation through the introduction of virtual office space so that businesses can use mail, phone, meeting space facilities at business centres, without renting a unit.	100		100	0	
Road safety advice - Maximising income generation opportunities from the provision of road safety advice.	100		75	25	Partially achievable. Fewer audits received this financial year
Waste management - Reduction in residual waste and an increase in recycling as a result of the waste collection changes in Stratford and Warwick District, starting August 2022.	290		290	0	This saving is forecast to be achieved.
SEND Home to school transport - Reduction in the cost of the service as a result of service/route redesign and the positive impact of the SEND Change and Inclusion Programme on both demand and the length of journeys.	386	0	0	386	Not achieved/ identified
Total	**1,164**		**753**	**411**	

Strategic Commissioner - Communities - Dave Ayton-Hill
Strategic Director - Mark Ryder
Portfolio Holders - Councillor Redford (Transport & Environment), Heather Timms (Environment, Climate & Culture) Councillor Watson (Economy)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Variance in Year £'000	Total Variance £'000	
Countryside														
11536000	Countryside Rural Services Country Parks 2019/20	139	1	0	0	141	139	1	0	0	141	0	0	
11788000	Country Parks maintenance 20-21	109	8	0	0	117	109	8	0	0	117	0	0	
11834000	Country Parks Car Parking Facilities - upgrade to Ticket Machines	101	29	0	0	130	101	0	85	0	186	-29	56	£55k of funds reallocated from 11866000 maintenance budget, along with reprofiling, in order to complete the works originally approved as per original leader decision (03/07/2020) for new ticket machines and ANPR barrier system
11866000	Country Parks - Annual Maintenance 2021-22	69	199	56	0	324	69	199	0	0	268	0	-56	£55,802 reallocated to Barrier System/ANPR system - Approved (03/07/20) Leader Decision
11963000	Country Parks - Annual Maintenance 2022-23	0	209	0	0	209	0	209	0	0	209	0	0	
Developer Funded Transport S106														
11194002	New Bus Shelter on Tachbrook Park Drive near Leamington	12	1	0	0	13	12	1	0	0	13	0	0	Scheme complete - remaining funding can be redirected elsewhere.
11418000	A426 Gateway Rugby to Rugby Town Centre Cycle Scheme	281	10	16	0	307	281	4	10	12	307	-6	-0	Project reprofiled to reflect reduced spend in 22/23
11441001	S278 Zebra upgrade on Tachbrook Rd Leamington	60	1	1	0	62	60	1	1	0	62	0	0	
11441007	S106 2 Bus shelters at bus stops on Narrow Hall Meadow nr GP Surgery Chase Meadow	0	0	20	0	20	0	0	20	0	20	0	0	
11441009	Bus Stop Opposite Land Between 256 and 346 Bham Road Stratford	16	0	0	0	16	16	0	0	0	16	0	0	Scheme complete - remaining funding can be redirected elsewhere.
11441010	Birmingham Road cycle route enhancements	5				5	5				5			
11441014	Highways Improvements To Bus Stops At Land Off The Longshoot S106	12	19	0	0	31	12	0	0	0	12	-19	-19	Scheme complete - remaining funding can be redirected elsewhere
11607000	Southbound Bus Stop On A426 Leicester Rd, Rugby S106	15	0	64	0	79	15	0	64	0	79	0	0	Cost of scheme has increased to approximately £585k due to service diversion and land acquisition requirements. WCC officers are seeking the outstanding funding to enable delivery.
11614000	Bus Stop Enhancement Works In Alderminster	14	0	0	0	14	14	0	0	0	14	0	0	Scheme complete - remaining funding can be redirected elsewhere.
11615000	Provision Of Replacement Bus Shelter On Kinwarton Rd,Alcester	10	0	0	0	10	10	0	0	0	10	0	0	Scheme complete - remaining funding can be redirected elsewhere.
11640000	Upgrading of Existing Bus Stop Infrastructure Alcester Road Shottery in SOA	14	0	0	0	14	14	0	0	0	14	0	0	
11690000	Provision Of Bus Stops Ettington Road Wellesbourne	13	7	0	0	20	13	0	0	0	13	-7	-7	Scheme complete - remaining funding can be redirected elsewhere.
11691000	Provision Of Bus Stops & Upgrade Existing Infra Salford Rd Bidford	25	58	0	0	83	25	0	0	0	25	-58	-58	Scheme complete - remaining funding can be redirected elsewhere.
11692000	Upgrade Existing Shared Ped / Cycle Path Bermuda	1	5	16	0	22	1	5	16	0	22	0	0	This scheme now forms part of Bermuda Connectivity. The remaining funding should be transferred to the respective cost code for the scheme.
11704000	Barford Junction Safety And Capacity Improvement Works S106	62	0	0	0	62	62	0	0	0	62	0	0	
11782000	Campden Road (B4035), Shipston-on-Stour New Bus Stops	0	38	0	0	38	0	2	36	0	38	-36	0	Forecasted slippage to programme to allow for land arrangements to be confirmed with the Developer from a legal perspective.
11783000	Mancetter Road / Camp Hill Road, Nuneaton Bus Stop Improvements	4	12	0	0	16	4	2	10	0	16	-10	0	Forecasted slippage to scheme due to conflicting utilities works and a need to reduce scope of scheme to fit within budget due to increased costs.
11821000	Nuneaton/Plough Hill/Puffin crossing and improvements to Bus shelters	1	73	0	0	74	1	73	0	0	74	0	0	
11822000	Bidford on Avon/ Waterloo Road/Provision of a Bus Stop and shelter	7	20	0	0	27	7	20	0	0	27	-0	-0	
11906000	Two new bus stops on Orton Road (near junction with Barn End Road in Warton)	3	6	0	0	9	3	6	0	0	9	0	0	
11907000	Upgrading the existing bus stop infrastructure on Knights Lane (5 bus stops) in Tiddington	1	18	0	0	19	1	0	18	0	19	-18	0	Forecast adjusted as separate Section 278 Agreement highways works need to be completed in advance of this scheme.
11908000	Upgrading a bus stop in the vicinity of the new development to provide a bus shelter on Birmingham Road in Stratford-upon-Avon	0	0	0	0	0	0	0	0	0	0	0	0	
11909000	Improving or providing bus stops along bus routes in the vicinity of the development in Bishopton Lane in Stratford-upon-Avon	3	14	0	0	17	3	14	0	0	17	0	0	
11921000	Warwickshire cycling links - Weddington Road, Nuneaton	1	52	181	1,670	1,904	1	20	181	1,702	1,904	-32	0	Project reprofiled to reflect reduced spend on scheme design in 22/23
11922000	Warwickshire cycling links - Radford Road, Leamington Spa	5	0	0	0	5	5	0	10	80	95	0	90	Scheme reprofiled to include S106 developer contribution
11923000	Warwickshire cycling links - Daventry Road, Southam	0	0	0	0	0	0	0	0	0	0	0	0	
11924000	Warwickshire cycling links - Heathcote, Leamington Spa	3	20	440	940	1,403	3	15	440	945	1,403	-5	0	Project reprofiled to reflect reduced spend on scheme in 22/23
11925000	Warwickshire cycling links - Whitley South, Baginton	5	0	0	0	5	5	6	6	144	161	6	156	Project reprofiled to include S106 developer contribution
Economic Development														
11425000	Capital Growth Fund - Access to Finance	1,909	150	150	291	2,500	1,909	90	210	291	2,500	-60	0	
11612000	Capital Investment Fund/ Duplex Fund	1,400	500	100	0	2,000	1,400	600	0	0	2,000	100	0	
11613000	Capital Investment Fund/ Small Business Grants	1,375	98	200	281	1,954	1,375	128	200	262	1,965	30	11	
11893000	Art Challenge Fund	288	52	3	8	352	288	52	3	8	352	0	0	
12028000	Tree Nursery Grants	0	6	16	0	22	0	6	16	0	22	0	0	
Economic Development - Transforming Nuneaton														
11611000	Transforming Nuneaton	5,464	938	1,311	2,675	10,389	5,464	642	2,041	2,675	10,822	-296	433	Inflation allocation increase of £433k to capital projects from the Capital Inflation Contingency Fund as approved under delegated authority by SD (Resources) plus minor re-forecast of spend into next FY to account for changes to project delivery programme.
11746000	Transforming Nuneaton - Co-op Building Purchase (CIF)	1,500	0	0	0	1,500	1,500	0	0	0	1,500	0	0	
11775000	Library & Business Centre Nuneaton (CIF)	210	750	1,300	17,163	19,423	210	250	1,800	17,163	19,423	-500	0	Following cost review and discussion at Corporate Board agreement reached to commission a building re-design to bring the project back on to budget therefore costs for this FY have been reduced to reflect the delay in works whilst the redesign takes place. The aim is still to deliver the project within the programme delivery plans timescales.
Integrated Transport - Casualty Reduction Schemes														
11355000	Casualty Reduction Schemes 15/16	1,604	120	0	0	1,724	1,604	120	0	0	1,724	0	0	
11453000	Casualty reduction schemes 18-19	454	302	863	0	1,619	454	304	1,065	0	1,824	2	205	SUSTRANS grant added to 23/24 £204,500 as per Port Holder Decision 14/10/22
11711000	Temple Hill / Lutterworth Road Wolvey Casualty Reduction Scheme CIF	175	133	646	646	1,601	175	133	646	646	1,601	0	0	
11763000	A439- Southern Casualty Reduction - Cif	107	393	0	0	500	107	393	0	0	500	0	0	
11786000	Casualty Reduction 20-21	289	0	0	0	289	289	0	0	0	289	0	0	
11865000	Casualty Reduction - Annual Maintenance 2021-22	109	125	203	0	437	109	125	203	0	437	0	0	
11993000	Casualty Reduction - Annual Maintenance 2022-23	0	260	90	0	350	0	31	319	0	350	-229	0	Scheme not progressing due to feasibility issues
Integrated Transport - Cycle Schemes														
10385000	Warwick, Myton Rd Cycle Link (Myton & Warwick School)	160	2	0	0	162	160	0	2	0	162	-2	-0	Budget reprofiled into future year to meet future costs.
Integrated Transport - Other Schemes														
11456000	Stratford Park And Ride Site Alterations	88	0	0	0	88	88	0	0	0	88	0	0	

Strategic Commissioner - Communities - Dave Ayton-Hill
Strategic Director - Mark Ryder
Portfolio Holders - Councillor Redford (Transport & Environment), Heather Timms (Environment, Climate & Culture) Councillor Watson (Economy)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Variance in Year £'000	Total Variance £'000	
11650000	Electric Vehicle Charging Points	615	115	0	0	730	615	0	0	0	615	-115	-115	£729K original forecast expenditure was an estimate. £114,000 removed to reflect actual spend
11710000	Land At Crick Road Rugby - CIF	1,466	586	586	0	2,637	1,466	386	786	0	2,637	-200	0	Requirement for additional surveys and information to support the planning application has resulted in a delay to the submission of outline planning. This has resulted in a re-profiling of expenditure
11885000	All Electric Bus Initiative 2021-22	0	35	880	451	1,366	0	10	905	451	1,366	-25	0	Forecast adjusted in response to TfWM and bus operator led change to scope of scheme regarding supporting charging infrastructure
11886000	Stoneleigh Park Link Road	0	205	0	205	409	0	205	0	205	409	0	0	HS2 delivering infrastructure and have reprioritised assets in this area meaning bridge construction will not commence until Q4 2022/2023
11995000	Local Authority Treescapes fund	88	124	0	0	212	88	124	0	0	212	0	0	The grant will be completed this financial year and reported through the relevant boards.
12018000	Commissioning and Major Inspections	0	121	0	0	121	0	121	0	0	121	0	0	50k for M40 transferred to sub project code
Integrated Transport - Public Transport														
11325000	Stratford Town Station Upgrade	237	0	0	0	237	237	0	0	0	237	0	0	
11958000	Provision of hardstanding and bus stops in Hampton Magna	0	9	0	0	9	0	1	8	0	9	-8	0	Forecast adjusted in acknowledgement of protracted time taken for Minor Works Team to deliver projects due to competing priorities.
11959000	Provision of gateway facilities at Shipston on Stour and bus stops	0	37	0	0	37	0	1	36	0	37	-36	0	Forecast adjusted due to slippage to programme caused by the need to procure a differentiated specification of bus shelter.
11960000	Provision of bus stops on Meadow Road in Alcester	0	8	0	0	8	0	0	8	0	8	-8	0	Forecast adjusted in acknowledgement of protracted time taken for Minor Works Team to deliver projects due to competing priorities.
11961000	Provision of bus stops on the B4114 Coleshill Road to serve Hartshill development	0	8	0	0	8	0	0	7	0	8	-7	0	Forecast adjusted in acknowledgement of protracted time taken for Minor Works Team to deliver projects due to competing priorities.
11964000	JLR / British Motor Museum bus stop	0	30	0	0	30	0	1	29	0	30	-29	0	Forecast adjusted due to slippage caused by oversight causing delay in issuing a brief to WCC Design Services.
12023000	Southam Road Radford Semele bus stops with infrastructure and traffic management	0	49	0	0	49	0	1	49	0	49	-49	0	Forecast adjusted in acknowledgement of protracted time taken for Minor Works Team to deliver projects due to competing priorities.
12024000	Bishops Tachbrook bus stops enhancements	0	15	0	0	15	0	1	15	0	15	-15	0	Forecast adjusted in acknowledgement of protracted time taken for Minor Works Team to deliver projects due to competing priorities.
12025000	Rugby Road B4453 Cubbington bus stop improvements	0	12	0	0	12	0	0	12	0	12	-12	0	Forecast adjusted in acknowledgement of protracted time taken for Minor Works Team to deliver projects due to competing priorities.
12026000	Damson Road Hampton Magna bus stop improvements	0	9	0	0	9	0	0	9	0	9	-9	0	Forecast adjusted in acknowledgement of protracted time taken for Minor Works Team to deliver projects due to competing priorities.
12027000	Temple Herdewyke new bus stops	0	12	0	0	12	0	0	12	0	12	-12	0	Forecast adjusted in acknowledgement of protracted time taken for Minor Works Team to deliver projects due to competing priorities.
Safer Routes to School														
11635000	Home To School Routes (Safety) 2017-18	1,258	371	144	0	1,773	1,258	371	144	0	1,773	0	0	
Integrated Transport Safety Cameras														
10192000	Safety Camera Funded Schemes	1,586	3	0	0	1,589	1,586	3	0	0	1,589	0	0	
11761000	Average Speed Cameras - Cif	43	860	860	0	1,763	43	860	860	0	1,763	0	0	
School Safety Zones														
11359000	School Safety Zones 16/17	1988				1,988	1,988				1,988			
11585000	School Safety Zones 18/19	787	1	0	0	788	787	1	0	0	788	0	0	
Major Projects														
10362000	Kenilworth Station	13,076	0	0	832	13,908	13,076	0	0	832	13,908	0	0	
11509000	A444 Coton Arches , Nuneaton impts to roundabout	3,564	1	0	0	3,565	3,564	1	0	0	3,565	0	0	
11841000	Leamington Station/A Commonwealth Games Infrastructure Improvement Scheme/Redevelopment Of Station Forecourt And Underpass	442	1,490	0	0	1,932	442	1,490	0	0	1,932	0	0	
11845000	Improvements to the A429 Coventry Road corridor (Warwick)	0	93	659	3,929	4,682	0	93	659	3,929	4,682	0	0	
11846000	Evidence led decision making in tackling climate emergency and air quality	915	1,142	0	0	2,058	915	430	712	0	2,058	-712	0	Budget reprofiled in line with spend
11930000	Rural Mobility Fund	0	0	0	0	0	0	0	0	0	0	0	0	
Warwick Town Centre														
11552000	Warwick Town Centre transport proposals	1,102	0	0	0	1,102	1,102	0	0	0	1,102	0	0	
11809000	Warwick Town Centre	63	26	1,393	2,925	4,408	63	60	1,360	2,925	4,408	34	-0	Spend has been brought forward relating to progress being made on St John's proposal, including an engagement exercise which is in progress
Waste Management														
10207000	Implementation Of Municipal Waste Strategy - Waste Treatmt & Transfer Facilities	1,529	34	0	0	1,563	1,529	34	0	0	1,563	0	0	
11856000	Purchase of Waste Containers at the Household Waste Recycling Centres	147	91	0	0	238	147	91	0	0	238	0	0	
11864000	Household Waste Recycling Centres - Annual Maintenance 2021-22	24	115	0	0	139	24	115	0	0	139	0	0	
11931000	Purchase of 3 haulage vehicles for HWRC (CIF Funded)	259	1	153	0	413	259	1	153	0	413	0	0	
11962000	HWRC Maintenance 2022/23	0	84	0	0	84	0	84	0	0	84	0	0	
Grand Total		**45,313**	**10,317**	**10,352**	**32,016**	**97,998**	**45,313**	**7,946**	**13,165**	**32,271**	**98,694**	**(2,371)**	**696**	

Annex E Revenue - Social Care & Support - Pete Sidgwick
Strategic Director - Nigel Minns
Portfolio Holders - Cllr Margaret Bell (Adult Social Care & Health)

22/23 Revenue Budget

Service	Gross Exp Budget £'000	Gross Inc Budget £'000	Net Budget £'000	Net Variation Over/ (Under) £'000	Net Variance Represented by: Revenue Investment Funding £'000	Contra to/from Earmarked Reserves £'000	COVID Approved Allocations £'000	Remaining Service Variance £'000	Reason for Net Variation and Management Action
Assistant Director - Social Care & Support	7,645	0	7,645	**299**	**(56)**	**1,200**		**(845)**	£0.056m in year underspend on the Integrated Care Record project as licence costs and contributions made for the Adults project also cover the under 18's project. £1.200m forecast expenditure for home based therapy discharge service to be funded from the System Development Fund held in Reserves. Unbudgeted income of £0.625m to fund Q1 of the enhanced hospital discharge process, costs incurred predominantly in Older People Services. Further there has been reduced project expenditure to fund a contribution to bad debt provision and £0.092 spend over the level of funding for the Adult Social Care Reforms.
Disabilities age 25-64	89,313	(9,595)	79,718	**767**				**767**	Overspend of <1.0%. Net overspend due to increased demand for residential care, supported living, direct payments and specialist college placements. The former, residential care has seen demand increase by 2.3% and supported living increase by 2.1% in this financial year. There has been an increase unit cost due to the use of spot placements.
Mental Health	16,615	(1,403)	15,212	**124**				**124**	Overspend of <0.9%. Cost centre managers anticipate cost pressures in particular in supported living and residential packages of care. However, this has been challenged in light of recent trends in actual expenditure and attempts to be more accurate regarding realistic start dates for when responsibility for costs transfer from health to social care.
Older People	89,840	(36,783)	53,056	**769**				**769**	Overspend of <1.5%. Net overspend due to increased demand for residential care and supported living, substantially offset by increased client contributions. Demand has increased by 2.0% in two months with cost per package of care increasing by 2.7% in the same period, driving the unit cost is the increasing use of more costly spot placements as a result of difficulties in sourcing packages of care at standard rates and placement rates for new packages of care are higher than the like for like packages of care that are closing.
Integrated Care Services	11,846	(1,010)	10,837	**(1,265)**				**(1,265)**	Assistive Technology underspend of £0.594m due to tender process which has started and placed limitations on some assistive technology projects. Staff and travel related expenditure underspend of £0.512m as recruitment challenges exacerbated by the current economic climate continue. Further there is an underspend of £0.159m on integrated community equipment.
Development & Assurance	3,680	(818)	2,862	**365**				**365**	Due to forecast overspend on client transport.
Disabilities age 0-24 & Transitions	17,876	(2,416)	15,461	**1,423**				**1,423**	Two significant contributing factors. Firstly one intensive spot contract to provide care for whom residential care or alternative solutions are not currently appropriate. Secondly, an overspend on residential placements on the basis that current activity levels remain throughout the year along with current prices, driven by a 12% increase in average weekly cost compared to last year. These overspends are offset by underspends on salaries, supported accommodation, supported living and external foster care.
Net Service Spending	**236,815**	**(52,025)**	**184,791**	**2,482**	**(56)**	**1,200**	**0**	**1,338**	

Annex E Savings - Social Care & Support - Pete Sidgwick
Strategic Director - Nigel Minns
Portfolio Holders - Cllr Margaret Bell (Adult Social Care & Health)

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000
BCF System Development Fund	3,860	0	(1,200)	2,660
Total	**3,860**	**0**	**-1200**	**2,660**

Annex E Savings - Social Care & Support - Pete Sidgwick
Strategic Director - Nigel Minns
Portfolio Holders - Cllr Margaret Bell (Adult Social Care & Health)

Saving Proposal	Target £'000	Actual £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Commissioning for younger adults - Redesign the commissioning approach to ensure a more efficient arrangement and improved brokerage function.	300	0	0	300	Unachieved but mitigated by wider ASC service underspends.
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	228	0	0	228	Unachieved but mitigated by wider ASC service underspends.
Housing with support for older people - Further develop the housing with support offer to reduce reliance on residential provision for all ages.	500	500	500	0	
Management of cost of adults service provision - Management of the budgeted cost increases of externally commissioned care.	1,000	1,000	1,000	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.	800	800	800	0	
Reprofiling care demand - Rephasing the demand and cost pressures for adults social care based on expected growth as informed by national and local data.	490	490	490	0	
Client income - Increase in income as a result of taking into account expected growth of adult social care services.	201	201	729	(528)	Client contribution income continues to grow and has enabled the achievement of other savings - as above.
Total	**3,519**	**2,991**	**3,519**	**0**	

Social Care & Support - Pete Sidgwick
Strategic Director - Nigel Minns
Portfolio Holders - Councillor Bell (Adult Social Care & Health)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Variance in Year £'000	Total Variance £'000	
11555000	Extra Care Housing	0	0	313	0	**313**	0	0	313	0	**313**	0	0	
Grand Total		**0**	**0**	**313**	**0**	**313**	**0**	**0**	**313**	**0**	**313**	**0**	**0**	

Annex F Revenue - Children & Families - John Coleman
Strategic Director - Nigel Minns
Portfolio Holders - Councillor Morgan (Children and Families)

22/23 Revenue Budget

Service	Gross Exp Budget £'000	Gross Inc Budget £'000	Net Exp Budget £'000	Net Exp Variation Over/ (Under) £'000	Net Variance Represented by: Revenue Investment Funding £'000	Contra to/from Earmarked Reserves £'000	COVID Approved Allocations £'000	Remaining Service Variance £'000	Reason for Net Variation and Management Action
Assistant Director - Children & Families	5,057	(200)	4,857	**(2,144)**	**(16)**	**0**	**0**	**(2,128)**	Legal charges are holding steady at £0.010m over-spending which is the same as Q2. It is hoped that this downward trend will be sustained as we move into the final quarter of 22/23 and to achieve an on-going reduction in line with the MTFS. Hay salaries have a small over-spend of £0.018m (Q2 £0.015m). The asylum grant contribution to indirect costs for the whole service has had a small increase since P6 of £0.018m and now stands at £1.262m. This is due to WCC accepting more young people on The National Transfer Scheme therefore numbers have risen higher than the normal average expected activity levels. This could rise a little further due to accepting more young people but exact numbers and arrival dates are not guaranteed at this point. A total amount of £0.799m (P6 £0.789m) of funding has been released as a contribution towards the whole service over-spend on salaries.
Initial Response (MASH, IR, EDT)	8,687	(2,173)	6,514	**950**	**(3)**	**0**	**0**	**953**	There is a very small under-spend of £0.003m (P6 (£0.011m) on Transformation due to salaries. The service over-spend is concentrated within agency workers and this is currently £1.445m (P6 £1.198m) with 28 (P6 27) workers still in situ. This is to cover the high levels of vacancies within the IR and MASH teams, although there will be only 6 at this point remaining post year end. There is also several additional of posts being filled over the set establishment which is compounding the over-spend.
Early Help & Targeted Support	10,456	(3,806)	6,649	**(676)**	**4**	**(561)**	**37**	**(156)**	The spend on Covid-19 of £0.0.37m (Q2 £0.040m) is pre-planned agreed funding for a management post within the Family Village project. Transformation is showing a small £0.004m over-spend (Q2 £0.027m) due to the staffing restructure and budgets remaining within this service. Priority Families' forecast remains at Q2 levels of an under-spending by £0.561m with anticipated 100% PBR pay-out. The Education Training budget has an expectation to make a £0.050m surplus, this is not achievable, therefore is showing an over-spend. There is a small budget of £0.048m held within this service to offset any pressures and salaries are showing a £0.016m under-spend which is a change of £0.031m (Q2 £0.047m) since Q2 due to the staffing restructure with teams moving from this service but their budgets remaining. All Staffing budgets will be zero based and re-set across the C&F service as part of the MTFS and 2023-24 budget setting.
Children's Safeguarding & Support	32,451	(23)	32,427	**(1,203)**	**(50)**	**0**	**72**	**(1,225)**	**Investment Funding** - There is a combined over-spend of £0.101m (Q2 £0.063m) showing against transformation due to the expected impact of forecasting salaries to the end of the financial year. Covid-19 spend is a total of £0.153m (Q2 £0.164m) which is agreed funding for staffing projects in this financial year only. The asylum grant has generated a surplus towards indirect costs held on the AD of £1.262m (Q2 £1.186m) which is an increase of £0.018m since Q2 and is reflective of the National Transfer Scheme's increase in anticipated numbers. **CIC Placements** - in total at Q3 there is an under-spend of £3.315m which is a decrease in spend of £0.381m from Q2 of £2.933m. Internal foster-care is currently £0.533m under-spending (Q2 £0.492m) with weeks lower than 2021/22 at this point by approximately 3.80FTE. External foster-care has seen a further decrease in spend this quarter of £0.233m to £1.563m under-spending (Q2 £1.330m), with the FTE well below expectation by 26.97FTE. The weekly average unit cost is £852 which is 4.72% below the budgeted rate which is encouraging and shows that the framework has played its part in sustaining the rates despite current inflation issues. Residential care has seen an increase in spend of £0.242m to now being £0.619m under-spending (Q2 £0.861m). During the past month there has been a decrease in weeks therefore meaning that FTE has decreased from Q2 59.19 to 58.50. This is against a budgeted 62.93 therefore still below target. Current weekly unit cost stands at £4,665 per week which is a £109 a week higher than the budgeted target rate. The rate has been slowly rising over 2022/23 (Q1 £4,302, Q2 £4,532), although this is to be compared against the 2021/22 rate of £4,610 which is £55 higher than Q3. This is encouraging due to mounting pressure from providers to increase costs due to inflation and are leaving the framework where prices are not as controlled. Parent and Baby's current activity continues to be difficult to predict and control, and the forecast reflects future

Annex F Revenue - Children & Families - John Coleman
Strategic Director - Nigel Minns
Portfolio Holders - Councillor Morgan (Children and Families)

22/23 Revenue Budget

Service	Gross Exp Budget £'000	Gross Inc Budget £'000	Net Exp Budget £'000	Net Exp Variation Over/ (Under) £'000	Net Variance Represented by: Revenue Investment Funding £'000	Contra to/from Earmarked Reserves £'000	COVID Approved Allocations £'000	Remaining Service Variance £'000	Reason for Net Variation and Management Action
Corporate Parenting	33,568	(6,511)	27,057	**3,216**	**151**	**(12)**	**81**	**2,996**	placement activity but a downward revision for Q3 has resulted in a reduction of £0.350m compared to Q2 and is under-spending by this £0.600m at Q3. There has been a new budget of £0.100m created for children who need more short-term specialist care, and this now moved significantly during the past quarter and is at an over-spend level of £0.960m (Q2 £0.410m) with added growth factored in. **CIC Allowances** - including an element for growth is £0.100m over-spent which is an increase of £0.035m since Q2. **Leaving Care** - Additional budgets of £0.671m were added to Leaving care accommodation and allowance payments, but despite this this area is already showing a £0.789m over-spend. This is an increase of £0.352m compared to Q2 with new placements of high value bought and changes in rates and providers. Significant progress has now been made by the new Operation's Manager in auditing all supported accommodation placement packages and their elements. Unit costs of supported accommodation placements are continually rising and at Q3 this stands at approximately £2,102 per week which is £1,250 more per week than external foster-care. Transportation, setting up home and 'The Local Offer' costs continue to be a pressure with Q3 showing a predicted over-spend of £0.308m (Q2 £0.207m) and this is another area of review that the Operations Manager will review next. **Other** – With the new appointment of WCC internal residential Home B's manager and further delays until March in welcoming young people into Home A, there is an under-spend of £0.166m (Q2 £0.168m). Although recruitment of staff continues to make an almost full establishment in Home A. In total salaries are £2.233m over-spending which is a decrease of £0.067m compared to Q2 £2.300m. Significantly sessional workers are £0.340m overspending (currently under review), establishment staff £0.796m (Q2 £1.260m) which is the effect of the pay award, new structure and staff being transferred elsewhere without their budgets. Agency staff are £1.097m over-spending (Q2 £0.742m). There are currently 14 agency workers (Q2 11) with planned end dates well before the end of the financial year. There has been a new contract to provide a small team of staff commissioned costing £0.418m this financial year. This has no budget attached to it. An update from the school transport department predicts that the school transport contract to be £0.385m over-spend (Q2 £0.137m). This is a significant rise of £0.248m since Q2.
Youth Justice	4,187	(866)	3,321	**(140)**	**(31)**	**17**	**75**	**(201)**	COVID 19 expenditure of £0.075m is pre-planned agreed funding for a Speech and Language post and this forecast remains the same as Q2. There has been a shift in spend within the remand bed placements. This is due to 2 more YP in placement plus the 1 YP already in a bed has had a delay in the court process. This means that there is now a small over-spend of £0.017m compared to the under-spend of £0.076m at Q2. The remaining service under-spend of £0.188m is mainly due to a reduced Barnado's contract price expected to start November 22 for 3 years which reduces the carers from 5 to 3 based on current demand and need, and a small increase in expected grant.
Children's Practice Improvement	4,450	(245)	4,204	**656**	**(143)**	**0**	**0**	**799**	Expected spend on transformation schemes has been revised and reflects under-spends within training and professional fees. This is a downward shift of (£0.127m since Q2). The effect of first phase of the Team 2023 restructure is reflected within this service area with teams lifted and shifted into their new resting place in the new structure. The remaining overspend therefore is nearly all due to salaries and budgets have not been re-aligned to reflect these changes hence the large variation. But it still needs to be noted that the IRO service continues to overspend due to having 100% establishment.
Adoption Central England	4,377	(4,313)	65	**1,105**	**0**	**1,105**	**0**	**0**	There has been further increases to the forecast in the buying and selling of placements and is set to overspend by £0.831m (Q2 £0.424m). This is due to more children being matched since the last forecast. With the effects of the 22/23 pay award now reflected Hay salaries are currently forecasting an overall under-spend of £0.168m (Q2 0.184m) , although Single Status is showing a £0.424m over-spend (Q2 £0.278m). It should be noted that the 22/23 pay award given was higher than the funding allowed for and was the best estimate at the time. Steps to control the spend throughout ACE is being discussed as the 5 LA Executive board so that the on-going future financial funding position of ACE is secured. It should be noted that WCC's liability for this £1.105m overspend is limited to 23%, with the other 4 partners sharing the remaining amount.
Net Service Spending	**103,233**	**(18,137)**	**85,094**	**1,764**	**(88)**	**549**	**265**	**1,038**	

Annex F Reserves - Children & Families - John Coleman
Strategic Director - Nigel Minns

Portfolio Holders - Councillor Morgan (Children and Families)

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000
Adoption Central England	315	(64)	(1,105)	(854)
Priority Families Reserve	1,046	(412)	561	1,195
Controlling Migration Fund	181	(74)	12	119
Youth Justice Remand Equalisation	767		(17)	750
Total	**2,309**	**(550)**	**-549**	**1,210**
CTF reserves held in Other service	6,430	(5,198)	88	1,320

Annex F Savings - Children & Families - John Coleman
Strategic Director - Nigel Minns

Portfolio Holders - Councillor Morgan (Children and Families)

Saving Proposal	Target £'000	Actual £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	107	0	0	107	Not achieved/ identified
Maximise income and contributions to care packages - Efficient collection of health contributions to children in care placements and income from safeguarding training.	300	150	259	41	Education Safeguarding Training income not achieved
New ways of working - Reductions in staff travel, room hire, client travel and expenses from new ways of working post-Covid.	56	0	0	56	Current forecasts predict an overspend in this area of £163k
Rightsize Children's and Families budgets - Remove contingency budget for Early Help and replace boarding school budget with existing budget in Children's Services.	10	10	10	0	Reduction in budget applied with forecast balanced
Adoption - Education contribution to the Authority's share of the Adoption Central England costs.	48	48	48	0	Reduction in budget applied with forecast balanced
Total	**521**	**208**	**317**	**204**	

Children & Families - John Coleman
Strategic Director - Nigel Minns
Portfolio Holders - Councillor Morgan (Children's Services)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Variance in Year £'000	Total Variance £'000	
11295000	CF property adaptations, purchases and vehicles	351	55	0	0	**406**	351	55	0	0	**406**	0	0	
11792000	Adaptations to support child placements 20-21	0	125	0	0	**125**	0	100	25	0	**125**	-25	0	Application for one of the Adaptations provisionally agreed to be funded this financial year by Panel has now been withdrawn.
11901000	Children's Home	282	0	0	0	**282**	282	0	0	0	**282**	0	0	
11902000	Adaptations to support child placements	0	0	125	131	**256**	0	0	125	131	**256**	0	0	
12002000	Children's Home 2	0	416	139	0	**554**	0	416	139	0	**554**	0	0	
12003000	Children's Home 3	0	563	188	0	**750**	0	563	188	0	**750**	0	0	
12004000	Children's Home 4	0	563	188	0	**750**	0	563	188	0	**750**	0	0	
12015000	Family Village - Pears Site	0	150	0	0	**150**	0	150	0	0	**150**	0	0	
12016000	Minibus - Youth Services OV22 HMC	0	42	0	0	**42**	0	42	0	0	**42**	0	0	
Children & Families		**633**	**1,912**	**639**	**131**	**3,315**	**633**	**1,887**	**664**	**131**	**3,315**	**-25**	**0**	

Annex G Revenue - People Strategy & Commissioning and Public
Strategic Director - Nigel Minns
Portfolio Holders - Cllr Margaret Bell (Adult Social Care & Health)

22/23 Revenue Budget

Service	Gross Exp Budget	Gross Inc Budget	Net Exp Budget	Net Exp Variation Over/ (Under)	Net Variance Represented by: Revenue Investment Funding	Contra to/from Earmarked Reserves	COVID Approved Allocations	Remaining Service Variance	Reason for Net Variation and Management Action
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Assistant Director - Strategy & Commissioning People	525	(25)	500	**(108)**				**(108)**	Health income for shared AD post supporting Healthy Child unbudgeted cost increases.
Director of Public Health	2,594	(242)	2,352	**2,844**			**3,168**	**(324)**	Covid costs of £1.400m for school air quality assessment and ventilation improvements, £0.235m Supporting high risk workplaces with grants and ventilation improvements and £0.100m to fund a PH consultant funded from the COMF fund. Covid costs of £0.977m funded from the Test & Trace Grant predominantly for staffing £0.662m, £0.150m for the covid case management system, £0.75 for retrospective costs for workplace resilience scheme 'Thrive at Work' and £0.090m housing support for rough sleepers to remain in accommodation. Also £0.319m reducing the impact of Covid on BAME communities' project and £0.137m suicide prevention role and strategy implementation funded from the generic covid grant. Underspend due to staffing vacancies and unutilised carry forward for homelessness due to other funding streams becoming available.
Health & Well Being	20,042	(279)	19,763	**(67)**	**(82)**	**15**	**180**	**(180)**	In year underspends of £0.047m on the Tacking Family Poverty/Inequalities and £0.035m on the Creative Health projects. £0.015m to be drawn down from the Social Care and Health Partnership reserve in relation to diabetes. Underspend due to staffing vacancies and reduced demand for out of area sexual health and adult weight management referrals.
Integrated and Targeted Support	13,959	(5,137)	8,822	**622**		**429**	**46**	**147**	Covid costs of £0.046m for Children in Crisis Commissioner funded from generic covid grant. £1.130m to be drawn down from Social Care and Health Partnerships Reserve in relation to in relation predominantly to partnership funded Learning Disability and Autism projects including Voiceability, Grapevine coproduction, the 'Experts by Experience' hub, health liaison resources, delivery of the Autism Diagnosis Project, respite care, champions and inpatient sensory environments parts of the Autism Strategy and facilitation of discharge from long term hospital stays into the community. Further, a contribution of £0.701m is being made to the Domestic Abuse Grant Reserve due to an in year underspend of the grant following recruitment delays in particular for the Project Manager, underutilisation of the safe accommodation units and a significant contractual underspend due to only 8% of expected annual referrals being provided with a service in 8 months. Overspend due to attempts to increase the number of individuals in residential rehabilitation for drug and alcohol treatment to move closer to Central Govt targets.
All Age Specialist Provision	6,037	(697)	5,340	**(165)**			**32**	**(197)**	Covid costs of £0.032m for Learning and Development to support the quality of the Children's Home funded from generic covid grant. Underspend in relation to project designed to help care leavers become independent post 18, however the planned provider was unable to meet WCC needs, and alternative arrangements, combined with workforce challenges have created delays such that it is not realistic to deliver in the current year. A further underspend due to delays in Supporting People co-production work compared to original ambitious timescales, with projects now expected to go live in May alongside a range of immaterial service wide reductions.
Net Service Spending (excluding DSG)	**43,157**	**(6,380)**	**36,777**	**3,126**	**(82)**	**444**	**3,426**	**(662)**	

Annex G Revenue - People Strategy & Commissioning and Public Health - Becky Hale
Strategic Director - Nigel Minns
Portfolio Holders - Cllr Margaret Bell (Adult Social Care & Health)

Reserve	Approved Opening Balance 01/04/2021 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2022 £'000
Social Care & Health Partnership	2,122		(1,145)	977
Universal Drug Grant	162	(162)	0	-
Domestic Abuse Safe Accommodation	1,040		701	1,741
Total	**3,324**	**(162)**	**(444)**	**2,718**

Annex G Revenue - People Strategy & Commissioning and Public Health - Becky Hale

Strategic Director - Nigel Minns

Portfolio Holders - Cllr Margaret Bell (Adult Social Care & Health)

VF - to Corporate this is forecast rather than actual outturn

Saving Proposal	Target £'000	Actual Outturn £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
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 and consolidating use of the Warwickshire Cares Better Together Fund.	177		177	0	
Maximise income and contributions to care packages - Ensure partner contributions are efficiently and effectively generated and collected.	100		100	0	
Domestic Abuse and Substance Misuse Detox Framework - Increase partner contributions to multi agency risk assessment conference in line with the national approach. The Public Health England contribution to inpatient detox will reduce current funding requirement.	36		36	0	
Total	**313**	**0**	**313**	**0**	

Public Health & People - Strategy and Commissioning - Becky Hale
Strategic Director - Nigel Minns
Portfolio Holders - Councillor Margaret Bell (Adults) Councillor Jeff Morgan (Children and Families)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Variance in Year £'000	Total Variance £'000	
10608000	Mental Health Grant 2010/11	223	3	0	0	**226**	223	3	0	0	**226**	0	0	
11021000	Adult Social Care Modernisation & Capacity 2012-13	352	70	21	0	**443**	352	21	70	0	**443**	-49	0	Delays impacting Changing Places installation due to prior covid restrictions.
11420000	Disabled Facilities Capital Grant	28,237	5,125	0	0	**33,362**	28,237	5,125	0	0	**33,362**	0	0	
11903000	Improving Mental wellbeing in Warwickshire re COVID-19 - capital fund	126	0	0	0	**126**	126	0	0	0	**126**	0	0	
Grand Total		**28,938**	**5,198**	**21**	**0**	**34,157**	**28,938**	**5,149**	**70**	**0**	**34,157**	**-49**	**0**	

Annex H Revenue - Business & Customer Services - Kushal Birla
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns (Customer & Transformation)

22/23 Revenue Budget

Service	Gross Exp Budget £'000	Gross Inc Budget £'000	Net Budget £'000	Net Variation Over/ (Under) £'000	Net Variance Represented by: Revenue Investment Funding £'000	Contra to/from Earmarked Reserves £'000	COVID Approved Allocations £'000	Remaining Service Variance £'000	Reason for Net Variation and Management Action
Assistant Director - Business & Customer Services	334	0	334	**(61)**				**(61)**	
Business Support	9,448	(59)	9,389	**310**		**98**	**25**	**187**	Overspend relates primary to staffing costs to meet an increase in service demand in the Adult Social Care Business Support Service
Customer Contact - Connect	2,873	(288)	2,585	**111**		**(130)**	**299**	**(58)**	
Community Hub	10,829	(2,455)	8,374	**176**			**54**	**122**	Overspend relates primarily to staffing costs to cover sickness and reduction in income in Libraries and the Museum Service
Net Service Spending	**23,484**	**(2,802)**	**20,682**	**536**	**0**	**(32)**	**378**	**190**	

Annex H Reserves - Business & Customer Services - Sarah Stear
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns (Customer & Transformation)

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000
Museum, Records and Libraries Trust Funds and Bequests	345			345
Warwickshire Local Welfare Scheme	812		130	942
Corporate Customer Journey Programme	98		(98)	0
Total	**1,255**	**0**	**32**	**1,287**

Annex H Savings - Business & Customer Services - Sarah Stear
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns (Customer & Transformation)

Saving Proposal	Target £'000	Actual £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Customer support service redesign - Review and rationalisation of the organisation's approach to customer support.	266	266	266	0	
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	114	114	114	0	
Reduced use of printing and stationery - Reductions in spend on printing and stationery predicated on digitisation work.	100	100	100	0	
Library Service - Continue the covid-led trend of rebalancing the provision of library services, for example through increasing the use of drop off book boxes.	50	50	50	0	
Customer journey - Embed the customer experience programme, enabling the removal of customer service standards and the consolidation of the WCC Directory within wider teams.	10	10	10	0	
Total	**540**	**540**	**540**	**0**	

Business & Customer Services - Kushal Birla
Strategic Director - Rob Powell
Portfolio Holders - Councillor Jenns (Customers & Transformation)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Variance in Year £'000	Total Variance £'000	
10623000	County Records Office Service - Digital Asset Management	95	0	0	0	**95**	95	0	0	0	**95**	0	0	
11415000	Warwick - Market Hall Museum - "Our Warwickshire Projects"	910	0	0	0	**910**	910	0	0	0	**910**	0	0	
10155000	Improve Customer Experience In Cnty Cl Bldgs & Dda Works 2009/10	204	0	0	0	**204**	204	0	0	0	**204**	0	0	
11040000	Improving Customer Experience / One Front Door Improvements	1,126	911	591	0	**2,628**	1,126	911	591	0	**2,628**	0	0	
11422000	Stratford Library – Registrars Accommodation Works and Library Alterations	373	0	0	0	**373**	373	0	0	0	**373**	0	0	
Grand Total		**2,708**	**911**	**591**	**0**	**4,210**	**2,708**	**911**	**591**	**0**	**4,210**	**0**	**0**	

Annex I Revenue - Commissioning Support Unit - Steve Smith
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns (Customer & Transformation)

22/23 Revenue Budget

Service	Gross Exp	Gross Inc	Net		Net Variance Represented by				Reason for Net Variation and Management Action
	Agreed Budget	Agreed Budget	Agreed Budget	Variation Over/ (Under)	Revenue Investment Funding	Contra to/from Earmarked Reserves	COVID Approved Allocations	Remaining Service Variance	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Assistant Director - Commissioning Support Unit	256	0	256	**(5)**				**(5)**	
Business Intelligence	2,499	(55)	2,445	**(204)**	**(162)**			**(42)**	Underspend due to vacancies, and within Data Analytics Platform project
Portfolio Management Office	3,577	(1,805)	1,772	**(165)**	**(82)**		**11**	**(94)**	Small underspends within various investment projects, and vacancies.
Contract Management & Quality Assurance	2,707	(1,069)	1,638	**(335)**			**53**	**(388)**	Underspend due to vacancies
Change Management	1,025	(72)	952	**(303)**	**(308)**			**5**	Underspend resulting from transformation projects
Net Service Spending	**10,064**	**(3,001)**	**7,063**	**(1,012)**	**(552)**	**0**	**64**	**(524)**	

Annex I Savings - Commissioning Support Unit - Steve Smith
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns (Customer & Transformation)

Saving Proposal	Target £'000	Actual Outturn £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Further savings on third party spend - Review of services purchased from third parties to ensure value for money.	44	44	44	0	
Total	**44**	**44**		**0**	

Annex J Revenue - Enabling Services - Craig Cusack
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns (Customers & Transformation), Peter Butlin (Finance and Property)

22/23 Revenue Budget

	Gross Exp	Gross Inc	Net Exp		Net Variance Represented by				
Service	**Budget**	**Budget**	**Budget**	**Variation Over/ (Under)**	**Revenue Investment Funding**	**Contra to/from Earmarked Reserves**	**COVID Approved Allocations**	**Remaining Service Variance**	**Reason for Net Variation and Management Action**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Assistant Director - Enabling Services	355	0	355	**(11)**				**(11)**	n/a
Facilities Management	16,708	(7,247)	9,460	**(273)**				**(273)**	The forecast underspend, arisen due to adjustments made during the previous year-end process, has been used to fund additional internal modifications in Shire Hall, as well as continuing to mitigate the in-year inflationary pressures on materials and utilities, bringing expenditure closer to budget.
HR Enabling	6,923	(2,626)	4,296	**(206)**	**(3)**			**(203)**	The underspend is due to establishment vacancies. The roles are still required and the team continue to prioritise recruitment, but like many parts of the Council are finding it a harder and longer process than anticipated to bring new people in. The underspend is supporting a larger than anticipated cost to re-procure the YourHR system.
Digital & ICT	13,541	(4,672)	8,869	**470**				**470**	Demand on ICT to deliver project and development work means there is additional c. £400k spend on supporting and developing core ICT applications required, which was not built into budget planning.
ICT Strategy & Commissioning	5,446	0	5,446	**(2,104)**	**(1,962)**			**(142)**	Delayed spending in strategic ICT is the reason why Enabling Services net expenditure shows such a large variance. Digital roadmap costs of £1.46m and £502k of transformation funding are highlighted in the investment funding column for future use.
Net Service Spending	**42,973**	**(14,545)**	**28,426**	**(2,124)**	**(1,965)**	**0**	**0**	**(159)**	

Annex J Reserves - Enabling Services - Craig Cusack
Strategic Director - Rob Powell
Transformation), Peter Butlin (Finance and Property)

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000
HR - Service Improvement Projects	60			60
Going for Growth Apprenticeship Scheme	297			297
Total	**357**	**0**	**0**	**357**

Annex J Savings - Enabling Services - Craig Cusack
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns (Customers & Transformation), Peter Butlin (Finance and Property)

Saving Proposal	Target £'000	Actual £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Enabling Services delivery review - Review of expenditure on staffing, expenses, projects in Enabling Services.	1,092	1,092	1,092	0	
Facilities management - Reduction in facilities management and maintenance cost savings linked to asset rationalisation	148	148	148	0	
ICT Service delivery review - Rightsize ICT budgets and deliver efficiencies through the management of development projects.	69	69	69	0	
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.	126	126	126	0	
Property service delivery review - Ensure an effective mix of staff and agency use and drive efficiencies in facilities management resource spend and maintenance budget, including the closure of the Northgate House café.	50	50	50	0	
Maintenance and engineering work profile - Efficiencies in the work planning and prioritisation across maintenance and engineering.	70	70	70	0	
ICT Development - Release of capacity from the current ICT development budget and re-purpose this as the seed corn funding for the Systems Development Fund.	500	500	500	0	
Total	**2,055**	**2,055**	**2,055**	**0**	

Enabling Services - Craig Cusack
Strategic Director - Rob Powell
Portfolio Holders - Councillor Jenns (Customers & Transformation), Peter Butlin (Finance and Property)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Variance in Year £'000	Total Variance £'000	
Structural Maintenance														
11290000	Schools - Planned Capital Building, Mechanical and Electrical Maintenance 2017/18	7,010	1	0	0	**7,011**	7,010	0	0	0	**7,010**	-1	-1	Additional funds returned to current year allocation 11971000 after settlement of previous year Final Accounts (755.00)
11445000	Schools - planned building, mechanical and electrical maintenance backlog 18-19	7,253	1	-	-	**7,253**	7,253	0	0	0	**7,253**	-1	-1	Additional funds returned to current year allocation 11971000 after settlement of previous year Final Accounts (667.94)
11687000	The Saltway Centre & Stratford Family Centre - Refurbish Family Centre	102	-	-	-	**102**	102	0	0	0	**102**	0	0	
11787000	Non schools building maintenance 20-21	2,492	20	-	-	**2,512**	2,492	39	0	0	**2,531**	19	19	Additional funds required after settlement of Final Accounts (18,594.00) taken from current year allocation 11969000
11791000	Schools asbestos and safe water 20-21	841	-2	0	0	**840**	841	-2	0	0	**840**	0	0	Additional funds required after settlement of Final Accounts (304.02) taken from current year allocation 11972000
11795000	Schools building maintenance 20-21	7,123	6	0	0	**7,129**	7,123	1	0	0	**7,125**	-5	-5	Additional funds returned to current year allocation 11971000 after settlement of previous year Final Accounts (4,772.03)
11887000	Non-Schools Building Maintenance 2021-22	2,298	-257	0	0	**2,040**	2,298	-228	0	0	**2,070**	30	30	Additional funds required after settlement of Final Accounts (29,604.73) taken from current year allocation 11969000
11888000	Schools Building Maintenance 2021-22	6,576	376	0	0	**6,953**	6,576	332	0	0	**6,908**	-44	-44	Additional funds returned to current year allocation 11971000 after settlement of previous year Final Accounts (44,213.87)
11889000	Non-Schools Asbestos & Safe Water 2021-22	331	108	0	0	**439**	331	122	0	0	**453**	14	14	Additional funds required after settlement of Final Accounts (13,684.74) taken from current year allocation 11970000
11890000	Schools Asbestos & Safe Water 2021-22	754	3	0	0	**757**	754	7	0	0	**761**	4	4	Additional funds required after settlement of Final Accounts (4,344.28) taken from current year allocation 11972000
11896000	Lillington Academy CTA Works	232	-0	278	0	**510**	232	-0	278	0	**510**	0	0	.
11969000	Non-Schools Building Maintenance 2022-23	-	2,077	240	0	**2,316**	0	2,000	240	0	**2,240**	-76	-76	Additional funds required for previous year budgets for projects 11787000, 11887000, 12029000 from current year allocation after settlement of previous year Final Accounts (76,282.73)
11970000	Non-Schools Asbestos & Safe Water 2022-23	-	183	0	0	**183**	0	169	0	0	**169**	-14	-14	Additional funds required for previous year budget on project 11889000 (13,684.74) after settlement of Final Accounts taken from current year allocation.
11971000	Schools Building Maintenance 2022-23	-	7,414	0	0	**7,414**	0	7,464	0	0	**7,464**	50	50	Additional funds returned from projects 11290000, 11445000, 11795000, 11888000 to current year allocation after settlement of previous year Final Accounts (50,408.84)
11972000	Schools Asbestos & Safe Water 2022-23	-	912	0	0	**912**	0	907	0	0	**907**	-5	-5	Additional funds required for previous year budgets for projects 11791000, 11890000 from current year allocation after settlement of previous year Final Accounts (4,648.30)
10592000	Small Scale Reactive / Minor Improvements County-Wide	663	0	0	0	**663**	663	0	0	0	**663**	0	0	
11318000	Universal Free School Meals Programme	-	0	0	0	**0**	0	0	0	0	**0**	0	0	
11121000	Development of Rural Broadband	30,818	3,492	2,949	2,975	**40,235**	30,818	2,798	3,265	3,446	**40,327**	-694	92	1) An adjustment in the Broadband Investment Funding calculation from BT/Openreach for 2022/23 has resulted in reduced gainshare expenditure and corresponding reduction in funding utilised in this financial year. 2) The Superfast Community Fibre programme has been delayed by BDUK until 2023/24, resulting in reduced project expenditure and funding utilised in 2022/23. 3) Extra revenue funding received for Additional Services Revenue and Government consultancy work has resulted in increased revenue income.
11310000	Client Information Systems Review	3,385	0	0	0	**3,385**	3,385	0	0	0	**3,385**	0	0	
11891000	IT Infrastructure 2021-22	113	325	0	0	**438**	113	325	0	0	**438**	0	0	
11900000	Local Full Fibre Networks Programme (LFFN) CSW in conjunction with DCMS	3,854	0	0	0	**3,854**	3,854	0	0	0	**3,854**	0	0	
		73,846	**14,657**	**3,467**	**2,975**	**94,946**	**73,846**	**13,935**	**3,783**	**3,446**	**95,010**	**-722**	**64**	

Annex K Revenue - Finance - Andrew Felton
Strategic Director - Rob Powell
Portfolio Holders - Councillor Butlin (Finance & Property)

22/23 Revenue Budget

Service	Gross Exp Budget £'000	Gross Inc Budget £'000	Net Budget £'000	Net Variation Over/ (Under) £'000	Net Variance Represented by: Revenue Investment Funding £'000	Contra to/from Earmarked Reserves £'000	COVID Approved Allocations £'000	Remaining Service Variance £'000	Reason for Net Variation and Management Action
Assistant Director - Finance	269	(6)	263	0				0	
Finance Delivery	4,955	(3,051)	1,905	5		18	30	(43)	Additional costs for maternity cover, but off-set by additional vacancy savings
Investments, Treasury and Audit	1,596	(796)	799	(112)				(112)	Difficulty recruiting has increased vacancy rate
Commercialism	454	(10)	444	139				139	Extension of the WPDG Joint Venture contract process has led to additional cost, not previously reflected in the forecast. These costs also exceed the project budget, and are currently being supported by the wider finance underspend.
Strategic Finance	834	(81)	753	(24)				(24)	Delay in recruiting has increased vacancy rate
Finance Transformation	4,149	(1,652)	2,496	(22)				(22)	Underspend reflects a mix of extended vacancies through difficulty recruiting and delay's in project spending due to time being taken to agree major cloud migration work for Agresso, plus need to now replace Business Books. The previously reported project underspend has significantly reduced with the approval to now progress the Agresso cloud migration.
Net Service Spending	**11,988**	**(5,596)**	**6,660**	**(14)**	**0**	**18**	**30**	**(62)**	

Annex K Reserves - Finance - Andrew Felton
Strategic Director - Rob Powell
Portfolio Holders - Councillor Butlin (Finance & Property)

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000
LA Counter Fraud Fund Grant	16			16
Schools Absence Insurance Equalisation Account	872		(18)	854
Total	**888**	**0**	**-18**	**870**

Annex K Savings - Finance - Andrew Felton
Strategic Director - Rob Powell
Portfolio Holders - Councillor Butlin (Finance & Property)

Saving Proposal	Target £'000	Actual £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Finance process efficiencies - Deliver efficiencies through ongoing service redesign, automation, AI and self-service.	25	25	25	0	
Savings on third party spend - Review of services purchased from third parties to ensure value for money and management of the cost increases of externally purchased services.	29	29	29	0	
Procurement cards - Rebates from extended use of procurement cards.	25	25	25	0	
Total	**79**	**79**	**79**	**0**	

Annex L Revenue - Governance & Policy - Sarah Duxbury
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns (Customers & Transformation)

22/23 Revenue Budget

Service	Gross Exp	Gross Inc	Net Exp		Net Variance Represented by				Reason for Net Variation and Management Action
	Budget	Budget	Budget	Variation Over/ (Under)	Revenue Investment Funding	Contra to/from Earmarked Reserves	COVID Approved Allocations	Remaining Service Variance	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Assistant Director - Governance & Policy	(115)	0	(115)	**(1)**				**(1)**	
Communications	1,199	(719)	480	**(139)**			**3**	**(142)**	Over recovery of income. Thorough review of marcomms income tracker and related expenditure carried out with Finance colleagues to ensure accuracy of forecasting moving forward.
HR Organisational Development	785	0	785	**(33)**				**(33)**	Underspend due to in year staff changes
Property Management	2,753	(1,412)	1,341	**(154)**		**6**		**(160)**	Delays in recruitment is reflected in the reduced salary costs which is in part offset by the increased security costs at Water Orton
Legal & Democratic	9,038	(8,121)	917	**(743)**				**(743)**	Largely as a result of externa legal trading. Surplus forecast £1.611m, above budget target £556k. This is not an underspend but an overcover of surplus (profit) from traded activity. New work (and thus income) has been received from Cornwall & Manchester increasing our projected surplus as costs have not risen at the same level as a result of efficiencies in some areas and recruitment lag in others. This has increased margin across the external work. Internal income has also risen above that projected although no surplus is made on that work (we aim to break even internally). Legal Services now support 17 other Local Authorities with legal work.
Corporate Policy	564	0	564	**(42)**				**(42)**	Underspend due to in year staff changes - recruitment lag, reduced hours and non funded maternity
Net Service Spending	**14,224**	**(10,252)**	**3,972**	**(1,112)**	**0**	**6**	**3**	**(1,121)**	

Annex L Reserves - Governance & Policy - Sarah Duxbury
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns (Customers & Transformation)

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2023 £'000	Comments
One Public Estate	252		(6)	246	
Total	**252**	**0**	**-6**	**246**	

Annex L Savings - Governance & Policy - Sarah Duxbury
Strategic Director - Rob Powell
Portfolio Holders - Cllr Andy Jenns(Customers & Transformation)

Saving Proposal	Target £'000	Actual £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Electronic record keeping - Reduced storage requirements as a result of the move to electronic record keeping.	10	0	10	0	Difficult to fully predict at present given the bin, scan, store effects and the reprocurement of the new RM system which is currently underway
Savings on third party spend - Review of services purchased from third parties to ensure value for money and management of the cost increases of externally purchased services.	33	33	33	0	
Legal services trading income - Additional surplus from external trading with other local authorities and public sector bodies.	40	40	40	0	This is already achieved and expected to remain (and possibly increase) by end of Q4
Paper free meetings - Reduction in the cost of printing as a result of moving to paper free meetings.	10	5	5	5	Take up of paper free meetings is currently approx. 50%
Vacancy management - Recognise natural underspends from staff turnover and operating under-capacity.	45	45	45	0	
Total	**138**	**123**	**133**	**5**	

Governance & Policy - Sarah Duxbury
Strategic Director - Rob Powell
Portfolio Holders - Councillor Jenns (Customers & Transformation)

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget Earlier Years £'000	Approved Budget 2022/23 £'000	Approved Budget 2023/24 £'000	Approved Budget 2024/25 onwards £'000	Approved Budget Total £'000	Forecast Earlier Years £'000	Forecast 2022/23 £'000	Forecast 2023/24 £'000	Forecast 2024/25 onwards £'000	Forecast Total £'000	Variation Variance in Year £'000	Variation Total Variance £'000	Commentary
10972000	Wark - Land At Hawkes Farm (Europa Way) - Plan Cons	756	0	0	0	**756**	756	0	0	0	**756**	0	0	Project completed.
11136000	Various Properties - Renewable Energy/Reducing Energy	240	0	0	0	**240**	240	0	0	0	**240**	0	0	No current projects ongoing
11292000	Rural Services Capital Maintenance 2017/18	611	77	37	0	**725**	611	58	17	0	**686**	-19	-39	Works due to complete. No further expenditure anticipated for 2022/23.
11335000	Rationalisation of County Storage Facilities	9,382	30	159	0	**9,571**	9,382	110	79	0	**9,571**	80	0	Additional replacement works to legacy heating system (was part of initial project scope) to be included to partitioning works for this year.
11440000	Strategic Site Planning Applications	2,661	422	844	0	**3,926**	2,661	422	844	0	**3,926**	0	0	Planning consent obtained in Qtr 3. Now proceeding to contract with DFE re Secondary School. Site preparation work now able to commence.
11446000	Rural Services capital maintenance 18-19	179	0	0	0	**179**	179	0	0	0	**179**	0	0	
11542000	Rural Services Capital Maintenance 2019/20	233	115	11	0	**359**	233	82	11	0	**326**	-33	-33	Tender returned at £150,000 and shortfall in budget to be covered by Forestry. Approximately 75% to be completed in 2022/23 with works starting in January 2022.
11689000	Maintaining the Smallholdings land bank	0	761	0	0	**761**	0	370	391	0	**761**	-391	0	No feasible purchases this year. Budget reprofiled for 2023/24.
11790000	Smallholdings Capital Maintenance 20-21	99	66	57	0	**222**	99	189	6	0	**294**	124	72	Slippage ongoing and budget re profiled. Smallholdings Capital Maintenance will need to be reviewed and a new request submitted for 24/25
11858000	Creation of office space at Holly Walk, Leamington	548	823	40	0	**1,412**	548	819	44	0	**1,412**	-4	0	Practical completion now reached, minor additional works now being completed - Project on budget - retention of 2.5% contractor costs until 2023/24
11867000	Smallholdings Maintenance 2021/22	0	33	179	0	**212**	0	33	179	0	**212**	0	0	Stock condition survey to be commissioned this quarter with the works following in 2023/24.
11910000	Public Sector Decarbonisation Scheme	533	3	0	0	**537**	533	3	0	0	**537**	0	0	PSDS Scheme 2 - now closed - no further spend
11929000	Bedworth/Croxhall Street Centre/ Renovation	8	212	0	0	**220**	8	6	0	0	**15**	-205	-205	After detailed feasibility the Croxhall Centre Refurbishment and conversion was found to be too expensive and beyond funds available from other sources. Project aborted. Costs to be transferred back to revenue.
11953000	Land at Leicester Lane Cubbington	116	1,029	447	0	**1,592**	116	223	1,253	0	**1,592**	-806	0	The delays were due to further geo-technical surveys to establish the levels of contamination from the historic landfill before a decision is made on whether WCC purchases the land.
11975000	Smallholdings Maintenance 2022-23	0	173	200	0	**373**	0	0	373	0	**373**	-173	0	Stock condition survey to be commissioned this quarter with the works following in 2023/24.
12017000	Acquisition of land in Warwick	0	1,020	0	0	**1,020**	0	935	0	0	**935**	-85	-85	This property is now under offer to NHS SWFT as per Cabinet Approval. If let the full capital spend of this project will not be required.
Grand Total		**15,368**	**4,764**	**1,974**	**0**	**22,105**	**15,368**	**3,250**	**3,197**	**0**	**21,815**	**-1,514**	**-290**	

Annex M Revenue - Other Services - Virginia Rennie
Strategic Director - Rob Powell

22/23 Revenue Budget

Service	Gross Exp Budget £'000	Gross Inc Budget £'000	Net Exp Budget £'000	Net Exp Variation Over/ (Under) £'000	Net Variance Represented by: Approved Investment/Transformation funds £'000	Net Variance Represented by: Contra to/from Earmarked Reserves £'000	Net Variance Represented by: COVID Pressures £'000	Net Variance Represented by: Remaining Service Variance £'000	Reason for Net Variation and Management Action
Government Grants & Business Rates	0	(162,438)	(162,438)	**545**				**545**	Underachievement in grant income.
Capital Financing Costs	27,283	(3,063)	24,219	**(434)**				**(434)**	Underspend relates to a reduction in the minimum revenue provision (MRP) for normal debt.
0-5 Strategy for Children	0	(299)	(299)	**0**				**0**	
Strategic Management Team	1,297	0	1,297	**(41)**				**(41)**	Underspend is due to cumulative salary variations on Hay Grade posts and a reduction in hours on Single Status.
County Coroner	1,017	(300)	717	**(121)**				**(121)**	Service is forecasting an underspend due to lower levels of demand compared to budget - mortuary / body retrievals/ post mortems.
County Council Elections	263	0	263	**(243)**		**(243)**		**0**	Budget to be transferred to Quadrennial election reserve to fund future year elections
Environment Agency - Flood Defence Levy	263	0	263	**0**				**0**	
External Audit Fees	327	0	327	**(2)**				**(2)**	
Pensions deficit under-recovery	1,483	0	1,483	**0**				**0**	
Members Allowances and Expenses	1,141	0	1,141	**(11)**				**(11)**	Underspend relates to an overall reduction in Members travel and subsistence.
Apprenticeship Levy	1,070	0	1,070	**249**		**249**		**0**	The apprenticeship levy is forecast to overspend by £249k which will be drawdown from the apprenticeship reserve at year end.
Other Administrative Expenses and Income	5,940	(2,972)	2,968	**(210)**		**(286)**	**250**	**(174)**	£250k relates to approved Covid related expenditure funded by 2021/22 unringfenced covid grants. There is a £525k underspend which relates to the the reversal of the 1.25% National Insurance rate rise as per the autumn statement and a £350k paid dividend which is offsetting the increase in salaries due to the pay award of £667k. £286k underspend relates the cost of the disposal of assets being lower than estimated, this will be added to the Capital Fund.
Warwickshire Property and Development Company	1,967	0	1,967	**(1,590)**		**(1,590)**		**0**	Net contribution to the commercial risk reserve of £1.590m from the central WPDG budget as a result of underutilised provision for delayed capital receipts set aside as part of the Business Plan
Warwickshire Recovery and Investment Fund	0	0	0	**0**				**0**	
Provision for DSG Deficit	0	0	0	**0**				**0**	
Net Service Spending (excluding DSG)	**42,051**	**(169,072)**	**(127,022)**	**(1,858)**	**0**	**(1,870)**	**250**	**(238)**	

Annex M Reserves - Other Services - Virginia Rennie
Strategic Director - Rob Powell

Reserve	Approved Opening Balance 01/04/2022 £'000	Movement in Year £'000	Effect of Outturn £'000	Closing Balance 31/03/2022 £'000
School Balances	23,086	0		23,086
Loans To Schools	14	0		14
Total Earmarked School Reserves	23,100	0	0	23,100
NNDR Pool Surplus Reserve	2,204	0		2,204
Total Earmarked External Reserves	2,204			2,204
Local Resilience Forum - Brexit funding	63	0		63
Corporate Apprenticeship Fund	878	0	(249)	629
Redundancy Fund	5,822	0		5,822
Schools in Financial Difficulty	1,641	(70)		1,571
Total Internal Policy (Annual review)	8,404	(70)	(249)	8,085
Financial Instruments Reserve	2,084	0		2,084
Insurance Fund	7,986	1,300		9,286
Capital Fund	982	0	286	1,268
NNDR Appeals Reserve	22,774	0		22,774
Quadrennial Elections	613	0	243	856
Audit Fee Reserve	115	0		115
IT Sinking Fund	2,773	0		2,773
Commercial Risk Reserve	8,758	(883)	1,590	9,465
Schools Liability Reserve	254	0		254
Total Volatility (Annual Review)	46,339	1,300	529	48,168
Fire Transformation Fund	564	(52)		512
Childrens Tranformation Fund	6,430	(5,198)		1,232
Council Change Fund	6,821	(2,622)		4,199
Unringfenced Government Grants	0	0		0
Revenue Investment Funds	16,291	(2,234)		14,057
Covid Grants Ringfenced	3,353	0		3,353
Covid Grants Unringfenced	11,047	0		11,047
Total Invest To Save Funds	44,504	(10,106)	0	34,398
Directorate Risk Reserve - Communities	3,007	(687)		2,320
Directorate Risk Reserve - People	10,526	(1,391)		9,135
Directorate Risk Reserve - Resources	2,106	(1,041)		1,065
Contingency to cover DSG Overspend	13,678	7,972		21,650
General Reserves	21,417	4,583		26,000
Total Management of Financial Risk	50,734	9,436	0	60,170
Medium Term Financial Contingency	53,355	(16,322)		37,033
Total Contingency Reserves	53,355	(16,322)	0	37,033
Total	**228,640**	**(16,645)**	**1,870**	**427,024**

Annex M Savings - Other Services - Virginia Rennie
Strategic Director - Rob Powell

Saving Proposal	Target £'000	Actual £'000	Forecast £'000	Shortfall/ (Overachievement) £'000	Reason for financial variation and any associated management action
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	101		101	0	
Insurance - Savings arising as a result of revised insurance calculation assuming higher level of self insurance. (Delivery will be the responsibility of the Assistant Director - Finance).	2		2	0	
Early Invoice Payment Rebates - Increased take-up of early invoice payment offer. (Delivery will be the responsibility of the Assistant Director - Finance).	68		68	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.)	185		185	0	
Total	**356**	**0**	**356**	**0**	

Corporate - Andrew Felton
Strategic Director - Rob Powell
Portfolio Holders - Councillor Butlin

2022/23 to 2024/25 Capital Programme

Project	Description	Approved Budget					Forecast					Variation		Commentary
		Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Earlier Years £'000	2022/23 £'000	2023/24 £'000	2024/25 onwards £'000	Total £'000	Variance in Year £'000	Total Variance £'000	
11868000	Warwickshire Property Development Company	0	5,643	23,005	91,352	**120,000**	0	2,922	25,726	91,352	**120,000**	-2,721	0	Current year updated to reflect agreed drawdown schedule of Southam Development loan. No further WPDG loans expected in 2022/23
11917000	Warwickshire Recovery & Investment Fund	400	30,000	30,000	69,600	**130,000**	400	4,600	23,000	102,000	**130,000**	-25,400	0	Current year forecast reduced to reflect pipeline of BIG fund loan requests from market. Consisting of one agreed loan and two potential loans yet to be agreed.
12007000	Asset Replacement Fund (ARF)	0	3,000	3,000	9,000	**15,000**	0	81	5,920	9,000	**15,000**	-2,920	0	With long lead times on the procurement of Vehicles, Plant and Equipment (VPE) the 2022-23 funding for the ARF which has not yet been allocated to any specific VPE acquisitions has been transferred into 2023-24. Funding for gritters (12007002) has been postponed until 2023-24. The library vans (12007001) will be received and paid for in 2023-24 due to the timescales for delivery.
Corporate		**400**	**38,643**	**56,005**	**169,952**	**265,000**	**400**	**7,602**	**54,646**	**202,352**	**265,000**	**-31,041**	**0**	

Reserves Schedule as at Period 8 2022/23 (Q3)

Directorate	Service	Description	Reserves as at 31 March 2022	Carry Forwards	Movement in year	Effect of outturn (based on Q3 forecasts)	22/23 MTFS commitment	Reserves Review	Future MTFS commitment	Uncommitted Reserves
			£	£	£	£	£		£	£
Earmarked - Schools Reserves										
Schools	Education Services	DSG Reserve - County Council spend	(11,097,090)	0		(4,493,000)	(1,070,000)		0	(16,660,090)
	Finance	School Absence Insurance Equalisation Reserve	872,342	0		(18,000)	0		0	854,342
	Other Services	School Balances	23,085,732	0			0		0	23,085,732
		Contingency to cover DSG Overspend	13,678,000	0	7,972,000		0		0	21,650,000
		Loans To Schools	14,300	0			0	(14,300)	0	0
		Total Earmarked Schools Reserves	**26,553,283**	**0**	**7,972,000**	**(4,511,000)**	**(1,070,000)**	**(14,300)**	**0**	**28,929,983**
Earmarked - External Reserves										
Communities	Education Services	School Improvement Monitoring & Brokering Reserve	893,354	0			0		0	893,354
	Fire and Rescue	Emergency Service Network	906,599	0		(8,000)	0		0	898,599
	Environment Services	Proceeds of Crime	246,867	0		30,000	0		0	276,867
		S38 Developer Funding	751,500	0			0		0	751,500
	Strategic Commissioning Communities	Speed Workshops	958,081	0		485,000	0		0	1,443,081
		Rural Growth Network	242,090	0		(100,000)	0		0	142,090
People	Children and Families	Adoption Central England	314,741	0	(64,500)	(1,105,000)	0		854,759	(0)
		Controlling Migration Fund	180,967	0	(73,957)	12,000	0		0	119,010
	Social Care and Support	BCF System Development Fund	3,860,000	0		(1,200,000)	0		0	2,660,000
	Strategic Commissioning People	Social Care & Health Partnership	2,121,945	0		(1,145,000)	0		0	976,945
Resources	Business and Customer Services	Museum, Records and Libraries Trust Funds and Bequests	345,112	0			0		0	345,112
	Finance	LA Counter Fraud Fund Grant	15,787	0			0		0	15,787
	Governance and Policy	One Public Estate	251,685	0		(6,000)	0		0	245,685
Corporate	Other Services	NNDR Pool Surplus Reserve	2,204,109	0			0		0	2,204,109
		Total Earmarked External Reserves	**13,292,835**	**0**	**(138,457)**	**(3,037,000)**	**0**	**0**	**854,759**	**10,972,137**
Reserves Subject to Annual Review - Internal Policy										
People	Strategic Commissioning People	Domestic Abuse Grant	1,040,132	0		701,000	0		0	1,741,132
		Universal Drug Fund	161,998	0	42,002		(204,000)		0	0
	Children and Families	Priority Families Reserve	1,046,493	0		561,000	(412,000)		0	1,195,493
Resources	Business and Customer Services	Warwickshire Local Welfare Scheme	812,283	0		130,000	0		0	942,283
	Enabling Services	Going for Growth Apprenticeship Scheme	296,693	0			0		0	296,693
Corporate	Other Services	LATC Operational Reserve	0	0			0		0	0
		Local Resilience Forum - Brexit funding	454,996	0		0	0		0	454,996
		Corporate Apprenticeship Fund	878,080	0		(249,000)	0		0	629,080
		Redundancy Fund	5,821,551	0	(293,674)		0		0	5,527,877
		Schools in Financial Difficulty	1,641,267	0			(70,000)		0	1,571,267
		Total Annual Review - Internal Lolicy	**12,153,494**	**0**	**(251,672)**	**1,143,000**	**(686,000)**	**0**	**0**	**12,358,822**
Reserves Subject to Annual Review - Volatility										
Communities	Environment Services	Domestic Homicide Reviews	3,120	0			0		0	3,120
	Fire and Rescue	Pensions Reserve	133,323	0		(27,000)	0		0	106,323
People	Children and Families	Youth Justice Remand Equalisation	766,995	0		(17,000)	0		0	749,995
Corporate	Other Services	Financial Instruments Reserve	2,084,105	0			0		0	2,084,105
		Insurance Fund	7,985,790	0			1,300,000		0	9,285,790
		Capital Fund	982,323	0		286,000	0		0	1,268,323
		Tax base volatility reserve	22,774,112	0	5,393,776		0		0	28,167,888
		Pensions Deficit Reserve	0	0			0		0	0
		Quadrennial Elections	613,280	0		243,000	0		0	856,280
		Audit Fee Reserve	114,894	0			0		0	114,894
		IT Sinking Fund	2,772,675	0			0		0	2,772,675

Reserves Schedule as at Period 8 2022/23 (Q3)

Directorate	Service	Description	Reserves as at 31 March 2022	Carry Forwards	Movement in year	Effect of outturn (based on Q3 forecasts)	22/23 MTFS commitment	Reserves Review	Future MTFS commitment	Uncommitted Reserves
			£	£	£	£	£		£	£
		Commercial Risk Reserve	8,758,117	0		1,590,000	(883,000)		0	9,465,117
		Schools Liabilities	253,594	0			0		0	253,594
		Interest Rate Volatility Reserve	0	0			0		0	0
		Inflation Contingency Reserve	2,276,305	0			0		0	2,276,305
		Oxygen Volatility Reserve	37,988	0			0		0	37,988
		Covid Tax Volatility	4,890,941	0			0	(4,890,941)	0	0
		Total Annual Review Volatility	**54,447,562**	**0**	**5,393,776**	**2,075,000**	**417,000**	**(4,890,941)**	**0**	**57,442,397**
Invest to Save Funds										
Corporate	Other Services	Fire Transformation Fund	563,842	(52,000)	119,000		0		(630,842)	0
		Children's Transformation Fund	6,429,573	(2,315,423)	(2,583,895)	88,000	0		(1,487,255)	131,000
		Council Change Fund	6,821,344	(2,621,500)	(2,251,714)	1,054,000	(393,490)		(2,608,640)	0
		Revenue Investment Funds (upto Mar 22)	16,290,548	(2,050,000)	(11,587,636)	168,000	(779,815)		(2,041,097)	0
	Other Services	New Revenue Investment Funds (From 22/23)	0		8,295,340		0		(703,310)	7,592,030
	Other Services	Revolving Fund	0		5,000,000		0			5,000,000
	Other Services	Digital Roadmap Investment Fund				1,463,000	0			1,463,000
Communities	Education Services	Education Transformation Fund	1,424,749	(184,000)		206,000	0		(1,446,749)	0
		Total Invest to Save Funds	**31,530,058**	**(7,222,923)**	**(3,008,905)**	**2,979,000**	**(1,173,305)**	**0**	**(8,917,893)**	**14,186,032**
Reserves Subject to Annual Review - Specific Investment Projects										
Communities	Education Services	Virtual School for children looked after	0	0			0		0	0
		Education management information system	46,365	0			0		0	46,365
	Environment Services	Flood Management Reserve	602,538	0			0		0	602,538
	Fire and Rescue	Vulnerable People Earmarked Reserve	143,113	0		3,000	0		0	146,113
	Strategic Commissioning for Communities	Kenilworth Station	552,095	0			0		0	552,095
		Skills Delivery for Economic Growth	75,904	0			0		0	75,904
		European Match Funding	166,123	0		(81,000)	0		0	85,123
Resources	Business and Customer Services	Corporate Customer Journey Programme	98,009	0		(98,000)	0		0	9
	Enabling Services	HR - Service Improvement Projects	59,829	0			0		0	59,829
Corporate	Other Services	Unringfenced Government Grants	0	0			0		0	0
		Covid Grants Ringfenced	3,352,511	0		(2,922,000)	0		(430,511)	0
		Covid Grants Unringfenced	11,046,544	0		(2,273,000)	0	(5,981,544)	(2,292,000)	500,000
		Total Annual Review Specific Investment Projects	**16,143,031**	**0**	**0**	**(5,371,000)**	**0**	**(5,981,544)**	**(2,722,511)**	**2,067,976**
Management of Financial Risk										
Communities		Directorate Risk Reserve	3,006,734	(687,000)	257,000	(2,576,734)	0		0	(0)
People	includes winter pressure	Directorate Risk Reserve	10,525,501	(1,391,000)	(696,000)	(2,098,000)	2,300,000		0	8,640,501
Resources		Directorate Risk Reserve	2,106,403	(1,041,000)		1,676,000	0		0	2,741,403
Corporate		General Reserves	21,417,312	0			4,582,688		0	26,000,000
		Total Management of Financial Risk	**37,055,949**	**(3,119,000)**	**(439,000)**	**(2,998,734)**	**6,882,688**	**0**	**0**	**37,381,903**
Available for Use Reserves										
Corporate		Medium Term Financial Contingency	53,355,316	(402,000)		(3,690,266)	(18,220,770)	10,886,785	(22,626,000)	19,303,065
		Total Available for Use Reserves	**53,355,316**	**(402,000)**	**0**	**(3,690,266)**	**(18,220,770)**	**10,886,785**	**(22,626,000)**	**19,303,065**
Z0001 Corporate Budget Control		**Total**	**244,531,529**	**(10,743,923)**	**9,527,742**	**(13,411,000)**	**(13,850,387)**	**0**	**(33,411,645)**	**182,642,315**

Cabinet

27 January 2023

A426/A4071 Avon Mill/Hunters Lane Improvements, Rugby

Recommendations

That Cabinet:

1. Approve the further development of the A426/A4071 Avon Mill/Hunters Lane Improvement scheme in Rugby and authorise the Strategic Director for Communities to take all necessary steps required to progress the scheme to Outline Business Case (OBC) submission stage including:

(i) Finalising designs and determining land requirements;
(ii) Commencing negotiations with third-party landowners;
(iii) Negotiating terms and entering agreements for alterations to private accesses;
(iv) Securing all necessary statutory consents (including licences and planning permissions) and entering any necessary agreements with other regulatory bodies;
(v) Exercising any statutory rights of entry for the purposes of carrying out surveys, examinations or other investigations or executing works;
(vi) Undertaking public and wider stakeholder consultation;
(vii) Submission of an Outline Business Case (OBC) to the Department for Transport (DfT) in accordance with the programme outlined in Section 7 of this report.

1. Background

1.1 The proposed A426/A4071 Avon Mill/Hunters Lane improvement scheme is identified in the County Council's Local Transport Plan (2011-2026) and the Rugby Borough Council (RBC) Infrastructure Delivery Plan (IDP) for the then adopted Local Development Framework Core Strategy (June 2011).

1.2 The IDP referenced the scheme as being critical to supporting major development at Gateway Rugby on the A426 Leicester Road corridor and at the former Rugby Radio Station site at Houlton to the east of Hillmorton.

1.3 On 14th May 2015, Cabinet authorised the addition of the proposed scheme to the Capital Programme and the allocation of £0.617 million S.106 developer funding to enable further work to develop the scheme.

1.4 On 11th June 2019, Cabinet resolved to approve submission of a Strategic Outline Business Case (SOBC) to Midlands Connect for the scheme as the initial priority investment on the Major Road Network (MRN) in Warwickshire by the deadline of 5th July 2019, as set out in Recommendation 2 of the report.

1.5 The SOBC for the scheme was subsequently included in the Midlands Connect Regional Evidence Base submission to DfT in July 2019 as one of seven priority MRN schemes identified across the pan-Midlands area, with construction required to start on site no later than March 2025.

1.6 The MRN comprises the country's busiest and most economically important local authority 'A' roads which often carry a significant proportion of commercial vehicles.

1.7 Improving the operational performance of the Avon Mill junction which is located centrally on the A426/A4071 MRN corridor in Rugby is therefore critical to supporting the local, sub-regional and national economy

1.8 In June 2020, the County Council was awarded £260,000 capital grant funding by DfT for further development work on the scheme up to and including the production of an Outline Business Case (OBC).

1.9 This report outlines the key features of the proposed scheme and its primary objectives. It then sets out the steps required for further scheme development to enable the planning application and OBC to be submitted in 2023 in accordance with the scheme programme, and requests authority to proceed with the required statutory applications, processes and agreements for the preliminary and detailed design stages, prior to requesting tenders and subsequently awarding the works contract.

2. Scheme Description

2.1 A Scheme Layout Plan is shown in **Appendix 1** and comprises the elements listed below (further design work is underway to refine the scheme, so some of these may change):

(i) Enlargement of the existing Avon Mill Roundabout and widening of the approaches and exits;

(ii) Provision of a new segregated foot/cycleway and bridge located to the north of the existing road bridge with connections onto enhanced crossing facilities on A426 Leicester Road to provide safe access to Avon Valley School;

(iii) A new roundabout at A426 Newbold Road/Hunters Lane to replace the existing priority junction;

(iv) Construction of a short length of dual carriageway to connect the two roundabouts including a new bridge over the River Avon located to the south of the existing road bridge;

(v) A new left-in/left-out access junction to provide access to the Starbucks ‘Drive-Thru’ which is currently under construction on the former Avon Mill Inn site and adjacent residential properties served off the proposed southbound carriageway.

3. Scheme Objectives

3.1 In accordance with DfT requirements for all MRN proposals, the scheme seeks to support all road users by promoting Active Travel opportunities and improving journey times for bus users and will also make a positive contribution towards achieving Net Zero targets by reducing carbon emissions, as outlined below:

(i) **Promoting Active Travel opportunities by upgrading facilities for pedestrians and cyclists -** the proposed segregated foot/cycleway and bridge and enhanced crossing facilities on A426 Leicester Road will provide a key ‘missing link’ in Rugby’s cycle network, giving pedestrians and cyclists better access to the town centre and reducing severance.

(ii) **Supporting local Climate Emergencies and Net-Zero targets –** the County Council declared a Climate Emergency on 25th July 2019. The carbon impacts of the scheme have been assessed initially though a high-level calculation of the Carbon Dioxide Equivalent (CO2e) value resulting from vehicle emissions generated by traffic within the area. The results show a slight reduction in carbon emissions with the scheme in place relative to the ‘without scheme’ scenario, due to reduced congestion and shorter travel distances resulting from a lower propensity for traffic to divert away from major routes. The proposed foot/cycleway and bridge will also make walking and cycling more attractive and encourage a shift away from private car for short local journeys which will also help to reduce carbon impacts.

(iii) **Improving Bus Journey Times and Reliability –** Avon Mill roundabout has been identified as a key congestion hotspot by Stagecoach Midlands, the principal local bus operator in Rugby. Scheme assessment work indicates that the proposals would reduce congestion thereby improving bus journey times for services passing through the junction and across the wider network.

(iv) **Supporting Housing Delivery, Economic Growth and Rebalancing -** assessment work shows that the scheme would significantly reduce queues and delays on the approaches to Avon Mill roundabout under forecast conditions and thus help to facilitate significant planned residential, employment and retail growth in RBC’s adopted Local Plan 2011-2031. This comprises over 12,000 new homes, 100 hectares of employment land and 8,000 m² of retail space.

(v) **Improving Network Resilience -** closure of the existing A426 River Avon bridge for maintenance or due to an unforeseen incident would have potentially widespread adverse environmental impacts, as traffic would divert onto less suitable routes. The scheme provides a second road bridge and a new foot/cycleway and bridge thus significantly improving the resilience of the local road network. The proposals also improve network resilience for the wider Strategic Road Network (SRN) managed by National Highways, as the A426/A4071 forms a diversionary route between the M45/A45 south-west of Rugby and the M1/M6/A5 to the north when there is an incident or planned works on the SRN.

(vi) **Improving Road Safety –** assessment work shows that the scheme would reduce the propensity for traffic to ‘rat-run’ via the congested Mill Road Tunnel, Murray Road and surrounding residential streets, thus improving road safety and reducing community impacts (e.g. noise, air quality, severance etc.). Walking and cycling journeys will also be made safer via provision of the proposed segregated foot/cycleway and bridge and enhanced crossing facilities on A426 Leicester Road.

4. Scheme Development

4.1 The scheme will be the subject of a planning application made to the County Council as planning authority, by virtue of Regulation 3 of the Town and Country Planning Act, as the scheme footprint diverges from the adopted highway boundary at the new road bridge and proposed foot/cycle bridge across the River Avon, and also at other locations.

4.2 The preparation of the planning application will include consideration of the environmental impacts of the proposed construction and specifically at the bridge site, and in order to prepare for this a series of environmental and ecological surveys will be commissioned.

4.3 Early engagement with some affected landowners has taken place in order to complete topographical surveys and scheme delivery will require parcels of third-party land to be acquired.

4.4 Subject to approval of the recommendation outlined in this report by Cabinet, the project team propose to build on this initial engagement and commence negotiations with third-party landowners with a view to securing the required land by voluntary agreement.

4.5 A separate report will be brought forward to Cabinet seeking authorisation to acquire the required land, subject to approval of the Full Business Case (FBC) and funding award by DfT.

4.6 It is proposed that a Compulsory Purchase Order under section 250 of the Highways Act 1980 is also prepared to run in parallel with negotiations for land acquisition to reduce the risk of delays in scheme delivery.

4.7 A further report will be brought to Cabinet to request permission to bring forward the Compulsory Purchase Order when the work to develop the initial alignment envelope has been completed.

4.8 As the scheme design is progressed, statutory processes such as side road orders and agreements, such as with the Environment Agency around the flood plain and Natural England in respect of any protected species, may also be required.

5. Financial Implications

5.1 The total scheme cost estimate at the time of the SOBC submission to Government (July 2019) of £22.311 million.

5.2 This has recently been uplifted to reflect recent large increases in the rate of inflation and is currently estimated at £23.585 million with proposed contributions as follows:

(i) **Central Government Contribution** (Department for Transport) - £17.873 million (76% of total);

(ii) **County Council Contribution** (Capital Investment Fund - CIF) - £4 million – (not yet approved - subject to a future Cabinet/Council report) (17% of total);

(iii) **S.106 Developer Contributions** - £1.712 million (7% of total).

5.3 The scheme cost estimate will be completely refreshed before it is included in the OBC submission and based on a more refined and detailed understanding of the scheme design. The design has evolved since the original cost estimate was included in the July 2019 SOBC submission.

5.4 Following OBC submission which is currently programmed for Q2 2023/24, the DfT contribution towards the scheme will be fixed and the County Council would be responsible for managing any further cost increases.

5.5 To reduce the risk of potential cost overruns, the revised OBC estimate will include robust allowances for contingency and recent large increases in inflation, particularly the increased cost of construction and materials.

5.6 Furthermore, detailed site investigations and surveys are also proposed prior to OBC submission to inform the updated cost estimate and give greater confidence that it is likely to be representative of outturn costs.

5.7 Examples of the type of investigations and surveys which will be undertaken to inform the revised OBC cost estimate include environmental and ecological surveys, flood modelling, archaeological investigations and requirements for utility diversions.

5.8 The steps required to progress the scheme to OBC submission stage set out under the recommendation in this report can be funded from within existing allocations and S.106 monies that have already been received for the scheme.

5.9 The potential DfT contribution for individual MRN schemes shortlisted by Midlands Connect and subsequently approved by DfT following submission of compelling business case evidence will normally be between £20 million and £50 million although the lower threshold will not be applied rigidly.

5.10 The current DfT funding ask is £17.873 million which is below the lower threshold. If there is a significant increase in the total scheme cost estimate at OBC submission stage, it is proposed to increase the DfT funding ask to meet any projected cost increases which are not covered by the local contribution, subject to this being acceptable to DfT.

5.11 There is also a requirement that the local authority or third-party contribution for MRN schemes should represent at least 15% of total scheme costs.

5.12 The local contribution currently comprises a £4 million funding ask from the County Council's Capital Investment Fund (CIF) and S.106 developer contributions totalling £1.712 million. In combination, these local contributions currently represent 24% of total scheme costs.

5.13 The scheme was added to the CIF Pipeline following endorsement by Corporate Board on 14th December 2022. It is proposed to submit a full CIF bid to Technical Panel in early 2023, with subsequent reports to Cabinet and Full Council by the end of Summer 2023, seeking authorisation to add the £4 million additional CIF funding to the Capital Programme, prior to submission of the OBC to DfT in early Autumn 2023.

5.14 S.106 contributions totalling £1.712 million have been received from major developments located on the A426/A4071 MRN corridor including Gateway Rugby, Malpass Farm, Elliott's Field Retail Park (Phase 2) and Coton Park East (Phases 1 and 2).

5.15 Further S.106 contributions totalling £0.9 million are due to be received from the developer of the former Rugby Radio Station site at Houlton. The S.106 agreement indicates that payment is due in three equal instalments which are triggered upon completion of 1,530, 1,850 and 2,230 dwellings.

5.16 Due to uncertainties over the likely rate of future housing completions at Houlton and associated receipt of S.106 payments, this funding has not been included in the current scheme cost profile.

5.17 However, the latest information from RBC suggests that if recent rates of housing completions at Houlton are sustained over the next 3-4 years, some of this funding could become available to either offset any unanticipated increases in scheme costs following OBC submission to DfT, or reduce the CIF requirement.

6. Environmental Implications

6.1 The scheme is forecast to improve air quality and reduce carbon emissions by reducing congestion, discouraging ‘rat-running’, improving bus journey times and providing improved infrastructure for walking and cycling thereby facilitating sustainable travel.

6.2 In considering the requirement for an Environmental Impact Assessment (EIA) to accompany the planning application, the scheme has been reviewed against the EIA Regulations 2017.

6.3 An EIA screening will be submitted to consider whether the proposal will have a significant environmental effect by virtue of its nature, size or location.

6.4 An assessment of whole life carbon costs is due to be undertaken as part of further scheme development work for the OBC submission which will include a Carbon Management Plan in accordance with the latest DfT guidance for MRN schemes.

7. Timescales associated with the decision and next steps

7.1 Key project milestones are currently as follows:

Key Milestones	Current Programme
Strategic Outline Business Case	July 2019
Outline Business Case	Q2 2023/24
Commence Detailed Design	Q4 2021/22
Planning Application Decision	Q3 2023/24
Tender Process Commences	Q3 2023/24
Full Business Case	Q4 2023/24
Start of Works	Q2 2024/25
Completion of Works	Q4 2025/26

Appendices

1. Appendix 1 – Scheme Layout Plan

Background Papers

None

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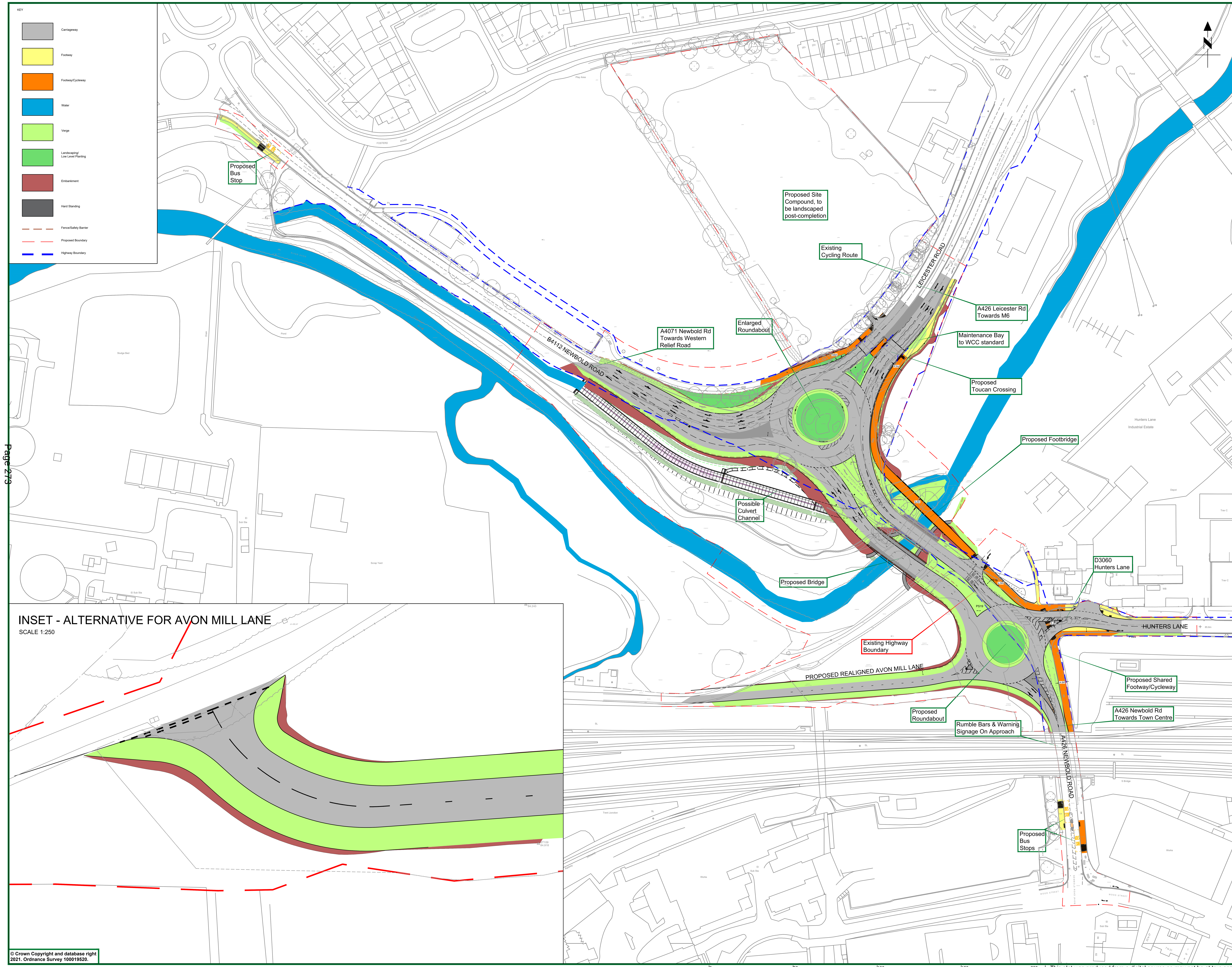
The report was circulated to the following members prior to publication:

Local Members: Cllrs Brown, Butlin, Dahmash, Feeney, Kaur, Roberts, Roodhouse, Simpson-Vince, Timms, Warwick.

Other Members: Cllrs Seccombe, Redford, Baxter-Payne, Bell, Chilvers, Clark, Crump, D’Arcy, Fradgley, Holland, Humphreys, Jenns, Morgan, Pandher, Sinclair, Singh, Watson, Wright.



NOTES

ASSUMPTIONS FOR THE DESIGN:

1. Horizontal Alignment as per approved Departures and Exceptions and RSA Stage 1.
2. Avon Mill Lane options depend on Land Ownership of existing fenced area.
3. Existing Bridge to be retained.
4. Proposed footbridge and bridge raised levels to account for 100y storm + 40% climate change.
5. Shared use 4m wide footway from Hunter's Lane to Leicester Road Toucan Crossing.

REV	DRN	AMENDMENT	DATE
A	EMF	RSA Stage 1 updates	08/09/22

Warwickshire County Council
Engineering Design Services

Engineering Design Services
Environment Services, Communities
Shire Hall Post Room
Warwick
CV34 4SP
Tel : 01926 410410
Web : www.warwickshire.gov.uk

FS 26655

C:\DesignServices\9.2\333\010\3 Drawings\3-01 AutoCAD\9.2-333--010-6001.dwg

PROJECT

A426/A4071 Avon Mill and Hunters Lane Improvement Scheme

TITLE

Conceptual Layout 1
Scheme Layout Plan
Design Phase: Concept Design

Drn	EM	Ck'd	AC	App'd	AC
Date	24-01-22	Date	22-09-22	Date	22-09-22

Status: Approved (Level 2)

Scale: 1:1000 | Sheet size: A1

DRG. NO.: 9.2-333--010-6001 | Rev.: A

0mm 50mm 100mm 150mm 200mm This plot was produced from a digital source so may not be at true scale. It is the recipient's responsibility to confirm its accuracy.

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Agenda Item 7

Cabinet

27 January 2023

Customer Platform

Recommendations

That Cabinet:

1. supports the implementation of the Microsoft Technology Platform as the Council's customer platform and as a replacement for the existing Firmstep solution;

2. approves the investment of up to £2,000,000, to be funded from the monies set aside for the digital roadmap, for the procurement of an external partner to support the implementation of the Microsoft Technology Platform; and

3. authorises the Strategic Director for Resources, in consultation with the Portfolio Holder for Customer and Transformation, to undertake an appropriate procurement process for an implementation partner and authorises the Strategic Director for Resources to enter into all necessary agreements on terms and conditions considered acceptable to him.

1. Executive Summary

1.1 The Council's Digital and Data Strategy 2022-2025 sets out the approach to achieving the ambitions set out within the Council Plan, while the Digital Roadmap provides a sequential approach to realising the strategy.

1.2 The Roadmap is designed to enable services to make internal operations more efficient and to increase the quality and breadth of digital services available to citizens. It will also significantly improve the quality of data available to target resources and services more effectively. The Roadmap provides the foundation for the Council's digital service delivery into the future. It is independent of technological changes to specific service-related systems, such as Social Care, Education and Fire and Rescue, but takes account of these line of business systems.

1.3 The Council currently has numerous customer relationship management (CRM) platforms in operation in multiple services. The most prominent is Firmstep, a system used for several years to support Customer Services. The platform has been developed and configured to meet specific service needs as they have been presented.

1.4 The Digital Roadmap anticipates moving to a single customer platform which would allow officers to view the full history of citizen interaction and actions taken previously. This would allow officers to access a fuller record of contact, to provide a more joined up response, and enable the citizen to more quickly achieve their outcome.

1.5 For a CRM to support the digital and data needs of the Digital Roadmap and Council Plan, a new approach is needed. We need to think about our customers and all their interactions with us, to minimise the barriers to them doing so digitally, and to make our delivery processes as efficient as possible. Continuing to develop the existing Firmstep implementation is possible, however it would be slow, require significant resource and not provide the end flexibility our Council Plan requires. It is therefore not recommended.

1.6 The implementation of a new 'digital-first' customer platform, a strategic CRM, is the foundation stone in the delivery of the Digital Roadmap. The Microsoft Technology suite of products that the Council has already purchased provides functionality for the kind of strategic CRM that the Council requires into the future. However, in order to implement this effectively, successfully and at pace across the Council, there is a need to commission external support to work alongside Council officers to build the new platform to the Council's requirements as the Council does not have the current capacity or capability to deliver such a solution at the pace required. After assessing options, an experienced implementation partner is therefore sought to advise, plan, and implement the new customer platform, whilst providing knowledge transfer and supporting the implementation of best practice support processes.

1.7 Procurement of this external support and expertise will take place through a compliant procurement framework (G-Cloud) as this provides a timely and cost-effective method of engaging with organisations that can work at the scale and pace required.

2. Analysis

Current State

2.1 Since 2014, the main CRM supporting customers contact has been Firmstep. Firmstep is used to record customer contacts from telephone and web channels, and to manage cases for progression by officers and partners. Additionally, other services have relied on applications that provide elements of CRM functionality. There are 32 separate examples of applications (digital systems) that provide some form of CRM functionality.

2.2 Experience has taught us that to produce the customer platform we require, Firmstep would require complex, time-consuming development. The digital strategy and roadmap imagines a future customer platform designed to make the digitisation of processes quicker, less expensive, and easier to maintain. Our analysis indicates that this vision is better delivered through a new technology and strategic customer platform design.

Future State

2.3 This proposal imagines a single customer platform for the Council, that allows:

- simple and repeatable digitisation;
- direct 1-to-1 communication with citizens so they can view and easily understand where they are in any process with us;
- a single view of the citizen;
- consistent and quality data collection and analytics accessible to our reporting tools; and
- further rationalisation of CRM applications.

2.4 We have to date worked with an established, global organisation who, after considering our vision, strategic technology landscape, and appraising the options available to us, have advised that a bespoke platform built on Microsoft technologies will provide the capabilities we require.

2.5 Implementation of the digital roadmap was delayed by work which provided positive assurance that the roadmap and customer platform could support the proposed Adult Social Care reforms. However, the Government announced in its Autumn Statement that the reforms would be delayed for two years. The new timeframe to which the Adult Social Care reforms are progressing provides a positive opportunity for the Council to implement and embed the new Customer Platform so that it can support future implementation of the Social Care Reforms.

Deliverables

2.6 The proposed new customer platform enables new means of delivering business processes not currently available to the Council. These are not all IT-dependent; some require business process change. They are:

- online payments available to all services;
- citizens having direct access to feedback;
- single data point recording for residents;
- single view of residents for officers;
- automated translation of email to customer record;
- new channels available to be integrated into service delivery and automatically to customer record, eg. Live chat, Chatbot, social media; and
- delivery of automation of high volume, transactional processes.

3. Options appraisal

3.1 In formulating the recommendations set out in this report, a full options appraisal around the new customer platform has been undertaken. This has considered the two broad options available:

3.1.1 Option 1 - continue to develop the existing platform (Firmstep); or
3.1.2 Option 2 – develop a new customer system.

3.2 The expectations and needs of a customer platform have changed over the last decade, and to achieve the future aspirations set out in the Council Plan we recommend Option 2.

3.3 Option 2 requires a new customer system to be identified. The Council could procure a new system through a competitive procurement process. However, given the Council has already purchased a Microsoft suite of products which includes customer platform functionality through the Microsoft Technology Platform, it is considered more cost-effective and in keeping with our best value duties to develop the Microsoft product.

3.4 A key differentiator for the Council in selecting the Microsoft platform is the ability for seamless integration with our Microsoft products, making it easier to create digital services for residents as well as providing customer data that can be used directly by our Data Platform and Power BI.

3.5 Using a different product or provider would result in the Council having to invest in more resources over time to develop such services, without the benefits of Microsoft's ongoing investment in technologies such as artificial intelligence (AI) and intelligent automation, both of which can continue to make services easier to deliver for us and easier to use for residents.

3.6 The full options appraisal for selection of the new customer platform is set out at Appendix 1. The expected benefits of the new system are set out at Appendix 2.

4. Approach to Implementation

4.1 Having determined to adopt the Microsoft Technology Platform as our new customer platform, it is recognised that a detailed and comprehensive implementation programme will be required.

4.2 It is envisaged that implementation will be undertaken in distinct phases which will allow for scoping, designing, and testing before fully transitioning to the new system:

4.2.1 Phase 1 - optimising the business processes currently in Firmstep and developing them for reuse in the platform. This scope is expected to provide the capabilities currently used in the Customer Service Centre;
4.2.2 Phase 2 – development of new digital services, prioritised on impact to our residents, businesses, and officers; and
4.2.3 Phase 3 – Adult Social Care processes are transferred to the new system – timing to be determined depending on the pace of implementing the national Adult Social Care reform agenda.

4.3 The adoption of the Microsoft Technology Platform will also provide the opportunity to remove existing applications which provide CRM functions to a range of other services across the Council. This is consistent with the Council's current application rationalisation agenda and associated savings.

5. Environmental Implications

5.1 There are no direct environmental implications resulting from the strategy. However, it should be noted that a study conducted by Accenture for Microsoft referenced in "Data Centre Efficiency, Renewable Energy and Carbon Offset Investment Best Practices" compared the environmental impacts of providing three of Microsoft's business applications – Exchange, SharePoint and Dynamic CRM – through customer data centres and Microsoft cloud data centres. The study found Microsoft cloud-based operations reduced carbon emissions by an average of 60% to 90% for medium-sized operations (per ~1,000 users).

6. Financial Implications

6.1 The recommended technology forms part of the suite already available to the County through its Microsoft platform and licensing arrangements, and therefore no procurement for a technology product is required.

6.2 In terms of implementation and the procurement of an implementation partner, £5m has been set aside for the Digital Roadmap in the 2022-23 budget resolution "to drive future cost reductions as a result of the investment made" over 3 years from 2022/23 (£1.8m / £1.1m / £2.1m). To date spend against this budget has been limited largely due to the delay in being able to mobilise the digital roadmap which arose from the work required to assure ourselves that the roadmap was consistent with changes that would be required by the delayed Adult Social Care reforms.

6.3 In arriving at the £2m maximum expenditure on implementation, a robust investigation phase has been undertaken to understand the effort required to deliver to the scope. The delivery model is predicated on a co-production between the implementation partner and internal resource with a reducing reliance on the implementation partner over the lifecycle of the project as our internal capabilities increase. This, alongside an appropriate contingency (5%) included within the £2m provides confidence that the external expenditure will not exceed the £2m requested.

6.4 It is anticipated that there will be savings within service budgets resulting from the implementation of a new platform, to be realised predominantly through process optimisation and automation. These savings are not currently identified. Once implemented, the new customer platform can be used as a catalyst to further the improvement of processes and deliver the resulting officer efficiencies and enhanced outcomes for our citizens.

6.5 However, the case to justify this investment rests predominantly on non-financial benefits which are set out in Appendix 2. Without a new customer platform, achieving the digital ambitions of the Council Plan and Digital and Data Strategy would require a similar level of investment in Firmstep.

7. Timescales associated with the decision and next steps

7.1 The following table provides an outline indicative implementation timeline which will be validated following contract award.

Activity	Start	Completion
Identification of an external partner and signing of contracts	February 2022	March 2023
Process complexity validation workshops	March 2023	April 2023
Integration workshops	March 2023	April 2023
Implementation of processes	April 2023	June 2024
Release 1 - Correspondence / Complaints, Reusable customer-facing components	-	August 2023
Release 2 – Existing digital services optimised to use reusable components	August 2023	December 2023
Release 3 – Remaining processes, Functionality for Highways Phase 3	-	June 2024
Operation and support	June 2023	June 2024

Appendices
Appendix 1 – Options Appraisal
Appendix 2 – Benefits Realisation

Background Papers
None

	Name	Contact Information
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Assistant Director	Craig Cusack - Assistant Director for Enabling Services	craigcusack@warwickshire.gov.uk
Strategic Director	Rob Powell - Strategic Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Cllr Andy Jenns - Portfolio Holder for Customer and Transformation	andyjenns@warwickshire.gov.uk

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

Local Member(s): Not applicable. This is a countywide matter.

Other members: The Chair and Party Spokes of the Resources and FRS Overview and Scrutiny Committee: Councillors Adrian Warwick, Parminder Singh Birdi, Sarah Boad, Caroline Phillips, and Will Roberts.

Appendix 1 – Options Appraisal

Develop Existing platform

Pros	Cons
Known entity (operational today).	Licence costs increased at last renewal and anticipated to increase again.
Established ICT support base.	Time consuming to implement change.
Is delivering the current processes and customer volumes.	Existing data quality is poor due to configuration.
	Reengineering / automating existing processes is complex.
	Our data hosted in European Union rather than UK.
	To produce the requirements would mean starting again in a new Firmstep instance which may disincentivise process optimisation from services.

Microsoft Technology Platform

Pros	Cons
Better customer experience (including new channels not available in Firmstep) because of migration.	New ICT support skills (but also the basis for development).
Optimisation of Microsoft investment (works seamlessly with existing tools).	Training cost to adopt a new platform for Customer Service Centre (and wider organisation).
Microsoft's range of tools, including artificial intelligence (AI) and automation, receive significant investment.	
Channel integration - updates can also be sent by text, WhatsApp, and social media direct messages.	

Pros	Cons
Platform for applications rationalisation / CRM consolidation.	
Provides customer insight and action through its unique AI and sentiment analysis (how the customer is feeling), with ongoing development from Microsoft in these areas.	

Non-Microsoft Technology Platform

Pros	Cons
Better customer experience (including new channels not available in Firmstep) because of migration.	Anticipated to be a longer implementation compared to Microsoft Technology (in part due to higher internal training need).
Channel integration – depending on technology platform updates can also be sent by text, WhatsApp, and social media direct messages.	Training cost to adopt a new platform for Customer Service Centre (and wider organisation).
Platform for applications rationalisation / CRM consolidation – depending on technology platform.	Development required to work fully with existing Microsoft technology.
	Potential to create a silo where data cannot be fully used across the organisation.

Appendix 2 – Benefits realisation

Financial Benefits

1.1 There are several financial benefits to consider alongside the scope associated with the investment. By implementing a new customer platform, we believe that, over time, efficiencies in the region of 10 FTE will be realised through process redesign, information from customers being right first time, and embedding automated processes which we envisage would be achieved through turnover and/or natural wastage.

1.2 Over £900k of one-off cost avoidance has been identified due to not needing to develop the Firmstep platform to meet current demand for digital service enhancement

1.3 £150k of ongoing savings have been identified (post implementation and adoption) through more people interacting digitally (resource reduction) and the consolidation of existing CRM platforms (licence savings). Further resource savings are anticipated as further services are digitised into the Customer Platform.

Non-financial benefits

1.4 The benefits of efficient CRM systems are in their ability to improve human processes. They become quicker, less focused on failure demand management and easier for the customer to manage. However, they rely on significant change in processes.

Benefit	Description
Pace	Quicker response to new or changing business need. Emerging service demand for digitisation or digital change can be evaluated and serviced more quickly, meaning faster realisation of the service-identified benefits.
Reusability	A reuse first approach embedded, meaning that technology components (e.g. online payments) are available to all services.
Better customer interaction	Using our existing customer data to minimise what they need to input at each new interaction (e.g. only ask for an address if we do not already hold it). Information ‘coming into’ the Council is of higher quality, increasing how easily queries and requests can be managed without requesting additional information from the customer.

Benefit	Description
Reduction in failure demand	Channel shift away from voice calls by giving customers a direct ‘feedback loop.’ They will be able to see ‘live’ the request status and updates online and discuss with a chatbot. This should reduce the resource required to respond to customer contacts chasing / checking on the status of their query or request and increase the capacity of agents to respond to multiple online chats simultaneously compared to a single telephony contact.
Single customer record	Understanding our customer behaviour, what they need from us, and how we respond to service the demand. It will provide us with the ability to report on and analyse trends in customer activity, customer pathways within the organisation and to partners, and demand.
Reduction in complaints and contact to our people	Visibility to citizens of the status of their correspondence / query and signposting to resources that could improve or accelerate the required outcome, moving demand from officers to digital services.
Enhanced front door	Easy to use, citizen-centric forms and processes which can be easily extended for new requirements within services such as Children and Families. Foundation for major change, such as Adult Social Care Reform, using repeatable business processes (e.g. assessments).
Responding when things do not go as planned	A consistent citizen and service-centric data source with audit trails allowing officers to efficiently respond to Member queries or external obligations (e.g. Ombudsman), and to do so through consistent, repeatable processes.
Reducing demand through contextual information	Using what we know about our citizens (e.g. their address) to provide proactive information relevant to them. This could include planned highways works, streetlight repairs, country park opening hours, or waste and recycling centre information.

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Warwickshire County Council (WCC) Equality Impact Assessment (EIA) Form

The purpose of an EIA is to ensure WCC is as inclusive as possible, both as a service deliverer and as an employer. It also demonstrates our compliance with Public Sector Equality Duty (PSED).

This document is a planning tool, designed to help you improve programmes of work by considering the implications for different groups of people. A guidance document is available here.

Please note that, once approved, this document will be made public, unless you have indicated that it contains sensitive information. Please ensure that the form is clear and easy to understand. If you would like any support or advice on completing this document, please contact the Equality, Diversity and Inclusion (EDI) team via equalities@warwickshire.gov.uk, or if it's relating to health inequalities, please contact Public Health via phadmin@warwickshire.gov.uk.

EIA

- Having identified an EIA is required, ensure that the EIA form is completed before any work is started. This includes gathering evidence and / or engaging the relevant stakeholders to inform your assessment.

Sign Off

- Brief the relevant Assistant Director for sign off and upload the completed form here: **Upload Completed Equality Impact Assessments.** Please name it "EIA [project] [service area] [year]"
- Undertake further research / engagement to further understand impacts (if identified).
- Undertake engagement and / or consultation to understand if EIA has identified and considered impacts.
- Amend accordingly to engagement / consultation feedback and brief decision makers of any changes.

Action

- Implement proposed activity.
- Monitor impacts and mitigations as evidence of duty of care.

Section One: Essential Information

Service / policy / strategy / practice / plan being assessed	New Customer Platform
Business Unit / Service Area	Enabling Services - ICT Strategy & Commissioning
Is this a new or existing service / policy / strategy / practice / plan? If existing, please state date of last assessment.	This is a new programme of work to implement a new customer platform, replacing the existing CRM platforms, delivering efficiencies to the business, and improving the experience for our customers. Subsequent creation of new / non-digital services on the customer platform, or changes to access channels, will be subject to individual EIAs at those points.
EIA Authors **N.B.** It is best practice to have more than one person complete the EIA to bring different perspectives to the table.	Paul Inman
Do any other Business Units / Service Areas need to be included?	No

Working for Warwickshire

Does this EIA contain personal and / or sensitive information?	No
Are any of the outcomes from this assessment likely to result in complaints from existing services users, members of the public and / or employees?	If **yes,** please let your Assistant Director and the Customer Relations Team know as soon as possible

1. Please explain the background to your proposed activity and the reasons for it.

The Council's Digital and Data Strategy 2022-2025 sets out the approach to achieving the ambitions set out within the Council Plan, while the Digital Roadmap provides a sequential approach to realising the strategy.

For a customer platform to support the digital and data needs of the Digital Roadmap and Council Plan, a new approach is needed. We need to think about our customers and all their interactions with us, to minimise the barriers to them doing so digitally, and to make our delivery processes as efficient as possible.

The implementation of a new 'digital-first' customer platform, a strategic CRM (customer relationship management system), is the foundation stone in the delivery of the Digital Roadmap. The Microsoft Technology suite of products that the Council has already purchased provides functionality for the kind of strategic CRM that the Council requires into the future.

This project is only looking at providing a platform to enable change by the business. Changes to existing non-digital channels are out of scope and would be picked up by the business / service owners as part of any future service transformation they may wish to explore. Any new services that arise in the future would also require service-specific EIAs.

2. Please outline your proposed activity including a summary of the main actions.

The implementation of the Microsoft Technology Platform as the Council's customer platform and as a replacement for the existing Firmstep solution.

Having determined to adopt the Microsoft Technology Platform as our new customer platform, it is recognised that a detailed and comprehensive implementation programme will be required.

It is envisaged that implementation will be undertaken in distinct phases which will allow for scoping, designing, and testing before fully transitioning to the new system:

- Phase 1 - optimising the business processes currently in Firmstep and developing them for reuse in the platform. This scope is expected to provide the capabilities currently used in the Customer Service Centre;
- Phase 2 – development of new digital services, prioritised on impact to our residents, businesses, and officers; and
- Phase 3 – Adult Social Care processes are transferred to the new system – timing to be determined depending on the pace of implementing the national Adult Social Care reform agenda.

The adoption of the Microsoft Technology Platform will also provide the opportunity to remove existing applications which provide CRM functions to a range of other services across the Council. This is consistent with the Council's current application rationalisation agenda and associated savings.

3. Who is this going to impact and how?

Customers	Members of the Public	Employees	Job Applicants
New web pages / forms through which they can apply for services and monitor progress.		Staff processing service transactions will do so through new customer platform technology.	
Other, please specify:			

Section Two: Evidence
Please include any evidence or relevant information that has influenced the decisions contained in this EIA. This could include demographic profiles; audits; research; health needs assessments; national guidance or legislative requirements and how this relates to the protected characteristic groups and additional groups outlined in Section Four.

A – Quantitative Evidence This is evidence which is numerical and should include the number people who use the service and the number of people from the protected characteristic groups who might be affected by changes to the service.
Approx 860 staff members in total, based on analysis of license requirements for new customer platform. Number of public customers interacting with digital services – unknown.

B – Qualitative Evidence

This is data which describes the effect or impact of a change on a group of people, e.g. some information provided as part of performance reporting.
Microsoft Forms and Microsoft Power Apps Portals – the elements of the Microsoft Technology Platform that customers will primarily interact with – meet the WCAG 2.1 standard to a AA level: • MS Forms - https://aat-acr-api-prod.azurewebsites.net/api/file/d/p/377c3f4d-2633-44f3-a1e7-ae5f38207955/a/7595eb08-1b9f-41ed-9102-c73e70284fc2/f/Microsoft%20Forms.Web.WCAG.docx • Power Apps portals - https://aat-acr-api-prod.azurewebsites.net/api/file/d/p/a3f0f858-8a76-45f8-801a-3642d565f18e/a/614e85cb-e722-49ca-b4db-8e8ec94a6959/f/Power%20Apps%20portals.Web.WCAG.docx

Section Three: Engagement
Engagement with individuals or organisations affected by the proposed activity must take place. For further advice and support with engagement and consultations, click here.

Has the proposed activity been subject to engagement or consultation with those it's going to impact, taking into account their protected characteristics and socio-economic status?	Yes
If YES, please state who with.	Workshops were held with staff/managers who own the services included in the customer platform migration, identifying requirements for a new platform.

If NO engagement has been conducted, please state why.		
How was the engagement carried out?	**Yes / No**	**What were the results from the engagement? Please list…**
Focus Groups	Yes	Identification of Microsoft Technology Platform as appropriate platform to deliver their services going forwards.
Surveys	No	
Public Event	No	
Displays / Exhibitions	No	
Other (please specify)		
Has the proposed activity changed as a result of the engagement?	No	
Have the results of the engagement been fed back to the consultees?	No	Service owners will be engaged with following Cabinet decision and will be involved in further service design during the implementation phases.
Is further engagement or consultation recommended or planned?	Yes	Service owners will be engaged following Cabinet decision and will be involved in further service design during the implementation phases.

What process have you got in place to review and evaluate?	Customer satisfaction surveys and feedback options will form an integral part of the customer platform solution. These will be monitored, analysed, and actions identified as services are launched.

Section Four: Assessing the Impact

Protected Characteristics and other groups that experience greater inequalities

What will the impact of implementing this proposal be on people who share characteristics protected by the Equality Act 2010 or are likely to be affected by the proposed activity? This section also allows you to consider other impacts, e.g. health inequalities such as deprivation, socio-economic status, vulnerable groups such as individuals who suffer socio-economic disadvantage, armed forces, carers, homelessness, people leaving prison, young people leaving care etc.

On the basis of evidence, has the potential impact of the proposed activity been judged to be positive (+), neutral (=), negative (-), or positive and negative (+&-), for each of the protected characteristic groups below and in what way?

N.B In our Guidance to EIAs we have provided you with potential questions to ask yourself when considering the impact of your proposed activity. Think about what actions you might take to mitigate / remove the negative impacts and maximize on the positive ones. This will form part of your action plan at Section Six.

	Impact type (+) (=) (-) or (+&-)	**Nature of impact including health inequalities** Will your proposal have negative or positive implications for each group, including on health inequalities? Think about whether outcomes vary across groups and who benefits the most and least, for example, the outcome for a woman on a low income may be different to the outcome for a woman a high income.	**Mitigating Actions for Negative Impacts** What can you do to mitigate any identified negative impacts or health inequalities? Think about offering for example benefits advice, access to bus routes, community support, flexible opening times, creche facilities etc.

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			Use this column to form the basis of Section 6.
Age	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise, mitigating actions will be put in place.
Disability Consider: • Physical disabilities • Sensory impairments • Neurodiverse conditions (e.g. dyslexia) • Mental health conditions (e.g. depression) • Medical conditions (e.g. diabetes)	+	For customers - The new customer platform solution will offer improved accessibility to customers / visitors across a range of physical disabilities, sensory impairments, and neurodiverse conditions, compared to the existing customer platform solution(s) used currently by the organisation. For staff – The new customer platform solution uses existing Microsoft technologies, covered by pre-existing EIAs. As with customers, the new platform will offer improved accessibility compared to the existing platform. Training, support and guidance will be provided to staff in order to use the new customer platform.	
Gender Reassignment	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise, mitigating actions will be put in place.
Marriage and Civil Partnership	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise, mitigating actions will be put in place.
Pregnancy and Maternity	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise,

			mitigating actions will be put in place.
Race Including: • Colour • Nationality • Citizenship • Ethnic or national origins	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise, mitigating actions will be put in place.
Religion or Belief	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise, mitigating actions will be put in place.
Sex	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise, mitigating actions will be put in place.
Sexual Orientation	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise, mitigating actions will be put in place.
Groups who may require support: • Individuals who suffer socio-economic disadvantage • Armed Forces (WCC signed the Armed Forces Covenant in June 2012) • Carers	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise, mitigating actions will be put in place.

• Homelessness • People leaving Prison • People leaving Care			
Other Identified Health Inequalities (HI) Many issues can have an impact on health: is it an area of deprivation, does every population group have equal access, unemployment, work conditions, education, skills, our living situation, rural, urban, rates of crime etc.	=	No negative impacts are foreseen for this group.	This will be continually monitored and if negative impacts arise, mitigating actions will be put in place.
Other Groups If there are any other groups			

Public Sector Equality Duty (PSED)

Public Authorities must have 'due regard' to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations. Please evidence how your proposed activity meets our obligations under the PSED.

	Evidence of Due Regard
Eliminate unlawful discrimination (harassment, victimisation and other prohibited conduct):	
Advance equality of opportunity: This involves • removing or minimising disadvantages suffered by people due to their protected characteristics; • taking steps to meet the needs of people with certain protected characteristics where these are different from the needs of other people, for example, taking steps to take account of people with disabilities; • encouraging people with certain protected characteristics to participate in public life or in other activities where their participation is disproportionately low.	The new customer platform solution will offer improved accessibility to customers / visitors and staff across a range of physical disabilities, sensory impairments, and neurodiverse conditions, compared to the existing customer platform solution(s) used currently by the organization.
Foster good relations: This means tackling prejudice and promoting understanding between people from different groups and communities.	Better access to our services will help our customers. Ensuring digital services are accessible to people with disabilities, so that they are not excluded from accessing services.

Section Five: Partners / Stakeholders

Which sectors are likely to have an interest in or be affected by the proposed activity?	Yes / No	Describe the interest / affect
Businesses	Yes	New web pages / forms through which they can apply for services and monitor progress.
Councils	No	
Education Sector	No	
Fire and Rescue	Yes	WFRS staff processing service transactions will do so through new customer platform technology.
Governance Structures	No	
NHS	No	
Police	No	
Voluntary and Community Sector	No	
Other(s): please list and describe the nature of the relationship / impact		

Working for Warwickshire

Section Six: Action Planning
If you have identified impacts on protected characteristic groups in Section Four, please summarise these in the table below detailing the actions you are taking to mitigate or support this impact. It is also important to consider how often this E.I.A. will be reviewed, and who is responsible for doing this. If you are not taking any action to support or mitigate the impact, you should complete the No Mitigating Actions section below instead.

Mitigating Actions

Consider:

- Who else do you need to talk to? Do you need to engage or consult?
- How you will ensure your activity is clearly communicated
- Whether you could mitigate any negative impacts or build on positive impacts for protected groups or health inequalities
- Whether you could do more to fulfil the aims of the PSED
- How you will monitor and evaluate the effect of this work
- Anything else you can think of!

Identified Impact	Action(s)	Timescale incl. evaluation and review date	Name of person responsible
	Review and monitor EIA in line with developments, including engagement and consultation		
Improved accessibility to customers / visitors across a range of physical disabilities, sensory impairments, and neurodiverse conditions.	Ensure implementation of the customer platform continues to adhere to web accessibility standards and best practice.	Ongoing during the course of the implementation project.	Paul Inman

No Mitigating Actions

Please explain why you do not need to take any action to mitigate or support the impact of your proposed activity.

Section Seven: Assessment Outcome

Only one of following statements best matches your assessment of this proposed activity. Please select one and provide your reasons.		
No major change required	✓	No change in the risk to, or impact on, protected characteristic groups and/or health inequalities.
The proposal has to be adjusted to reduce impact on protected characteristic groups and/or health inequalities		
Continue with the proposal but it is not possible to remove all the risk to protected characteristic groups and/or health inequalities		
Stop the proposal as it is potentially in breach of equality legislation		

Section Eight: Sign Off
N.B To be completed after the EIA is completed but before the area of work commences.

Name of person/s completing EIA	Paul Inman
Name and signature of Assistant Director	C Cusack. Craig Cusack – Assistant Director for Enabling Services
Date	11 January 2023
Date of next review and name of person/s responsible	

Once signed off, please ensure the EIA is uploaded using the following form. Please name it "EIA [project] [service area] [year]": Upload Completed Equality Impact Assessments

These will be stored on a Sharepoint library which Warwickshire County Council colleagues can access.

It is the responsibility of the individuals and teams who completed the EIA to review it regularly and to carry out any required activities in line with the action plan made.

For advice or support, please contact equalities@warwickshire.gov.uk.

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Cabinet

27 January 2023

WFRS Preparedness for Potential Industrial Action

Recommendations

That Cabinet

1. is cognisant of the current situation in relation to firefighter pay and the potential for industrial action; and

2. supports the steps being taken by WFRS to plan for and mitigate against the impact of industrial action on communities in Warwickshire

1. Executive Summary

1.1 Warwickshire County Council, as The Fire Authority has a legal duty to provide a Fire and Rescue Service that can respond to fire safety, firefighting, road traffic accidents, emergencies and other eventualities. This legal duty applies at all times including during periods of industrial action. During Industrial action, given the impact on resourcing, this becomes a 'target duty' rather than an absolute requirement.

1.2 Firefighters have a legal right to take strike action subject to an appropriate ballot undertaken by a Representative Body. Firefighters in Warwickshire are mainly Fire Brigades Union (FBU), Fire Officers Association (FOA) and the Fire and Rescue Services Association (FRSA) members. Non-union members who take part in legal, official industrial action have the same rights as union members not to be dismissed as a result of taking action. Firefighter terms and conditions, including pay, has resulted in a ballot with the potential for strike action being called by the Fire Brigades Union (FBU) and will include Fire Control operators.

1.3 In the event of industrial action, it will not be possible to maintain the same level of service and the communities of Warwickshire will be at higher risk.

1.4 Industrial action is likely to be planned to have the least impact on pay for firefighters and the most disruption to services. During the last dispute the FBU developed the approach of staging relatively short strikes of a few hours' duration timed to straddle shift changes and it is expected that this tactic will be repeated.

1.5 Business continuity plans are being put in place, on a best endeavours basis, to reduce and respond to risk in Warwickshire during periods of industrial action. Neighbouring services are putting in place their own contingency measures, but it is accepted by all Fire and Rescue Services that the same level of border support mechanisms will not be available during any periods of Industrial Action.

1.6 Officers are observing developments in relation to the government's Strikes (Minimum Service Levels) Bill which, if enacted, would give ministers powers to introduce regulations specifying minimum service levels in certain sectors, including fire and rescue. Fire Authorities would be able to require attendance of certain employees required to meet those minimum service levels through a system of 'work notices'. However, the changes are unlikely to come into effect prior to the current wave of industrial action.

2. Financial Implications

2.1 Pay for firefighters is the subject of the dispute that has led to the possibility of Industrial Action. Pay is negotiated and agreed nationally through the National Joint Council.

2.2 Under section 145B of the Trade Union Act, it prohibits an employer from making offers to members of a trade union where the employer's sole or main purpose in making the offers is to achieve a 'prohibited result', namely that the workers' terms of employment will not (or will no longer) be determined by collective agreement negotiated by or on behalf of the trade union. This has been raised as an objection by the FBU to some Authorities' attempts to offer "resilience contracts" to firefighters which requires them to work through any dispute. Any national agreement reached on firefighter pay that is above the current budgeted 4% pay rise will create a budget pressure for Warwickshire County Council/Fire and Rescue Service and will need to be considered as part of our MTFS planning. The in-year revenue budget should not be negatively impacted by Industrial Action.

2.3 Separately, national discussions are ongoing about potential use of Military Aid to Civil Authorities (MACA) to provide extra assistance during any periods of Industrial Action which, if requested and agreed, would be at a cost to the relevant Fire and Rescue Service from the moment the request is formally made.

3. Environmental Implications

3.1 Industrial action is likely to result in some fires being allowed to burn for longer, or to burn out completely, owing to the need to prioritise resource commitments to life risk incidents and the resultant use of defensive firefighting techniques. This will cause increased pollution effects, commensurate to the size of the fire.

4. Preparedness for Industrial Action

4.1 On 21st November 2022 the Fire Brigades Union (FBU) submitted a letter to employers setting out a trade dispute with them on the issue of pay. They subsequently notified employers of their intention to ballot for strike action on 28th November 2022.

4.2 The ballot is scheduled to run from 5th December 2022 to 30th January 2023. The period has been extended to take into account the effect of strike action on the Royal Mail. It is considered highly likely that a strong yes vote will be returned. If this is the case, then national strike action is likely to commence by mid to late February 2023.

4.3 It is anticipated that a proportion of WFRS staff will choose not to take industrial action, some will only be prepared to attend on their normal roster pattern, others will be more flexible in their approach. Work will remain on-going to gain a greater understanding of the numbers of people who are likely to choose not to take industrial action.

4.4 During time of industrial action, WFRS focus will be on providing the best possible level of service to the communities of Warwickshire. Apart from existing arrangements with Northamptonshire Fire and Rescue Service (NFRS) for Service Control, WFRS will be unlikely to be able to request any national or local assistance and will be unable to provide any assistance to other Fire and Rescue Services.

4.5 National discussions are ongoing about potential use of Military Aid to Civil Authorities (MACA) which would be billed to the relevant Fire and Rescue Service. WFRS has made an assessment of the offer made by the Military and has responded indicating the likely support that could be required. This includes Fire Control Operators and drivers working within a crew of firefighters. The military are currently unable to provide this support.

4.6 WFRS already has very detailed and thorough Business Continuity arrangements in place which are regularly reviewed and tested which means that WFRS is well placed and ready to transition to Business Continuity mode as will be required if there is Industrial Action.

4.7 WFRS will attempt to support developing incidents outside of Warwickshire on a “best endeavours” basis whilst maintaining emergency cover in Warwickshire. WFRS will be in Business Continuity mode and will instigate appropriate business continuity plans as required across all of its functions and departments.

4.8 Emergency response will be prioritised to incidents involving life and property.

4.9 Our intention is to maintain good relationships across the Service with our people, the focus being to ensure the best possible outcomes for Warwickshire in the long term.

4.10 A detailed analysis has been undertaken to identify those members of staff who may be called upon to undertake alternative operational duties during any Industrial Action. Refresher training is being provided to those who need to be upskilled to perform operational duties during periods of industrial action.

4.11 WFRS and Northamptonshire Fire and Rescue Service will seek to maintain their remote, mutually supportive control rooms taking maximum advantage of available crewing to support both Services. Additional selected staff are being trained to provide auxiliary cover, allowing non-striking Control staff to prioritise emergency calls.

4.12 Our people who indicate they wish to work will, to mitigate against the risk of any conflict situations, be directed to alternative Delivery Points (DP's) to access buildings rather than being required to cross a picket line at their "home station".

4.13 Our people might be asked if they are prepared to work additional shifts. Any additional shifts worked will be recompensed according to relevant firefighter terms and conditions.

4.14 Our available resources will be positioned across Warwickshire in line with our risk analysis and where they will make the biggest positive impact. It will not be possible to meet our response standards or deliver the same quantity of prevention or protection activities during periods of industrial action.

4.15 During periods of Industrial Action, our On-Call fire crews may wish to avoid conflict by not being moved to standby at or near to locations where there are picket lines. Our on-call appliances will remain close to home location, unless and until a confirmed incident occurs elsewhere. This may result in a geographically imbalanced distribution of available resources.

4.16 With minimal firefighting crews available across the Service, WFRS will only deploy full crews to confirmed incidents involving life and property. Maximum use will be made of flexi officers and any 'small fire' crews that may be available for other incident types, e.g. car fires confirmed as no life risk, skip or bin fires or suspected malicious calls which still require confirming as such.

4.17 Fire Control will be given maximum discretion to move away from normal pre-determined attendances, using the experience and judgement of our trained fire control operators in order to maintain levels of emergency cover. Priority will be given to life risk calls, which may involve calling resources away from an incident that officers are already committed to.

4.18 Specialist appliances such as the high-volume pumping unit, will be crewed on a "best endeavours" basis depending on available staff skill sets and the prevailing situation at time of call.

4.19 The Home Office has RAG rated every Fire and Rescue Service across the country on the following basis:

- Below 25% availability: Red
- 25% - 30% availability: Amber
- Greater than 30%: Green

4.20 WFRS is currently amber rated based upon our estimated resource availability during times of industrial action.

Appendices

None

Background Papers

None

	Name	Contact Information
Report Author	Ben Brook – Chief Fire Officer	benbrook@warwickshire.gov.uk,
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Strategic Director	Mark Ryder - Strategic Director for Communities	markryder@warwickshire.gov.uk
Portfolio Holder	Councillor Andy Crump Portfolio Holder for Fire & Rescue and Community Safety	andycrump@warwickshire.gov.uk

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

Local Member(s): N/a. This is a county wide matter
Other members: Chair and Party Spokes of the Resources and Fire & Rescue Overview and Scrutiny Committee: Councillors Adrian Warwick, Parminder Singh Birdi, Sarah Boad, Caroline Phillips, and Will Roberts

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Cabinet

27 January 2023

Warwickshire Recovery Investment Fund
Investment Strategy and Business Plan

Recommendations

That Cabinet:

1. Approves the Warwickshire Recovery Investment Fund (“WRIF”) Investment Strategy attached at Appendix 4;

2. Approves the WRIF Business Plan attached at Appendix 5;

3. Delegates to the Strategic Director for Communities in consultation with the Portfolio Holder for Finance and Property authority to make such additional changes to the Investment Strategy as he considers necessary but only where such changes do not reduce or remove any of the current checks and balances on investments included within the Strategy or Business Plan; and

4. Delegates to the Strategic Director for Communities in consultation with the Portfolio Holder for Finance and Property authority to update the process for BIG Fund assessments as set out in Section 4.5.

1. Executive Summary

1.1 The Warwickshire Recovery Investment Fund (WRIF) was set up in 2021/22 with the purpose of providing additional finance to support and encourage the local economy and local employment in the face of the prevailing economic challenges.

1.2 The WRIF is governed by an Investment Strategy and Business Plan. The purpose of this report is to seek approval of the updated WRIF Investment Strategy and Business Plan for 2023/24-2026/27.

1.3 The Objectives of the WRIF are detailed in Appendix 1 but in summary are to support the local economy in weathering the adverse economic circumstances which were driven by Covid. Economic and political/social circumstances nationally and globally have been volatile since the inception of the WRIF and the challenges presented by Covid have been compounded more recently by high inflation and rising interest rates, the cost of living increases, and the prospect of recession in the UK. Issues also remain in respect of supply chain, competition for labour, skills shortages, and competition between different areas of the UK seeking to promote business in their local areas. Therefore, although the original driver for the creation of the WRIF (Covid) has at least for the time being subsided in the UK, it has been replaced by other drivers of economic uncertainty and so the fundamental need to support and promote the local economy remains. The ability of the WRIF to deliver this support remains.

1.4 The WRIF is made up of 3 “pillars” which are summarised below and detailed in Annex A of Appendix 4.

- The **Business Improvement Growth Fund (BIG)** - designed to support larger and more established businesses with local growth plans.
- The **Property Infrastructure Fund (PIF)** - designed to forward fund infrastructure investment.
- The **Local Communities Enterprise Fund (LCE)** - designed to provide small business loans.

1.5 2022/23 is the first full year of operation of the WRIF and a significant amount of activity has been undertaken to implement the activities of the three pillars and generate active investments.

1.6 Demand for WRIF funds has been variable in the first full year and an assessment of demand is a key component of the strategy looking forwards.

- With the LCE now operational this fund has seen the most consistent demand (203 enquiries since inception). This is largely because it is revenue in nature, it is targeted in a space where demand remains clear, and because the types of investment for which the LCE is intended are by their nature high volume / low value and therefore demand will normally present more consistently.

- The BIG Fund has considered 38 investment opportunities during 2022/23 and some of these have progressed a long way through the process. However, although one loan was approved in 2021/22, at the time of writing none have reached approval this financial year. Demand for the BIG has been lower than expected due to a number of factors including the changing economic situation affecting the confidence of co-investors, preference for revenue funding rather than capital, and borrowers choosing to pursue alternative investment vehicles. However, the fund is by its nature high value / low volume and demand can be expected to be volatile. Over a short period of time, one or two high value bids succeeding or not succeeding for marginal reasons can make the position of the fund appear very different. Reasons for the low conversion rate include for example that companies may be looking for grants and soft loans, or looking for revenue instead of capital, companies may not in an appropriate situation (for example they have too much debt already), or they may find alternative finance on preferable terms elsewhere.

- PIF activity is planned to commence in 2023/24, and although its launch has taken time, demand is expected to be strong for this Fund.

1.7 Demand for the LCE and PIF are considered sufficient to maintain the overall investment targets at their original levels (£10m and £40m). The emphasis of the PIF will be on the bringing forward of new employment land and commercial space or the enabling of this.

1.8 Mainstream commercial sources of funding can still be difficult to access. For example, small and medium sized enterprises may struggle to get loans from traditional banks if they don't already have an existing relationship, lenders may be wary of giving unsecured loans, and many businesses now carry high levels of debt as a hang-over from the government backed lending during the early stages of Covid which makes taking on further loans a higher risk for lenders. These issues are then compounded by inflation on the costs of operating a business and higher interest rates on the cost of financing a business.

1.9 The WRIF is still considered to be a positive and complementary option for supporting the economy alongside other vehicles for example the Midlands Engine Investment Fund, The British Business Bank, Funding Circle, etc.

1.10 Demand for the BIG is considered to be lower than the original target and the size and shape of the BIG fund is proposed to be amended, down from a £90m capital fund to a £50m capital plus a £4m revenue fund.

2. WRIF Activity to Date

2.1 The WRIF was profiled to involve investments being made over a five-year period. WRIF activity during 2021/22 was largely focused on setting up the operations of the fund. Investment activity began in Quarter 4 of 2021/22. In summary during 2022/23 the following WRIF activity has occurred:

1. Service contracts with external specialist providers have been put in place to undertake anti-money laundering compliance activity

2. The Investment Panel has met regularly throughout the year to ensure oversight and governance of the Fund and to consider investment bids to the BIG Fund.

3. As at December 2022 there had been 38 verified enquiries to the BIG fund since inception. Of these, 8 have progressed to the Stage 1 business case, and 2 had reached the Stage 2 due diligence phase, of which one was approved, and one was withdrawn by the borrower. At the time of writing one BIG opportunity for an investment of up to £2.5m is at Stage 2 and may progress to Cabinet for consideration.

4. Additional oversight and support to the WRIF is being provided from the Commercial Delivery Group, focusing on strategic input, and the wider

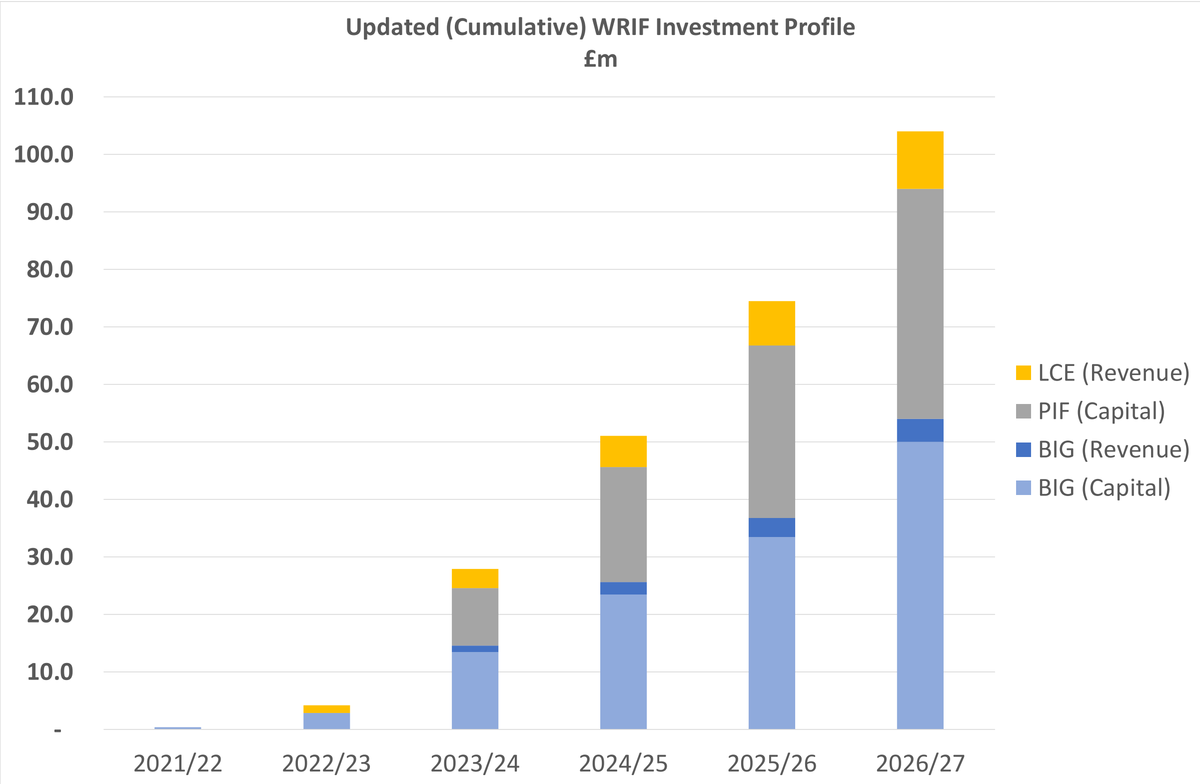
governance and resourcing of the WRIF.

5. CBRE Indirect Investment Services Ltd (CBRE) were appointed as the Fund Advisor for the PIF Fund and have been engaging with officers on refining the policies and processes for the management of the fund, to align more with industry norms. The PIF will look to make is first investments from 2023/24.

6. Coventry and Warwickshire Reinvestment Trust (CWRT) have been operating the LCE Fund from June 2022, and the forecast is to have placed £1.2m of investments by the end of the 2022/23 financial year.

3. Investment Profile

3.1 The planned investment profile has been reprofiled to reflect the forecast demand, allowing for the forecast activity in 2022/23 and is summarised in the chart below.



4. Strategy Updates

4.1 Appendix 2 lists the key updates to the WRIF Investment Strategy, and Appendix 3 lists the key changes to the Business Plan. The main changes are summarised below.

4.2 **BIG Fund Value and Capital / Revenue Split**– The fund value is reduced from £90m to £54m with £40m of capital being taken out and £4m of revenue being added in. This change is made to better reflect the demand for funding seen to date. Although this makes the BIG fund smaller, the overall risk profile will remain broadly unchanged as revenue investment is generally significantly higher risk than capital investment. The reasons for revenue investment risk being higher include that the impact of default is directly upon the Council's income and expenditure account immediately and in full, whereas the impact of a capital investment default would be spread over a period of years, and the fact that capital investments by their nature will be investments into assets that will generate future revenues, whereas a revenue investment will be used on revenue funding that may not necessarily promote any future activity. A capital asset may also be taken as security against a loan, but security is much less likely to be an option for revenue loans.

4.3 **PIF Fund Size and Duration** – The shape of the PIF Fund has been updated to better reflect demand in the market. To this end the maximum duration of a loan will be 5 years rather than 10 years (the shorter maximum duration also significantly reduces risk to the Council).

4.4 **PIF Fund Governance** – The process for consideration of PIF investment opportunities has been reviewed and an amended process that better reflects industry norms is proposed. In summary all of the required steps to consider an investment still occur but are conducted in a different sequence which enables those parts of the process that cause costs to the borrower to be placed at the back end of the process to minimise the risk of sunk costs to the borrower. This makes the Fund easier to access as borrowers are less put off by the risk of incurring costs and then failing to secure the investment.

4.5 **BIG Fund Governance** – Officers will continue to consider whether the BIG Fund process would benefit from adopting some or all of the process changes that are being adopted by the PIF. This review cannot be undertaken in time for the approval of the strategy. However, this option will be investigated and proposals to implement changes will be brought forward if considered appropriate. No changes would be undertaken that undermine the current checks and balances which must still occur at some point before entering into a loan agreement. It is proposed that the final decision on adopting process change and implementing the same be delegated to the Strategic Director for Communities in consultation with the Portfolio Holder for Finance and Property, subject to Finance and Legal input. Should any of the current checks and balances be proposed to be removed then the proposed revised policy would be brought back to Members for approval.

4.6 **Cost Recovery** – The lower overall fund value results in less opportunity to recover administration costs through fees as a significant proportion of costs are fixed. However, the WRIF is required to operate on normal commercial terms and administration costs, the Council's cost of borrowing, and the cost of defaults are still planned to be covered by appropriate generation of income through interest and fees charged. The BIG and PIF funds will also continue to have the planned option to make a net positive return on investment of up to +3%.

4.7 **WRIF Objectives** – The objectives of protecting and promoting jobs within the county has been explicitly added to the list of WRIF objectives (Appendix 1, Objective 8), although job protection and creation has clearly always been a part of the purpose of the WRIF. In addition, the objectives have been amended to reflect that benefits may be delivered over the long term (Objective 4).

5. Financial Implications

5.1 The WRIF fund is in total £104m, to be invested mostly via senior and secured loans, but with the potential for other forms of investment.

5.2 The WRIF is required to operate on normal commercial terms, all costs are planned to be recovered in the round from a combination of interest rates and fees.

5.3 There are two overarching financial risks to the financial position of the WRIF that could result in pressure on the Medium Term Financial Strategy:

- That investment losses experienced are more than expected (the main drivers being if investment risk is not accurately assessed or managed).

- That the costs of operating the WRIF are not fully recovered (the main driver being if total investment activity is lower than planned resulting in not enough fee income being generated).

5.4 The nature of the WRIF is to invest in companies where alternative sources of finance may be less available, and where companies are facing more challenging circumstances. Investing entails a risk that some or all of any given investment may not be repaid, for example through a default on a loan, or through a fall in the value of an equity stake. However, the governance arrangements for the WRIF are designed to mitigate risk, and the original business case expects a small surplus to be made that provides a mitigation against losses. The commercial risk reserve also provides some risk mitigation.

5.5 The Council operates a commercial risk reserve with a current balance of £8.758 million. This is maintained to cover the financial risks of WRIF and Warwickshire Property Development Group activity, and additionally any other commercial risks WCC may be exposed to. Use of the reserve to manage WPDG activity is reported elsewhere on this agenda.

5.6 The WRIF is forecast to recover its fixed and variable costs across the life of the fund. Any surplus generated by WRIF activity will first be used to replenish drawdowns from the commercial risk reserve to cover start-up costs of the WRIF. Due to the inherent volatility of the lending profile and only one loan agreement being entered into so far by the BIG fund, any projected surplus is not currently planned to be used to underpin wider MTFS funding, however this policy may change as loan agreements are entered into and more certainty on returns is achieved.

6. Environmental Implications

6.1 Environmental implications are a consideration for investment decisions. This is articulated in a specific Ethical Investing Policy which is part of the WRIF Investment Strategy (refer to Appendix 4 Section 4).

7. Supporting Information

7.1 None.

8. Timescales associated with the decision and next steps

8.1 The WRIF Investment Strategy and Business Plan sit underneath and must be aligned to the overall Warwickshire County Council Investment Strategy and Treasury Management Strategy. Those two strategies are being presented elsewhere on this agenda for consideration and they form a component of the set of wider medium-term financial strategy reports. Those strategies, subject to being approved/recommended by Cabinet, are then reported to full Council for final approval.

8.2 Subject to approval the WRIF Investment Strategy and Business Plan would come into effect on the 1st April 2023.

Appendices

Appendix 1 – WRIF Objectives (and summary of updates)
Appendix 2 – Summary of WRIF Investment Strategy Updates
Appendix 3 – Summary of WRIF Business Plan Updates
Appendix 4 – WRIF Investment Strategy 2023/24-2027/28
Appendix 5 – WRIF Business Plan 2023/24-2027/28

Background Papers

1. None.

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

Local Member(s):
Other members:

WRIF Objectives Appendix 1

1. Fill gaps in and provide additional access to finance that helps businesses in Warwickshire start, grow and scale up; or helps businesses locate to the county. Businesses located just outside of the county may be considered for finance, if there are clear benefits to Warwickshire subject to compliance with any applicable legal and/or financial frameworks;

2. Leverage additional resources or funding for the county through the investment and support of key growth businesses;

3. Secure an ongoing financial return, commensurate with risk;

4. Make investments that deliver benefits and social value to the residents and communities of Warwickshire in both the short term (0-12 months), medium term (1-5 years), and long term (up to 10 years);

5. Support investments that make a contribution towards meeting net zero carbon goals; and

6. Support the delivery of the Council's strategic goals and priorities.

7. To help to make Warwickshire an accessible and competitive location for businesses.

8. Protecting jobs within the county and promoting new jobs within the county.

Summary of Updates to WRIF Objectives

WRIF Objectives	Summary of Update	Commentary
Objective 4	Extended - benefits may be over the long term	Benefits were articulated as being expected over the short and medium term (up to 5 years) but in reality, benefits may be realisable over the long term as some investments may be up to 10 years in duration.
Objective 6	Simplified	This objective made reference to specific Council plans at a point in time, for example the Covid Recovery Plan. It has been simplified to refer to the Council's strategies and priorities without naming them specifically.
Objective 8	Explicit reference to jobs	Additional objective making explicit reference to job protection and creation (this has always been an objective, but this update gives this a clear profile of its own)

Summary of WRIF Investment Strategy Updates Appendix 2

Section	Summary of Update	Commentary
Section 1	Background	Some of the commentary explaining the background to the WRIF has been shortened / simplified and updated to recognise current economic circumstances.
Section 2	WRIF Objectives	Same updates as set out in Appendix 1 above.
Section 3	PIF Strategy updates	Updates to align with a revised approach that has been developed in collaboration with the Fund Advisor (CBRE) Removal of specific target/priority business sectors, to enable the Fund to consider the widest opportunity set that may deliver its objectives.
Section 5	Types of investment	Equity investment funding deleted from PIF funding options as it is not a feature of the revised PIF strategy Corporate guarantees funding deleted from PIF funding and added to BIG funding (Table 5.4), as this type of funding is revenue in nature
Section 8.1	Revised investment profile	BIG Capital fund reduced from £90m to £50m BIG revenue fund created, to the value of £4m Total WRIF Fund reduces from £140m to £104m
Section 8.2	Annual investment limits	Capital limit reduced from £50m p.a. to £40m p.a. to reflect the reduction in the BIG fund but to still allow significant headroom on the BIG and PIF funds. Revenue limit increased from £3m p.a. to £5m p.a. to reflect the introduction of a revenue fund for the BIG pillar.
Annex A	PIF	PIF maximum single investment size – corrected from £40m to £10m PIF Priorities – updated in the same was as Section 3.3 above
Annex A	Maximum investment durations	The maximum duration of investment for each pillar has been added (BIG 10 years, PIF and LCE 5 years). Note that the maximum loan duration is reduced from 10 years to 5 years.
Annex A	Business Support	Deletion of a section setting out wider business support activity. This activity is not funded by the WRIF or managed within the governance infrastructure of the WRIF. Hence it is considered more appropriate to take the opportunity to simplify and remove this activity from the WFRIF strategy (however the activity will still continue as planned).
General	Fund values	All references to the total value of the WRIF amended from £140m to £104m All references to fund value of the BIG amended from a £90m total of which all was capital, to a £54m total fund of which £50m is capital and £4m is revenue

Summary of WRIF Business Plan Updates — Appendix 3

Section	Summary of Update	Commentary
Section 1	Simplified	Simplified and removal of duplication with the WRIF Investment Strategy.
Section 2	Outcomes	Outcomes and benefits reprofiled to align with the updated investment amounts and profile The expectations for the number of jobs created per amount invested has been adjusted downwards to align more closely with benchmarks from other funds. The expectations for leverage are also reduced to better reflect current experience.
Section 3.1	Investing Profile	Amended to reflect the revised investment targets for the BIG fund and the shorter loan durations for the PIF Fund
Section 3.3	Investing Limits	Capital limit reduced from £50m p.a. to £40m p.a. to reflect the reduction in the BIG fund but to still allow significant headroom on the BIG and PIF funds. Revenue limit increased from £3m p.a. to £5m p.a. to reflect the introduction of a revenue fund for the BIG pillar.
Section 3.5	Peak Debt	Peak debt is expected to be significantly lower (£79m in 2026 instead of £109m), primarily driven by the reduction in the size of the BIG Fund.
Section 4.1	Financial Plan	Commentary added clarifying that the Council may earn arbitrage on interest costs (but also takes interest rate risk)
Section 4.4	Financial Plan	Updated to reflect the revised investment, cost, and income profiles
Section 4.8	Net Margins	Highlights the option to target a +3% net return on the BIG and PIF Funds, on a discretionary basis, but no net return is targeted for the LCE fund.
Section 5	Risk	Updated for changes in risk. Overall risk levels are considered to be slightly lower looking forwards. The risk appetite statement remains unchanged.
Section 6	Key Activities	Updated to reflect current priorities including: • Implementing the updated PIF governance arrangements • Reviewing the governance of BIG fund bids • Reviewing communications • Considering co-investment opportunities
General	WRIF Objectives and Principles	These are no longer reproduced in the business plan, to avoid duplicating the WRIF Investment Strategy document.

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Appendix 4

Warwickshire County Council

Warwickshire Recovery & Investment Fund (WRIF)

Investment Strategy 2023/24

1. Introduction

1.1 The Council originally established the Warwickshire Recovery and Investment Fund (WRIF) to mitigate the impact to the County and aid the economic recovery from COVID 19 with three investment Pillars to cover different types of business.

1.2 Significant volatility has been experienced in terms of the impact of Covid, however as the economy was emerging from those impacts other adverse economic and social/political developments have arisen and economic recovery remains under significant threat but from different drivers, namely inflation, international economic and political tensions, the cost of living crisis, and the expected recession in the UK.

1.3 Other aspects of the economic environment also need to be considered, challenges still remain in the international supply chain, the competition for labour is high, skills shortages are a common challenge for recruiters, and there is competition between different areas of the UK seeking to promote business in their local areas.

1.4 The WRIF provides access to finance to support businesses located in or looking to relocate to the County and leverage additional funding for the County, both of which will support the economic recovery of Warwickshire. By exception, the Council considers investments in businesses just outside the county if there are clear and tangible benefits to Warwickshire by doing so.

1.5 The County Council seeks to use the WRIF to support the future growth of the economy, helping drive the transition to a low carbon economy; and to lever wider social value through our investments.

1.6 The WRIF Investment Strategy is required to operate within any parameters and requirements (including investment limits) set out in the Council's wider Treasury Management Strategy and Non-Treasury Investment Strategy.

2. WRIF Objectives & Principles

Objectives

2.1 The objectives for the WRIF are to:

i.) Fill gaps in and provide additional access to finance that helps businesses in Warwickshire start, grow and scale up; or helps businesses locate to the county. Businesses located just outside of the county may be considered for finance, if there are clear benefits to Warwickshire subject to compliance with any applicable legal and/or financial frameworks;

ii.) Leverage additional resources or funding for the county through the investment and support of key growth businesses;

iii.) Secure an ongoing financial return, commensurate with risk;

iv.) Make investments that deliver benefits and social value to the residents and communities of Warwickshire in both the short term (0-12 months), medium term (1-5 years), and long term (up to 10 years);

v.) Support investments that make a contribution towards meeting net zero carbon goals;

vi.) Support for the Council's strategic goals and priorities;

vii.) Help to make Warwickshire an accessible and competitive location for businesses; and

viii.) Protecting jobs within the county and promoting new jobs within the county.

Principles

2.2 The main principles of how the Fund will operate are:

i.) To increase the Council's ability to offer space tailored to meet the needs of existing businesses wanting to grow in Warwickshire and to attract new business to Warwickshire resulting in enhanced employment opportunities. The Council as a result will have a greater location incentive to keep and attract business to Warwickshire;

ii.) To enable development in the County, facilitating new employment, land and commercial premises and which could also include investing in or building commercial sites and premises when the need is confirmed, and contract arrangements are in place with the organisation needing the premises;

iii.) Support businesses based within Warwickshire and looking to grow or looking to re- locate in the county. Businesses located just outside of the county may be considered for finance, if there are clear benefits to Warwickshire in providing this support, subject to compliance with any applicable legal and/or financial frameworks;

iv.) Create a diversified and balanced portfolio of risk-based investments that protect the public purse, support business and both creates new and protects existing jobs;

v.) Manage risk and target full recovery of investments;

vi.) Provide a flexible tool to consider and enable a range of opportunities for supporting business;

vii.) Support business through investments based on agreed investment criteria and priorities that are developed from analysis of the economy and strategic sectors and support key sectors and growth, rather than weaker sectors;

viii.) Target priorities by promoting investment in priority sectors, business types and investments that enable development, and provide wider social value benefits across the Warwickshire economy;

ix.) Support investment opportunities that will deliver against clear criteria that align with WCC outcomes and priority objectives - this is done not to deliver commercial returns/yield but to deliver Council objectives by filling a gap in the market;

x.) Create an investment profile that grows slowly to avoid excessive risk with clear management and monitoring pathways to avoid creating a cost to the revenue budget/tax payer;

xi.) A consistent and streamlined approach to considering investment opportunities and ensure all investment decisions are made against agreed investment criteria and align with Council priorities and outcomes;

xii.) To amplify and complement the existing investment landscape and other recovery packages;

xiii.) Provide funding within the limits and requirements set out in the council's non-treasury Investment Strategy;

xiv.) Ensure that compliance with all relevant codes is considered and met ahead of any contractual arrangements being entered into; and

xv.) Generating appropriate net financial returns and generating income sufficient to cover costs.

3. Strategic Scope

3.1 The WRIF offers a range of funding options designed to complement and enhance the provision of commercially available finance and support economic recovery for businesses located or looking to be located in Warwickshire. Businesses located just outside of the county may also be considered for finance, if there are clear benefits to Warwickshire.

3.2 Alongside the provision of finance, the WRIF will also offer businesses access to specific and tailored pre- and post-investment support programmes to ensure they are both business and investor ready.

3.3 The WRIF considers investments that have clear alignment to any of the objectives of the Fund. Investment proposals will need to demonstrate the extent to which they contribute to the achievement of any of the objectives and support delivery of the Council's strategic goals and priorities.

3.4 Particular focus is given to investment opportunities that:

- Stimulate job creation or safeguarding of skilled or entry level jobs in the County;
- Can or will leverage additional resources or funding;
- Help meet the net zero carbon targets for the Council and County;
- Increase social value; and
- Are complementary to other investments in achieving WRIF and Council objectives.

3.5 The three pillars of investment operating within the WRIF as an overarching portfolio are:

- Business Investment Growth Pillar (up to a maximum of £54m)
- Local Communities & Enterprise Pillar up to a maximum of (£10m)
- Property & Infrastructure Pillar (up to a maximum of £40m)

3.6 Each Pillar has a different focus, different investment criteria, different types of investment, different management arrangements and different target beneficiaries and outcomes.

3.7 The WRIF is used to accelerate and promote investments in **priority sectors** and for **priority business types** and for investments that **enable development**. Separate Priorities have been set for each Pillar with a focus on:

- The Business Investment Growth Pillar focuses on established and growing businesses in order to enable growth and support medium and longer term recovery rather than addressing the short term effects of the pandemic. The priorities for investment are to **secure inward investment**, for **priority business types** where businesses have been operating for more than 3 years (or have a strong track record of business activity) and are demonstrating growth potential, **and priority sectors** where Warwickshire already has particular strengths and are growing sectors.

- The Local Communities & Enterprise Pillar focuses on investment opportunities that aim to address the short-term impact of the pandemic. The priorities for investment are **priority business types** such as new, early stage. and growing small and medium sized businesses and key priority business sectors.

- The Property & Infrastructure Investment Pillar focuses on ensuring the Council has a property supply option to provide premises to business expanding within or coming to Warwickshire. It is there to enable the purchase and accelerate development of property and site-specific infrastructure schemes that underpin medium- and longer-term recovery. The PIF aims to increase the Council's ability to offer space tailored to meet the needs of existing businesses wanting to grow in Warwickshire and to attract new business to Warwickshire resulting in increased employment opportunities. The priority focus is on enabling and supporting new and existing developments and priority sectors where this can support the needs of key sectors in the region and wider ambitions for economic recovery. PIF investments typically include financial securities over assets.

Priorities

3.8 The priorities for investment relating to each of the proposed pillars of investment are set out below.

Business Investment Growth Pillar

3.9 The Business Investment Growth Pillar focuses on providing debt finance for growing businesses with sound prospects. It concentrates on businesses that have been operating for more than 3 years or have a track record of operations that demonstrate growth potential opportunities to secure inward investment and sectors where Warwickshire has particular strengths and on projects and investments that help meet net carbon zero targets.

3.10 Support is given to the following priority business types:

- Businesses operating for more than 3 years or a track record of operations that demonstrate growth potential;
- Businesses that will help meet net carbon zero targets in the region; and
- New businesses to the County that will secure inward investment via the introduction of a new business/additional business premises into the County.

3.11 Opportunities for equity-based investments will also be considered within the Business Investment Growth Pillar if there is a compelling case that the finance will secure business growth, the risk profile and affordability is acceptable, and the investment is clearly aligned with the WRIF objectives.

3.12 The priority sectors are those where Warwickshire has particular strengths and are growing sectors as outlined in the Council's Economic Strategy as priorities for economic growth in the County. Particular focus is given to investment opportunities that also relate to the Council Plan priorities. The priority sectors are:

i.) Future Growth Sectors:

- Automotive Technology
- Digital Creative & Digital Technologies
- Future of Mobility
- Low carbon technologies

ii.) Other key priority sectors:

- Advanced manufacturing
- Culture, Tourism & Hospitality
- Modern methods of construction
- Health & Wellbeing
- Agri-tech and rural based businesses
- Businesses in the supply chain that support delivery of the Council's

priority outcomes for people, for example public health, social care and education.

iii.) Focused on Medium Sized Enterprises (50-250 employees), but open to smaller or larger businesses on a case-by-case basis.

3.13 The priority sectors are not exclusive, and ANY sector will be considered if it meets the funds objectives and creates or retains skilled or entry level jobs.

Local Communities & Enterprise Pillar

3.14 The Local Communities and Enterprise Pillar is aimed at directly addressing the short term economic and social consequences of the pandemic. It focuses on lending to small businesses or those in the early stages of operation that are looking to start up, grow and create jobs.

3.15 The Local Communities & Enterprise Pillar focuses on providing debt finance for growth, support and development projects.

3.16 The priority sectors are those where Warwickshire has particular strengths and are growing sectors as outlined in the Council's Economic Strategy as priorities for economic growth in the County. Particular focus are given to investment opportunities that also relate to the Council Plan priorities. The priority sectors are:

i.) Building on our strengths:

- Advanced manufacturing & engineering
- Digital Creative & Digital Technologies
- Culture, Tourism & Hospitality
- Low carbon technologies

ii.) Other key priority sectors:

- Retail
- Community based enterprises
- Creative industries
- Health & wellbeing
- Social care or other supply markets to the Council and/or Warwickshire public services

iii.) Focused on start-ups, micro and small businesses (less than 50 employees) Particular focus is given to support the following priority business types:

- Micro Businesses (up to 10 employees)
- Start-ups & Early-Stage Businesses <operating less than 3 years
- SMEs – company with no more than 250 employees
- Businesses ran by under-represented groups

iv.) Key objectives for the council for this fund are:

- New business starts

- Helping small businesses grow and scale
- Helping establishment of social enterprises and community-based businesses
- Creation of new jobs (particularly including apprenticeship opportunities)
- Safeguarding jobs
- Supporting transition to the low carbon economy

3.17 The priority business types are not exclusive, and ALL business types are considered if the proposal meets the funds objectives and creates or retains skilled or entry level jobs.

Property and Infrastructure Investment Pillar

3.18 The Property and Infrastructure Pillar will provide loans to invest in commercial sites and premises and unlock development consistent with the needs of key sectors and/or wider ambitions for economic recovery. It will provide the Council with a commercial property supply option to grow existing and attract new businesses to Warwickshire.

3.19 The objective is to address funding market failures, accelerating the delivery of private sector led developments and site- specific infrastructure schemes that support economic growth across Warwickshire., with a focus on:

- Accelerating the delivery of new employment sites and premises
- Encouraging new inward investment into Warwickshire
- Supporting the transition to a low carbon economy

3.20 The beneficiaries of this pillar are likely to be:

- Existing and new businesses within Warwickshire
- Residents within and close to Warwickshire who become employees.
- Developers of employment land
- Developers of office space
- Developers of operational business buildings
- Infrastructure projects

3.21 This is a flexible investment scheme that can be deployed to help the development of new employment land or commercial space to support the growth of our economy. Our focus is mainly on supporting new development that will help provide the platform for the future growth of our economy and will therefore be linked to supporting growth in our key priority sectors.

3.22 The priority sectors and beneficiaries proposed here are not exclusive and a wide range of investment opportunities are considered as long as the proposal meets the objectives of the WRIF and create or retain skilled or entry level jobs.

4. Ethical Investment Policy

4.1 The Fund will favour investments that meet the criteria and objectives set out elsewhere in the WRIF Investment Strategy, for example investments with positive social value or environmental aspects.

4.2 The Fund will be unlikely to invest in the following areas unless there are exceptional reasons to do so:

- Companies where due diligence is unable to establish the company's ownership clearly.
- Companies whose activities are clearly contrary to the purpose, statutory duties and objectives as set out in the Council Plan and policy framework.
- Companies whose activities are incompatible with the Council's commitment to net zero carbon emissions.
- Companies involved in activities that could bring the Council into disrepute.

4.3 The Fund will not invest in companies that are involved in, linked to, or promoting the following ("red lines"):

- Activity that is illegal under UK law.
- Human trafficking.
- Modern slavery.

4.4 The fund will use the criteria above to inform choices about investment where ethical issues arise, with the following three approaches available:

- Engage – if a company has the scope or need to positively address any ESG concerns and investment can accelerate this then the Fund could consider engaging and investing. For example, if a company has a significant carbon footprint but investment would help to reduce it. Although, this would not be an option if the business activity or starting position of the company is simply unacceptable.
- Divest – if a company's activity becomes non-compliant with the WRIF Ethical Investing Policy after an investment is made, then the fund may choose to divest, subject to contractual terms and due consideration of all the business and outcome implications.
- Avoid – where the activities of a company are non-compliant with the WRIF Ethical Investing Policy the fund will not invest. Due diligence reviews will consider and report on any relevant ethical investing issues.

4.5 The fund will consider appropriate levers to promote and/or maintain the ethical position of investments by:

- Meeting and engaging with companies;
- Use of voting rights for any equity investments; and
- Use of lending agreement terms and conditions for debt investments.

5. Types of Investment

5.1 The WRIF considers a broad range of types of investment to enable it to deliver the interventions that the market requires.

5.2 The types of investment that the WRIF predominantly undertakes are debt in nature, e.g. Commercial loans to businesses within the County that are focused on the key priorities, or support and enhance the overarching objectives of the WRIF.

5.3 However, the Council considers opportunities that require the following types of investment, and a decision are made on a case-by-case basis considering the market, due diligence, assessment of risk, affordability and the potential reward/outcomes to be delivered from the investment. In order to manage exposure to risk the Council sets limits on how much investment may be of an alternative risk profile than commercial loans, for example:

- Mezzanine Finance
- Investment in company equity, for example in start-up companies
- Co-Investment – capital or equity – with other Funds or individual investors
- Purchase of and development of assets: Including commercial/retail property, land or infrastructure
- Partnerships to leverage additional private sector resources (skills or finance).
- Management buy-outs/acquisitions
- Corporate Guarantees
- Other more innovative products

5.4 The predominant types of investment for each individual fund are expected to be:

Business Investment Growth Pillar	**Local Communities & Enterprise Pillar**	**Property & Infrastructure Pillar**
• Business Loans • Management Buyouts, • Acquisitions / Refinancing • Equity Based Investment Opportunities • Corporate Guarantees	• Small Business Loans	• Commercial Loans • Partnerships (Joint Venture)

5.5 The most appropriate source of funding for each individual investment are determined on a case-by-case basis at the time of the investment decision making, when the individual opportunity is being reviewed.

6. Eligibility Criteria

6.1 Eligibility criteria is a means of ensuring investment is targeted to achieve the intended objectives but will also be used as a mechanism to mitigate risk.

6.2 Eligibility criteria are set that will differentiate between core criteria and other important investment criteria that will assess the potential performance of the investment in delivering the benefits and other wider outcomes.

Core Criteria

6.3 All investment opportunities are assessed against their strategic alignment with the WRIF objectives and whether they meet the investment criteria set for the Fund.

6.4 In addition to strategic fit, other core criteria are those non-negotiable aspects that ensure an investment proposition is suitable for funding such as:

- Eligibility for funding, i.e. meet company definitions and legal criteria;
- The business already being located in the county or with a commitment to relocate to the county in the long term;
- Having a strong and capable management team with a verifiable track record;
- Having a compelling and commercial investment strategy and a quality plan for how the funding will deliver growth and/or the benefits cited; and
- Passing due diligence tests, for example anti money laundering, key personnel checks, companies house checks, collateral/security valuations or other checks etc.

7. Investment Criteria

7.1 A decision to make an investment from the Fund depends on passing the eligibility criteria plus the balance of performance against the following criteria:

- Economic Value
- Social Value
- Environmental, including climate change mitigation and carbon reduction
- Financial

7.2 Investments are not expected to meet <u>all</u> the economic and social and environmental criteria so long as the strategic objectives and financial metrics are met and there is a clear economic, social or environment benefit from the investment.

7.3 The focus on key investment criteria for each Pillar is set out in the Summary at Annex A.

Investment Criteria - Economic and Social Value

7.4 All investments made by any Pillars operating as part of the WRIF must create economic and social value to residents and businesses in the County. An assessment of strategic fit is undertaken, and the following quantifiable metrics will be assessed which may include:

Benefit	Quantifiable Metric
Value of GVA uplift to the County	The total (£) net Gross Value Added (GVA) amount of economic contribution to the County or value generated that will result from the investment / Annual GVA generated
Number of new start-up businesses	The number of new businesses registered with Companies House having a Warwickshire postcode that result from the investment
Business Rates Income Council Tax Income	The increased amount (£) of business rates and council tax income directly resulting from the investment.
Equitable distribution of funding	The geographical pattern of investment across the County.
Number of jobs created	The number of people given permanent employment in the County as a direct result of the investment (plus any matched funding or third-party inward investment). This could include jobs created in a partner or supply company, so long as these jobs are created within the County and are directly attributed to the investment. For example, if a loan to a start-up company enables it to expand to an additional 15 jobs in a variety of roles plus a subcontractor who needs 10 people, both can be included)
Number of jobs filled by the unemployed	The number of jobs filled by previous unemployed individuals as a direct result of the investment.
Number of jobs safeguarded	The number of jobs safeguarded that would have otherwise been lost had the investment not been made.
Value of third-party inward investment	The total amount (£) of investment secured from third parties e.g. match/ leveraged funding in relation to the investment
Number of new homes	The number of housing units created in the county, either rented or owned, as a direct result of the investment
Number of responsible investments	The number of investments that increase the use of low and zero carbon technologies; and/or The number of investments that have an explicitly positive environmental or social impact/ outcome by benefiting the local community and/or preserving the environment
Poverty premium	How many residents' lives have been touched and households in the County helped as a direct result of the investment

Sq ft of enabled development	The total quantum of development (sq ft) enabled that may have been stalled/delayed or reduced in its quantum would it not be for the investment
Increased wireless network capacity	The amount of increased network capacity for the county as a direct result from the investment

7.5 All metrics should be measured on delivery of direct benefits (delivered through the WRIF rather than other measures).

7.6 Metric targets will be summarised in the Business Plan.

7.7 The WRIF will monitor outcomes across the portfolio over a number of years and set targets with reference to any limits or requirements set out by Council in the non- treasury Investment Strategy and based on past performance and expected full-life outcomes.

7.8 The achievement of these will be monitored by the Investment Manager and Investment Panel, with regular reports to Cabinet, through the life of the investments.

Investment Criteria – Environmental, Social and Governance

7.9 All investments are judged on their Environmental, Social and Governance (ESG) criteria in terms of the business' values in three key areas:

- Environmental responsibility and sustainability;
- Social – impact in terms of promoting societal benefits; and
- Governance – strong leadership and a responsible organisational culture.

Investment Criteria – Financial

7.10 The portfolio as a whole and all investments made by the WRIF are measured against a range of financial criteria, that could include but are not limited to:

- Affordability to the Council including net impact on the revenue account
- Return on Investment (£)
- Investment value (£)
- Interest received (£)
- Principal repayment (£)
- Cashflow (£)
- Surplus/deficit to date (£)
- Yield and/or profit on cost (%)
- Interest rate cover ratio
- Debt Service Cover Ratio
- Default rate (%) and Recovery given Default rate (%)
- Net Present Value (£)
- Management fees (£)
- Running cost recovery (%)

7.11 A decision to invest will depend on the balance of performance against these criteria and the expected performance will depend on the type of investment made and the risk profile of that investment asset class.

8. Investment Profile Plans and Limits

Revised Investment Profile

8.1 The updated investment profiles per pillar are summarised in the table below. The updated profiles reflect expected activity during 2022/23. The BIG (capital fund) has been reduced from £90m to £50m, and a BIG revenue fund of £4m has been introduced, these changes better reflect demand but maintain a broadly similar risk profile, reflecting that revenue investment is higher risk than capital. The overall fund value is reduced from £140m to £104m.

8.2 Revised investment profile plan:

£m Pillar	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
BIG (Capital)	0.4	3.1	10.0	10.0	10.0	16.5	50.0
BIG (Revenue)	0.0	0.0	1.1	1.1	1.1	0.7	4.0
PIF (Capital)	0.0	0.0	10.0	10.0	10.0	10.0	40.0
LCE (Revenue)	0.0	1.3	2.0	2.1	2.1	2.3	10.0
Total	**0.4**	**4.4**	**23.1**	**23.2**	**23.4**	**29.5**	**104.0**

Annual Investment Limits

8.3 The investment profile sets out the target investing activity per year, however there may be opportunities or circumstances where it may be beneficial to invest more in a particular year and it is proposed to create the flexibility to do this by setting a maximum limit on how much may be invested in any individual year. The table below sets out proposed limits which are reflected in the Council's general Investment Strategy, and it is necessary to ensure the two are approved in alignment with each other (should what is approved differ the general Investment Strategy and Treasury Management Strategy set by Council would prevail).

8.4 Annual investment limits:

£m Pillar	2023/24	2024/25	2025/26	2026/27
Capital Limit (BIG and PIF)	40.0	40.0	40.0	40.0
Revenue Limit (LCE and BIG)	5.0	5.0	5.0	5.0

8.5 These limits provide headroom in a given year, however the maximum approved WRIF expenditure in total over the life of the Fund will remain at £104m. Therefore, if more than the target profile is invested in a given year then the investment targets and investment limits for future years will be adjusted downwards to reflect that total investing must stay within £104m. Once the maximum is reached for each Fund no more investing will occur as the WRIF is a closed fund.

8.6 The WRIF is operating as a closed fund to limit exposure to risk and to promote the need for transparent and new discussion of any future investing activity unencumbered by built up expectations of having to meet a need that may no longer exist or may no longer be a best use of Council resources compared to other developing needs.

Fund Summary

Annex A

Element	Description	Portfolio Size	Individual Investment size & volume	Priorities	Types of Investments	Economic & Social Investment Criteria
WRIF Portfolio	Offering a range of funding options designed to complement and enhance the provision of commercially available finance and support economic recovery for businesses located or looking to be located in Warwickshire. Businesses located just outside of the county may be considered by exception, where there are clear benefits to Warwickshire. Offering businesses access to specific and tailored pre- and post-investment support programmes ensure they are both business and investor ready.	Up to £104m	N/A	Portfolio priorities: • Investment in any sector or industry or business type that creates or safeguards skilled or entry level jobs • Securing inward investment – can or will leverage additional resources or funding • Increasing social value – where the investment brings benefits to local residents, removes barriers to employment, supports health and well-being, protects and enhances the natural environment, creates better places to live and/or maximises opportunities to strengthen community capacity and resilience • Support for 'green' / sustainable technologies or industries	Predominantly debt & potentially some equity products	• Number of jobs created / safeguarded • Number of jobs filled by unemployed • Value of GVA uplift • Number of responsible investments • Returns aligned to risk framework • Poverty Premium • Increased wireless network capacity

Element	Description	Portfolio Size	Individual Investment size & volume	Priorities	Types of Investments	Economic & Social Investment Criteria
Business Investment Growth Pillar	Financing to support local growth plans – help companies expand operations, hire new staff, purchase machinery, and grow customer reach	£50m Capital £4m Revenue	<£10m Approx. 2 – 5 per annum	**Future Growth Sectors:** 1. Automotive Technology 2. Digital Creative & Digital Technologies 3. Future of Mobility 4. Low carbon technologies **Other key priority sectors:** 5. Advanced manufacturing 6. Culture, Tourism & Hospitality 7. Modern methods of construction 8. Health & Wellbeing 9. Agri-tech and rural based businesses 10. Businesses in the supply chain that support delivery of the Council's priority outcomes for people, for example public health, social care and education.	Predominantly debt - Business Loans Equity based investment opportunities as a small percentage of the overall fund if there is a clear investment case for business growth investment and the risk profile is acceptable Maximum investment duration of 10 years	• Creating & safeguarding jobs – number of jobs created / safeguarded • Value of GVA uplift • Value of third-party inward investment • Uplift in Business rates

Element	Description	Portfolio Size	Individual Investment size & volume	Priorities	Types of Investments	Economic & Social Investment Criteria
Local Communities & Enterprise Pillar	Debt Financing for growth, support and development projects.	£10m	<£500k (Average investment modelled at £100k) Approx. 10 – 30 per annum	**Building on our strengths:** • Advanced manufacturing & engineering • Digital Creative & Digital Technologies • Culture, Tourism & Hospitality • Low carbon technologies **Other key priority sectors:** • Retail • Community based enterprises • Creative industries • Health & wellbeing • Social care or other supply markets to the Council and / or Warwickshire public services	Small Business Loans with maximum loan duration of 5 years	• Creating / safeguarding jobs or number of jobs created • Number of jobs filled by unemployed • Number of new start-up businesses

Element	Description	Portfolio Size	Individual Investment size & volume	Priorities	Types of Investments	Economic & Social Investment Criteria
Property & Infrastructure Pillar	Providing loans to forward fund infrastructure, invest in commercial site and premises and to unlock development consistent with the needs of key sectors and/or wider ambitions for economic recovery.	£40m	<£10m	To support the overall objectives of the WRIF, with a focus on: • Accelerating the delivery of new employment sites and premises • Encouraging new inward investment into Warwickshire • Supporting the transition to a low carbon economy **Beneficiaries**: • Developers and contractors of house building • Developers of employment land • Developers of office space • Developers of operational business buildings • Infrastructure projects • Occupiers of existing businesses	Commercial loans Equity investment Purchase of assets Corporate guarantees Joint Ventures Maximum loan duration of 5 years	• Creating & safeguarding jobs - number of jobs created / safeguarded • Sq ft of enabled development

Appendix 5

Warwickshire County Council

Warwickshire Recovery & Investment Fund (“WRIF”)

Business Plan 2023/24-2026/27

1. Introduction and Purpose

1.1 The purpose of the Business Plan is to set out the activities for the Warwickshire Recovery and Investment Fund (“**WRIF**”) over the period 2022/23-2026/27. The WRIF is comprised of 3 funds or “pillars” which are detailed further in the WRIF Investment Strategy:

- Business Investment Growth (“**BIG**”) £50m - capital investments
- Business Investment Growth (“**BIG**”) £4m – revenue investments
- Property & Infrastructure Fund (“**PIF**”) £40m – capital investments only
- Local Communities & Enterprise (“**LCE**”) £10m – revenue or capital investments

1.2 This update focuses on changes and developments and does not reproduce material where there has been no change.

1.3 An internal review of WRIF activity and demand has been undertaken and the scale and shape of the WRIF is being amended in light of this. In particular the BIG Fund is being reduced in size and a revenue element is being introduced, and the governance of the PIF Fund is being refined to reflect demand and industry norms.

2. Outcomes and Benefits

2.1 The objectives and principles of the WRIF are set out in the WRIF Investment Strategy. The WRIF will give a particular priority focused investment opportunities that:

- Stimulate job creation of skilled or entry-level jobs in the county;
- Can or will leverage additional resources or funding;
- Help meet the net zero carbon targets for the council and county; and
- Increase social value - where the investment brings benefits to local residents, removes barriers to employment, supports health and well-being, protects and

enhances the natural environment, creates better places to live and/or maximises opportunities to strengthen community capacity and resilience.

2.2 The WRIF will consider quantifiable benefits of the following nature:

Benefit	Measures & Quantification
Support business and grow the economy; create the conditions for business innovation and investment to support business growth in growing sectors and drive economic growth.	Annual GVA / Value of GVA uplift to the County Number of new start-up businesses / businesses supported Business rates income Council tax income County-wide equitable distribution of funding
Increase the rate of employment; investment stimulates job creation with an increase of skilled or entry level jobs in the County	Number of jobs created/ filled by unemployed Number of jobs safeguarded
Provides employment land and premises; investment addresses the lack of appropriate employment land and premises in the County	Creation of employment land and premises – commercial space completed then occupied Amount of land developed/enabled
Enables Carbon reduction; investment in environmentally and/or economically sustainable businesses that are driving climate change benefits, carbon neutral and low carbon initiatives	An increase in the use of/public support for low and zero carbon technologies Number of responsible investments
Increases Social Value; investment brings benefits to local residents by promoting initiatives that increase skills and capabilities, removes barriers to employment, improves health and wellbeing, protects and enhances the natural environment, creates better places to live and maximises opportunities to strengthen community capacity and resilience.	Poverty premium - how many people's lives have they touched and households helped

2.3 The WRIF benefits targets have been updated to reflect experience to date and to reflect intelligence from benchmarks. The main changes to benefits targets are:

- To increase the target investment cost per job created to align more closely with benchmarks.
- To reduce the leverage targets as experience is indicating that leveraged investments are less common than expected.

2.4 Having regard to the revised size of the Fund the following target ranges are set for the full value of the fund.

Outcomes	Estimate
Jobs created	1497-2074
Jobs safeguarded	1822-2629
Private-sector leverage (£m)	12-17
Public sector leverage (£m)	4-6
Land and development enabled (ha)	15-23

2.5 The table below provides an updated profile of target benefits for the amounts still to be invested:

Projected outcomes	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Jobs created	280	282	285	356	273	273
Jobs safeguarded	493	495	500	630	-	-
Leverage (£m)	4	4	4	4	-	-
Land remediated (hectares)	5	5	5	5	-	-

2.6 Whilst these are the targets, actual activity may vary significantly. It is expected that for example that the average cost per job protected may vary by +/-15% considering the range of benchmarks. The profile has been updated for the following:

2.7 The targets reflect the revised fund size and investment profile (the benefits of jobs created is expected to lag and so appear over a longer timescale than other benefits).

2.8 The WRIF will also monitor benefits in terms of Gross Value Added and the number of businesses supported but will not set targets in these areas as predicting these benefits is more difficult.

2.9 There may be significant benefits that cannot be quantified or directly associated with an investment, for example increases in the council tax base or business rates income, knock-on supply chain benefits, community well-being, reductions in those not in education, employment, or training ("NEET"), etc. Where measurable these investment specific benefits can be captured and reported for each investment and the programme overall as they emerge.

2.10 Targets for carbon reduction is a consideration for the Fund however metrics and mechanisms to measure this are not mature and so targets are not yet being set. The Fund will expect all investees to seek to minimise carbon footprint, however, there is the potential for carbon impact to vary very significantly from one activity to another because although the WRIF will expect all companies to be climate-conscious some companies and some business sectors have more potential to impact than others.

3. Investing Profile

3.1 The updated investment profile is set out below:

Table 1: WRIF Gross Investment Profile

£m Pillar	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
BIG (Capital)	0.4	3.1	10.0	10.0	10.0	16.5	50.0
BIG (Revenue)	0.0	0.0	1.1	1.1	1.1	0.7	4.0
PIF (Capital)	0.0	0.0	10.0	10.0	10.0	10.0	40.0
LCE (Revenue)	0.0	1.3	2.0	2.1	2.1	2.3	10.0
Total	**0.4**	**4.4**	**23.1**	**23.2**	**23.4**	**29.5**	**104.0**

3.2 The revised profile has the following features:

- BIG Fund capital is reduced from £90m to £50m, reflecting less demand for this fund than expected.
- A revenue BIG fund of £4m is introduced, reflecting more demand for revenue funding, but also recognising that revenue investing is higher risk than capital, hence the amount added here is significantly less than the amount of capital taken out.
- The profiles have regard to actual activity in 2021/22 and forecast activity in 2022/23.
- All investing ends at the same time in 2026/27. This enables the Fund to have the best opportunity to manage (i.e. reduce) fixed costs and transition from investment making to monitoring efficiently. It also provides the Council with a clean policy break, allowing resources to be redirected as appropriate, unencumbered by an expectation that the default would be to continue with the same fund or policy that by that time will be 5 years old.

3.3 At the same time as mitigating risks, it is beneficial for the WRIF to have some flexibility to respond to variations in opportunity and demand and therefore whilst the above table sets out the targets for gross investing, the WRIF Investment Strategy also sets out maximum investing limits in any individual year which are higher than the target profile. This means if there is exceptional demand or exceptionally good reasons to invest more than the plan, this will be possible. Where this happens, the remaining profile of investment will be adjusted downwards because the total size of the fund (£104m) is a hard limit that will remain the same.

Table 2: WRIF Investing Limits

£m Pillar	2023/24	2024/25	2025/26	2026/27
Capital Limit (BIG and PIF)	40.0	40.0	40.0	40.0
Revenue Limit (LCE and BIG)	5.0	5.0	5.0	5.0

3.4 Capital investments may be treated as capital in the Council's accounts and therefore their funding may be from capital or revenue sources and any costs may be spread out over time. Revenue investments present a higher risk profile, there tends not to be any assets to secure against revenue loans, they must be resourced from revenue funding, and any adverse issues would impact immediately on the revenue account in full. This is why the revenue plans and limits are significantly lower than the capital plans and limits.

3.5 The gross investment profile sets out the pace at which investments are made. The other aspect of the investing profile is the pace at which investments are repaid and this in turn drives the total amount of investment in place over time which also drives risk exposure.

3.6 Repayment profiles are less predictable because each loan duration and repayment profile will depend on the circumstances. BIG loans could be for up to 10 years and PIF and LCE loans could be for up to 5 years. A revised example debt profile has been modelled these profiles, and the expected "peak debt" is expected to be approximately £79m in 2026. This is a significant reduction on the peak debt forecast from last year (which was approximately £109m in 2026) and the reduction is primarily driven by the reduction in the size of the BIG fund.

3.7 It is within the control of the WRIF to control peak debt by considering the availability of debt funding as one of the factors that is considered when investing. If a significant number of investments are proposed that by their nature drive significantly increased peak debt a number of levers are available to manage the position including:

- Approving or rejecting individual bids based on the resources available;
- Adjusting the "offer" to future bidders, i.e. reducing the maximum duration or maximum loan amount available to future bidders;
- Requiring faster payback profiles from future bidders;
- Adjusting the remaining total amount of investment to a lower figure; and
- Delaying further investments.

4. Financial Plan

4.1 The financial plan has been updated to reflect the revised profile and updated assumptions about costs. The WRIF is expected to cover its costs and generate a financial return based on the following principles:

Cost	Source of Funding	Risks / Opportunities
The Council's own cost of borrowing	Recovered by a part of the interest rate charged matching our cost of borrowing	Interest rate risk is possible but can be mitigated by making decisions about whether the Council borrows at fixed or variable rates and whether it invests at fixed or variable rates and by controlling the duration or its borrowing and investments. There will be the opportunity to earn arbitrage income if the Council is able to borrow at better rates than its standard external cost of borrowing.

Cost	Source of Funding	Risks / Opportunities
Expected losses from defaults	Recovered through the interest rate charged including a credit risk factor	If default experience is higher than anticipated a net loss would occur. Conversely if default experience is lower than anticipated a surplus would occur.
Expected net financial return	Recovered through the interest rates charged	The BIG and PIF funds have the option to make a net positive financial return of up to 3%. The LCE is targeting break even. Any net positive return from the BIG and PIF funds is a first source of mitigation to cover losses or to cover administration costs that are greater than expected.
Administration costs	Recovered through fees, e.g. arrangement fees, early and late payment fees, monitoring fees, etc	Some costs are relatively fixed so underactivity on investing could lead to under recovery of some costs. However, fee rates will be kept under review and can be varied as new investments are made, in light of the circumstances.

4.2 There are two key financial risks:

- That default activity is greater than anticipated and greater than the risks reflected in interest rates charged, leading to a net loss; and
- That investing activity is lower than anticipated leading to an under recovery of fees to cover administration costs.

4.3 There are a number of mitigations for these risks including:

- Monitoring activity an experience and adjusting investing behaviour over time, for example to reduce the investing limits, change the target risk profile, etc;
- Adjusting fees over time to have regard to changes in costs and changes in activity rates;
- Any net surplus from activities being a first source of cover for net losses or costs; and
- The commercial risk reserve being a source of cover.

4.4 The tables below summarise the next 5 years in terms of investment principal, fees, and interest (with the current year included for completeness).

Table 3: Financial Plan 2023/24-2026/27

£'000	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Total Lending	400.0	3,800.0	23,700.0	23,200.0	23,400.0	29,500.0
Total Repayments	-	- 97.3	- 1,008.8	- 3,387.7	- 7,860.0	- 12,900.7
Net Change In Lending	400.0	3,702.7	22,691.2	19,812.3	15,540.0	16,599.3
Cumulative Net Investing	**400.0**	**4,102.7**	**26,794.0**	**46,606.3**	**62,146.2**	**78,745.6**

£'000	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Administration Costs	- 522.9	- 551.8	- 991.9	- 1,047.5	- 1,115.9	- 1,169.7
Fees Recovered	10.7	204.9	1,200.2	1,362.3	1,542.6	1,879.1
Net Costs	- 512.2	- 346.9	208.3	314.7	426.7	709.4
Cumulative Net (Expenditure) / Income	**- 512.2**	**- 859.1**	**- 650.8**	**- 336.1**	**90.6**	**800.1**

£'000	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Interest Paid by Borrowers	1.2	81.0	1,264.4	2,918.9	4,306.2	5,341.0
Cost of Capital	-	- 30.6	- 431.5	- 984.3	- 1,449.3	- 1,797.4
Credit Loss	- 0.2	- 21.7	- 174.8	- 362.2	- 515.7	- 622.6
Net Return	1.0	28.6	658.1	1,572.4	2,341.2	2,921.0
Cumulative Net Return / (Loss)	**1.0**	**29.6**	**687.7**	**2,260.1**	**4,601.3**	**7,522.3**

4.5 Cumulative net lending peaks in 2026/27 and reduces thereafter with debt forecast to reach to zero by 2036/37.

4.6 Administration costs are a combination of internal staffing costs and external consultancy and service provider costs in order to provide the correct capacity and expertise at best value. Administration costs are recovered in part through upfront fees and in part through monitoring fees and specific fees for specific circumstances through the duration of the loan. The Council's arrangement fees are currently expected to average at under 4% of the value of gross investments made, and monitoring fees are expected to average at 1% p.a. or less of the investment principal outstanding.

4.7 Costs are most significant over the first 5 years whilst investing decisions are being made. Beyond this point administration costs will continue at a lower level as portfolio management and monitoring activity continues. Over the life of the fund administration costs are planned to be covered by fees. Fees are structured to be slightly front-loaded, i.e. the net fee income accumulated by 2026/27 contributes towards the covering the costs in the later stages of the Fund where income will be lower, and some capacity to cope with volatility in demand and early repayments built in.

4.8 The strategy enables the option to recoup a net return of up to 3% p.a. on the BIG and PIF funds, however there is discretion as to whether to take this option on a given opportunity, weighing up the pros and cons of the return against its impact on the risk of success in delivering the primary objectives of the fund which are non-financial. No net return is targeted or expected from the LCE fund.

4.9 The first call on any net surplus relating to the WRIF (be it arising from fees or interest rates) will be to replenish the commercial risk reserve to the point where the WRIF has repaid all drawdowns from the reserve.

5. Risk

5.1 There are risks entailed in the delivery of the WRIF. Risks are managed by mitigating actions and it is accepted that some risk is necessary in order to access the opportunity to deliver the benefits of supporting and protecting the local economy.

5.2 Overall, the risks presented by the WRIF to the Council, and the risks of not achieving objectives are assessed to be slightly lower than they were in 2022/23 but there are a number of factors moving risks in both directions. The changes and their impact upon the WRIF are summarised in the table below.

How Risks are Changing

Factors that reduce risks	Factors that increase risks
• Reducing the BIG capital fund from £90m to £50m • Reducing the maximum duration of PIF loans from 10 years to 5 years • Removing equity investment as an option for PIF investments • The adverse impacts of Covid receding • The organisation and its WRIF infrastructure gaining and applying experience	• Creating a £4m revenue BIG fund • Inflation • The cost of living crisis • Lower international confidence in the UK • The government reducing the flexibilities allowed to local authorities in response to some local authorities taking inappropriate risks

5.3 The WRIF Investment Panel has a risk appetite statement which has been reviewed by Officers. No changes are recommended and the risk appetite statement is reproduced below:

Risk Appetite	Risks In This Category	*Risk Appetite Definition*
Averse		Avoidance of risk and uncertainty is a key organisational objective
Minimalist	Regulatory	Uncertainty is to be avoided unless essential; only prepared to accept the possibility of very limited financial loss
Cautious	Governance Reputational	Tolerance for risk taking is limited to events where there is little chance of significant downside impact
Open	Financial BIG PIF	Tolerance for decisions with potential for significant risk, but with appropriate steps to minimise exposure
Hungry	LCE	Eager to pursue options offering potentially higher rewards despite greater inherent risk

5.4 The Fund is prepared to take certain risks in order to access the opportunity to deliver it objectives, and the risk appetite sets out that certain types of risk are less acceptable, in particular regulatory, governance, and reputational risks. The highest risk appetite is in relation to the LCE Fund which entails lending to higher risk counterparties (that tend to be smaller entities, start-ups with less track record, that want revenue funding, etc). The Fund acknowledges that in order to protect jobs and economic activity in this space it is necessary to take greater risks.

5.5 The Fund utilises risk register to monitor and manage risk as a standing item at Investment Panel meetings. Key risks and mitigating actions are summarised below.

Risk	Mitigating Actions
Resources and Expertise	• Procurement of external advisors and consultants as appropriate. • Recruitment of specialist staff • Staff training • Managing pace to align with resources available if required
Significant Credit Loss	• Spreading the investments made over time • Diversification, for example across different business sectors, locations, types of business, and fund types • Setting limits on the amount of investment per fund • Most investment is to be capital not revenue in nature • Having a preference for securitised loans and senior debt lending (senior debt is debt with the highest priority (after secured loans) to be repaid in comparison to any other lending a company may have). • Ensuring interest rates charged reflect the credit risk being taken • Ensuring appropriate due diligence of opportunities • Ensuring appropriate terms exist in loan agreements • Commercial risk reserve available as cover for some losses • Building any lessons learned into revised practice over time • BIG and PIF investing decisions have to be recommended by the Investment Panel and approved by Cabinet

Risk	Mitigating Actions
Economic	• Use of fund investment limits to control maximum exposure to risk • Access to a range of financing options • Use of fixed or variable rate loans as appropriate • Stress testing of the business plans of potential borrowers considering foreseeable economic developments • Considering broadly the economic position and outlook when monitoring the investment portfolio and when making investing decisions (for example considering economic cycle risk) • Being able to stop further investments at any time
Investment Objectives Not Met	• Sensitivity/stress testing analysis at the fund development stage • Diversification across a range of different investments with different risk/return profiles • Annual review of WRIF Investment Strategy • Annual Review of WCC Investment Strategy • Accepting the risk/opportunity that other lenders may step in and reduce the need for WRIF to invest • Reviews of market need developments
BIG, PIF, and LCE Fund Specific Risks	• Management of the LCE Fund Manager • Management of the PIF Fund Advisor • Continual improvement of the bid assessment processes for BIG investments.
Governance	• Formal forward planning of Investment Panel business • Engagement with internal audit for advisory support as appropriate • Engagement of relevant external consultants/experts • Risk management being a standing item at the Investment Panel • Periodic review of the adequacy of WRIF arrangements (commissioned for Section 151 Officer) • Annual review of WRIF Strategy and WCC Investment Strategy, including review of the controls and flexibilities • Formal training plan for the Investment Panel • Appointment of Independent Investment Adviser to support the Investment Panel • Member oversight and scrutiny, for example from the Member Oversight Group, Audit and Standards Committee, etc as required

Risk	Mitigating Actions
Fraud and Money Laundering	• Adoption of the protocols of the Council's Anti Money Laundering (AML) Policy • AML checks being a standard part of the due diligence checklist for investment assessment • AML training for officers and those charged with governance • Procurement of a specialist AML checks provider for more complex checks • Periodic internal audits of WRIF activity

6. Key Activities

6.1 In addition to the expected investing and "business as usual" activity the following actions are planned for 2023/24.

Ref	Title	Description	Due Date
1	PIF investment governance	Implement the updated PIF governance arrangements	April 2023
2	BIG investment governance	Consideration of whether to amend the investment governance process for the BIG fund in a similar way to the PIF	April 2023
3	Independent review	Commission the 6 monthly independent / external review	May 2023 November 2023
4	Investment panel terms of reference review	Checking that the terms of reference remain fit for purpose and amend as appropriate	July 2023
5	2023/24 business plan review	Update of the financial plan and expected benefits / outcomes in light of investing experience during 2023/24	December 2023
6	Review of communications	Considering the perception of the fund and promoting its unique selling points (including promotion of the wider support WCC can provide or enable)	July 2023
7	Consider co-investment opportunities	Develop stronger links to other finance providers for co-investment and/or cross-referrals	Ongoing

6.2 During 2022/23 the planned external reviews of activity were not implemented, in part due to the fact that activity levels remained low which would put limits on the benefits of any review and in part due to capacity issues, with WRIF capacity being prioritised towards ensuring the servicing of the Investment Panel, and the consideration of BIG investment bids. As the fund is at an early stage the total investment activity to date is relatively low there would have been limits on the activity that a review could comment on, however the external reviews will be given a higher priority in 2023/24.

Agenda Item 11

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

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Agenda Item 12

By virtue of paragraph(s) 3,7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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of the Local Government Act 1972.

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Agenda Item 13

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

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General Exception Procedure Notice Pursuant to Standing Order 17 and reg 10(1) and 10(3) of The Local Authorities (Executive Arrangement) (Meetings and Access to Information) (England) Regulations 2012

Directorate:

Communities

Confidential or Exempt [*please state category of exempt information]*

Exempt

Decision Taker: Member Body or Officer *[if officer please give name and title]*

Cabinet

Proposed Date for Decision/ Time Period

27 January 2023

Summary of Matter

Bermuda Connectivity is a technically challenging project that is intended to open up a new route to the west of Nuneaton creating improved pedestrian, cycle and vehicle connectivity with the Bermuda Park rail station, new and existing industrial units and the wider transport network. The project has been developed, including design, planning permission and procurement, with the aim of providing benefit to the local community and contributing to improvements in traffic flow across Nuneaton.

The current total allocated funding for the Bermuda Connectivity Scheme is £10.759m following previous decisions at Cabinet and Council, which includes an allocation of £0.400m from the Bridge Maintenance budget.

The construction works started in April 2021 and were planned for completion in April 2022. At the point of contract award there were known risks to scheme delivery, such as the presence of the gas barrier and these had been identified and investigated during the scheme development and were costed in the allocated funding. However, during construction other significant unforeseen issues have impacted the project in terms of cost and programme. These include construction sector inflation, additional works required to meet Network Rail approvals not previously advised by Network Rail, and additional issues with Bermuda Bridge and other parts of the scheme that could not be identified until work commenced. Full detail of the additions is included in Section 4 of the exempt Cabinet Report.

As a result of the above additional funding is requested to complete the scheme.

Recent progress on the scheme delivery has improved significantly, as the issues are being resolved. The formal completion of the works is expected in October 2023, however many of the key features such as the bridge, and new pedestrian and cycle facilities will be open and operational in advance of this date.

As the scheme is technically challenging, the detail behind the issues that have arisen has not been static and has required considerable work to verify the costings and ensure mitigations are appropriately designed and factored into the overall scheme costs. It was therefore not possible to meet the deadline for the Forward Plan entry.

Proposed Decision

That Cabinet recommends that Council approves additional funding to the Bermuda Connectivity project to increase the existing budget in the Capital Programme
If the proposed decision is made, would it be contrary to or not wholly in accordance with the policy framework or budget? No

List of documents/reports provided

Bermuda Connectivity Cabinet Report (exempt report)

List of Background Papers

None

Is consultation proposed Yes/ No *[if yes, say who and how]*

No

Members of the public wishing to make comments on this matter should write to:

Monitoring Officer **Warwickshire County Council** **Shire Hall** **Warwick** **CV34 4RL** monitoringofficer@warwickshire.gov.uk	
Comments should be made by	**26 January 2023**

Office Use only

Directorate Contact *[please give name and number]*

Nicola Van Der Hoven

To be completed by Member Services

Copy Notice served	**Date**
Chair of the Communities Overview and Scrutiny Committee	**19/01/2023**
Copy Notice published on website and available at the offices of the Council	**19/01/2023**

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Agenda Item 14

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

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