County Council

Date: Tuesday 7 February 2023
Time: 10.00 am
Venue: Council Chamber, Shire Hall

Membership

Councillor Dave Humphreys (Chair), Councillor Christopher Kettle (Vice-Chair), Councillor Jo Barker, Councillor Richard Baxter-Payne, Councillor Brett Beetham, Councillor Margaret Bell, Councillor Parminder Singh Birdi, Councillor Sarah Boad, Councillor Barbara Brown, Councillor Peter Butlin, Councillor Jonathan Chilvers, Councillor Jeff Clarke, Councillor John Cooke, Councillor Andy Crump, Councillor Yousef Dahmash, Councillor Piers Daniell, Councillor Jackie D'Arcy, Councillor Tracey Drew, Councillor Judy Falp, Councillor Jenny Fradgley, Councillor Sarah Feeney, Councillor Bill Gifford, Councillor Peter Gilbert, Councillor Clare Golby, Councillor Brian Hammersley, Councillor John Holland, Councillor Marian Humphreys, Councillor Andy Jenns, Councillor Kam Kaur, Councillor Jack Kennaugh, Councillor Justin Kerridge, Councillor Sue Markham, Councillor Jan Matecki, Councillor Sarah Millar, Councillor Chris Mills, Councillor Jeff Morgan, Councillor Penny-Anne O'Donnell, Councillor Bhagwant Singh Pandher, Councillor Daren Pemberton, Councillor Caroline Phillips, Councillor Wallace Redford, Councillor Howard Roberts, Councillor Will Roberts, Councillor Kate Rolfe, Councillor Jerry Roodhouse, Councillor Isobel Seccombe OBE, Councillor Ian Shenton, Councillor Jill Simpson-Vince, Councillor Tim Sinclair, Councillor Mejar Singh, Councillor Richard Spencer, Councillor Heather Timms, Councillor Mandy Tromans, Councillor Robert Tromans, Councillor Martin Watson, Councillor Adrian Warwick and Councillor Andrew Wright

Items on the agenda: -

8. Any Other items of Urgent Business

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

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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A member attending a meeting where a matter arises in which they have a disclosable pecuniary interest must (unless they have a dispensation):

- 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 for that meetuing. 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.

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Council

7 February 2023

External Auditors' Annual Audit Report 2021/22

Recommendation

Council is asked to:

i. Consider the Annual Audit Report of the External Auditors, attached at Appendix A; and
ii. Request that Cabinet consider and approve an action plan in response to the recommendations in the Annual Audit Report, for consideration and approval by Cabinet.

1. Purpose of the Report

1.1. A new Code of Audit Practice came into force from 1 April 2020 for audit years 2020/21 onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on the Council's arrangements for securing value for money alongside the audit opinion on the Council's accounts.

1.2. The purpose of preparing and issuing the Annual Audit Report is to communicate to the audited body and key external stakeholders, including members of the public, the key issues arising from auditors' work, which auditors consider should be brought to the attention of the audited body.

1.3. The Report, for 2021/22, is attached at **Appendix A** and covers both the County Council and Warwickshire Pension Fund. It summarises all of the work completed as part of the 2021/22 annual audit and review of value for money arrangements.

1.4. The auditors will attend the meeting to present the report.

1.5. Following Council's consideration of the report it is proposed that an action plan is developed in respect of the issues raised. This will be reported to the next meeting of the Audit and Standards Committee on 23 March 2023 before going on to Cabinet for approval on 11 April 2023.

2. Financial Implications

2.1. There are no material financial implications for the authority as a result of the issues raised in this report.

3. Environmental Implications

3.1. There are no specific environmental implications arising from this report.

4. Background Papers

4.1. None.

	Name	**Contact Information**
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Portfolio Holder	Peter Butlin Deputy Leader and Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

Local Members consulted
Not applicable

Other Members consulted
None

Auditor's Annual Report on Warwickshire County Council

2021/22

February 2023

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below along with the direction of travel from the conclusions made within our 2020/21 Annual Audit Report.

Overall, the conclusions we have made this year have improved within Improving economy, efficiency and effectiveness as we did and stayed consistent within Financial Sustainability and Governance. A summary of our conclusions are available on page 4.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified.	
Governance	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made	
Improving economy, efficiency and effectiveness	One significant weaknesses in arrangements identified and one recommendation made.	Significant weaknesses in arrangements identified and a key recommendation made.	No significant weaknesses in arrangements identified, but improvement recommendation made. The direction of travel is positive.	

No significant weaknesses in arrangements identified or improvement recommendation made.

No significant weaknesses in arrangements identified, but improvement recommendations made.

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary

Financial sustainability

2021/22 continued to be an highly unusual year for Local Government Finances with the continued strain of the Covid-19 pandemic being felt throughout. This coupled with new cost pressures arising, due to increasing inflation, has meant that the 2021/22 has ended with even greater uncertainty around the financial sustainability of the sector. Despite these challenges we concluded that the Council maintained a strong financial position throughout 2021/22 and have planned well over the medium-term. The ability to make savings and balance planned expenditure against the available funding will be vital for the Council to maintain financial sustainability over the medium term during what will be a renewed period of acute financial challenge. Further details are on page 7 of the report.

Governance

The Council has maintained effective governance arrangements during 2021/22. During 2021/22 there have been positive developments in relation to governance arrangements at the Council, with the independent review of Overview and Scrutiny Committee being presented (discussed further on page 12). Overall we have concluded that the Council continues to have good procedures around risk monitoring, budget setting, scrutiny and governance arrangements. However we have carried forward one of our 2020/21 recommendations that hasn't been fully implemented. Further details are available on page 11 of the report.

Improving economy, efficiency and effectiveness

Overall, the Council has effective arrangements in place in relation to delivering economy, efficiency and effectiveness in its services to local residents. The Council has good arrangements in relation to performance monitoring, procurement and partnership working. However, we noted two areas where the Council are still implementing improvements.

In our 2020/21 Annual Audit Report we reported a significant weakness in arrangements in relation to Special Educational Needs and/ or Disabilities service provision in the area and across all public sector partners, due to significant concerns of the joint report issued by CQC and Ofsted in September 2021. As part of our 2021/22 Audit Plan we highlighted this was a potential area of significant weakness for 2021/22. Based on the progress made in the year, the governance arrangements in place and external monitoring we have not highlighted a significant weakness in arrangements in 2021/22. However, we have raised an improvement recommendation, on page 19, to ensure that the pace and quality of change continues to be monitored.

As part of our Annual Audit plan for 2021/22, we also highlighted a potential significant weakness based on the results of an inspection into Warwickshire Fire and Rescue Service released in January 2022. Based on the progress made in the year, the governance arrangements in place and the revisit by the regulator in February 2022 we do not consider there to be a significant weakness in arrangements, however we have raised an improvement recommendation on page 20.

We have substantially completed our audit of your financial statements and anticipate issuing an unqualified audit opinion following the meeting of the County Council on 7 February 2023. Our findings to date are set out in further detail on page 25.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22	We have substantially completed our audit of your financial statements and anticipate issuing an unqualified audit opinion on following the meeting of the County Council on 7 February 2023. Our findings to date are set out in further detail on page 25.
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	No statutory recommendations have been made as a result of our value for money assessment. It should be noted that we are currently finalising our work in relation to an outstanding accounts objection for the year ended 31 March 2018, however we do not expect to make any statutory recommendations as a result of this.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We have not been required to issue a public interest report in the period and there are no matters as a result of our value for money procedures undertaken that would lead us to conclude that a report in the public interest is necessary. As noted above, we are currently finalising our work in relation to an outstanding objection for the year ended 31 March 2018, however we do not expect to make a public interest report as a result of this.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We have not been required to make an application to the courts in respect of any item of account included in the financial statements for year ended 31 March 2022.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We have not been required to issue an advisory notice in respect of any intended actions of the Council.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We have not applied to the courts for judicial review in relation to any matters noted in the period.

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 21. Further detail on how we approached our work is included in Appendix B.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial Outturn 2021/22

2021/22 continued to be an highly unusual year for the public sector with the continued strain and recovery from the Covid-19 pandemic being felt throughout. The Council received £42.4m of COVID related funding in the year, with overall expenditure on COVID related pressures being estimated at £47.5m. Despite the uncertain and challenging climate, the Council has shown strong financial management by delivering 99.4% (£7.9m) of its planned savings plan. This has meant that the Council has achieved a revenue underspend of £10.5m in 2021/22. The Council's usable reserves have increased by £11.9m in the year due to these factors. This has helped to strengthen the Council's financial resilience in the face of renewed financial pressures over the medium term.

2022/23 budget

In February, the Council approved a balanced budget for the financial year 2022/23. There was strong internal and external engagement throughout the budget setting process with options being presented to the Cabinet in December 2021 and an update in January 2022.

Scenario planning was utilised when developing the budget, this ensured that the assumptions presented to the Cabinet were balanced and not overly optimistic. At the time of drafting the assumptions around income, pay costs and inflation were in line with best knowledge. However, this has been an uncommon year for the UK for inflation and other cost pressures, which now means that some of the assumptions are outdated. This was disclosed as a risk within the 2022/23 budget and the uncertainty around key policy, economic and funding forecasts being highlighted as a key strategic risk to the Council.

We have reviewed the financial risks and pressures disclosed around both the 2022/23 budget and Medium Term Financial Strategy (MTFS) and are satisfied that there are no obvious omissions.

Due to ongoing pressures in relation to COVID and the dedicated schools grant (DSG), the Council faces a forecasted overspend of £13.4m as of quarter 3 for the 2022/23 financial year. However, the Council have already managed to identify measures to mitigate most of this balance, meaning that the Council is currently only forecasting a £6.7m (1.9%) overspend for 2022/23, that will be met from Directorate and General Risk Reserves. There is potential for this position to worsen given the current economic climate, however the Council has ensured that sufficient contingencies are in place within their 2022/23 budget and MTFS. These contingencies include COVID related reserves of £19.3m, an inflationary specific provision from the general reserve of £7.5m, service level inflation contingencies and up to £93m to manage volatility over the life of the MTFS, per the Council's Reserves Strategy 2022-27.

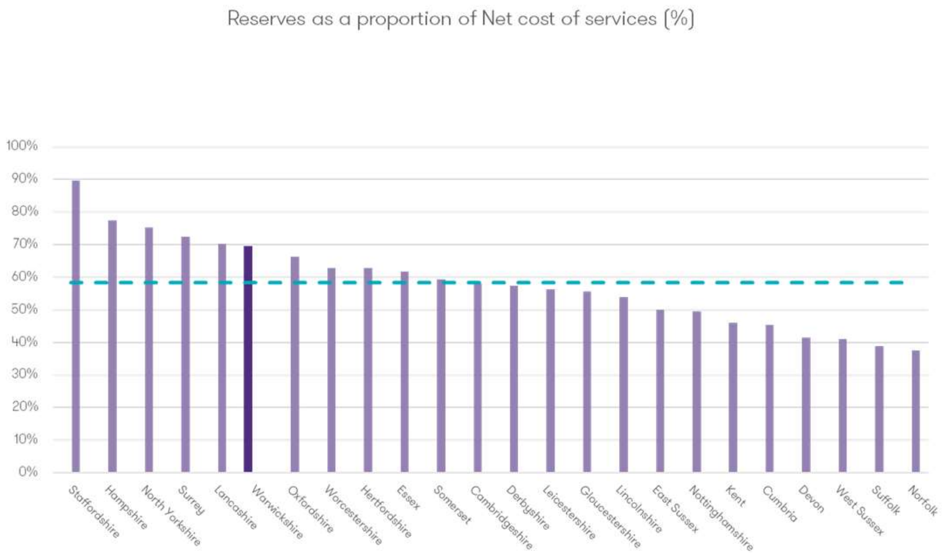
Reserves

The Council has a Reserves Strategy which is refreshed on an annual basis and is presented as an appendix to MTFS, to further support decision making. As at March 2022 the Council's reserves were £244.4m, with their general reserves totaling £26m. This is above 5% of the Council's annual net expenditure, which shows the Council is holding suitable levels of reserves. This is a prudent approach which should help manage the significant financial uncertainty that the Council faces in the medium term.

Financial sustainability

Reserves are forecasted to reduce by £59.5m over the life of the MTFS (2027) to support timing differences between spending need and the delivery of savings and growth in the Council's revenue streams. The Reserves Strategy and MTFS provide a comprehensive overview of the use of reserves and the monitoring of reserves is included within quarterly updates to the Cabinet, this ensures that there is accountability over the use of the reserves and ensures reserves won't be lower than 5% of annual net expenditure.

When compared to other county councils in the country and the West and East Midlands region, Warwickshire rank highly on the strength of reserves based metrics.



Medium Term Position

The Council has a clear understanding of the medium-term challenges it faces and has ensured that its MTFS is aligned to deliver the outcomes of its Council Plan.

Risks from the Strategic Director for Resources Statement	
Delivery of planned budget reductions	Inflationary risk
On-going Impact of Covid-19	Repayment of overspends
Dedicated Schools Grants Deficits	Treasury Management
Uncertainty of the National Funding Position	Local Government Funding Reform
Pensions	Impact on the Medium Term Financial Strategy

To take a proactive approach in dealing with these challenges the Council is making additional investment in key areas to ensure their finances are robust and sustainable over the medium term. This includes investment in areas such as children's social services, adult social care, Special Educational Needs and Disabilities (SEND) and digital transformation. There is also a £10m Investment Fund that will enable focused investment in areas that will support delivery of the Council Plan.

We have reviewed the Council's assumptions across the 2022/23 to 2026/27 MTFS and consider them to be fair based on current uncertainties, as we mentioned above some assumptions are now out of date, but this is a factor the Council is aware of and is positively managing both in 2022/23 and in the financial planning for future years.

Financial sustainability

The key assumptions to mention are around revenue. The Council will increase Council tax by 1.75% in 2022/23 (increasing by 1.99% over the medium term) and will utilize 2% of the social care levy in 2022/23 (plus an additional 1% in 2023/24 and 2024/25). Based on these assumptions and the budget reductions planned (discussed below) the Council currently has a balanced financial position to 2027.

Due to the fluctuation of current cost pressures (inflation) we have also reviewed the assumptions around the 2023/24 MTFS refresh that went to cabinet in July 2022. The Council has indicated that due to the inflationary outlook being volatile, with material changes on a monthly basis, they are keeping the position under close review and will update throughout the MTFS refresh process. The most likely scenario, that the Council is drafting its 2023/24 assumptions from, is that there will be minimal economic growth within the UK and a stabilization of inflation to historic trends over the next two years through to mid-2024. We consider this to be prudent and a realistic scenario given current uncertainty. However, this is an area we will continue to monitor closely as part of our 2022/23 audit procedures.

Budget reductions (saving targets)

To meet this balanced position the Council needs to deliver total budget reductions of £10.2m in 2022/23, with this rising to £65.7m by the end of the MTFS (2027). To support this, aim the Council has also allocated £5m initial investment to support budget reductions. The Reserves Management Strategy also indicates that budget reductions are funded as part of the £45.2m that has been allocated to support the timing differences between spending priorities and realization of benefits.

It is positive that the Council has a plan to deliver these budget reductions, with there being a clear list of reductions set out within the 2022-27 MTFS, however there is a potential risk that the Council will need to identify further budget reductions if assumptions in the MTFS or the delivery of savings do not reach the expected outcome. This could lead to a further use of reserves if budget reductions cannot be identified. This is a risk that is disclosed within the MTFS, but it is important to highlight here.

The Council has historically delivered their savings with them delivering £59.75m (84%) of their planned £70.7m of savings from 2017/18 to 2021/22.

Currently in 2022/23, the Council is on track to deliver its savings target. With the quarter 3 monitoring report showing that the Council is on track to deliver £9.4m (92%) of the required £10.2m savings in 2022/23.

Overall, the Council does have satisfactory processes in place to develop and monitor budget reductions. However due to the ongoing uncertainty around the medium-term funding of the sector, members need to continue to monitor the deliver of the planned budget reductions till 2027.

Dedicated Schools Grant

One of the areas that many local authorities have struggled with in recent times is balancing their deficits in relation to the DSG. There is much uncertainty around the long-term funding of the deficits on a national level. To alleviate this, in the short term, the Council has set aside a DSG Offset Reserve of £21.7m. As at quarter 3 the cumulative deficit for the High Needs block is currently £20.9m

Adults Social Care

Adult Social Care is another service area many local authorities are challenged with due to the increase in service demand, a backlog due to COVID and upcoming funding reforms. For Warwickshire, Adult Social Care is one of the highest spending services with the total service estimate for 2022/23 being £168m. Inflation and an increase in demand are projected to increase costs by £35m from 2023/24 to 2026/27. To support current and future funding of the service the Council will take advantage of the additional social care levy (as discussed earlier) and focus on the transformation of Adult Services to make it more financially sustainable.

Financial sustainability

Capital plans

As at Q4 2021/22 the Council's total capital expenditure was £107.6m, compared to an approved budgeted amount of £138.5m in January 2021. The main reason for the majority (£31.3m) of variance at Q4 was due to delays and reprofiled projects. Per the 2021/22 financial outturn report, the total value of delayed projects for the entire year amounted to £76.3m (43%). Whilst this is understandable due to the impact of the Covid-19 pandemic, it is an area that needs to be continued to be monitored in future periods to ensure there is no long-term impact on the delivery of the Council's capital programme. It should be clarified that the Council has reprofiled these projects meaning they will still be delivered in line with the Council's capital programme and other related strategies but at a revised timescale.

In June 2022 the Cabinet approved an updated capital budget of £163.4m. As of September 2022, the Council is forecasting an actual spend of £167.8m due to new projects. Due to the impact of inflation, parts of the capital programme are/or will face cost pressures throughout 2022/23. In order to alleviate some of these pressures the Council has set aside £15m Capital Investment Fund in September 2022. The Council is also undertaking due diligence work alongside services to try and minimize inflationary impact but there is a possibility that these costs may rise over 2022/23. By creating this contingency, the Council is taking a proactive approach to deliver the 2022/23 capital programme rather than waiting for unknowns.

Conclusion

Although it has continued to be an extraordinary year for Local Authority finances, with the impact of Covid-19 being felt throughout, the Council has continued to perform strongly in terms of its financial planning. There are now emerging cost pressures, due to the impact of inflation, but the Council has put sufficient contingencies in place to cover any current year cost pressures. There is still much uncertainty around the medium-term funding and cost position of the Council, but they have a well built plan in place.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk monitoring and effectiveness of internal controls

The Council has good processes around risk monitoring. The Strategic and Service Risk Register are presented to the Cabinet on a quarterly basis. This document assesses risk and evaluates against a matrix. The impact of risks range from insignificant to catastrophic and likelihood from highly unlikely to very likely. The definitions and criteria are set out in the risk management framework. The Strategic Risk Register is updated on an ongoing basis and has risks for current challenges such as the risk of sustained inflationary pressures.

The Council also receives assurance on internal control and risk management processes from its Internal Audit function. In 2021/22, Internal Audit completed 21 pieces of work:

Full Assurance	Substantial Assurance
2	12

Moderate Assurance	Limited Assurance
6	1

Internal Audit provided an overall opinion of “Substantial Assurance” on the Council’s control environment. This was an improvement on the 2020/21 opinion, which was given as “Moderate Assurance”.

The Internal Audit function also provided advice in the year to ensure appropriate controls are incorporated at an early stage of a project or systems development. Whilst Internal Audit do not provide assurance on such pieces of work, they do highlight areas of strength and weakness.

Budget Setting Process

The Council has a strong budget setting process. The budget setting process is driven internally by the Resources Directorate and the Assistant Director - Finance communicates the process and timelines accordingly. This is accompanied by a suite of documents that feed into the exercise such as revenue cost and demand pressure proformas. Officers then identify permanent additional costs, time limited costs and one-off costs as well as future savings. These must be supported by narrative explanation and assumptions applied. There are also guidance notes provided to budget holders in relation to trend analysis.

The MTFS is refreshed on an annual basis, with the 2022/23 MTFS Refresh being presented to the Cabinet in July 2021. This report allows management and members to consider different scenarios and assumptions before updated options and the final MTFS are approved. The MTFS and budget is built around the priorities set out in the Council Plan, this ensures that the Council’s resources are appropriately allocated to delivering the Council’s Strategic aims.

Governance

Approval of the annual budget is by full Council after going through a through a scrutiny and assurance process led by Corporate Board as well as the usual governance process of finance and legal sign-off for all Member reports. All of the information in the reports and the supporting documentation in the options presented to Cabinet in December are signed off by the individual Assistant Directors at the time it is submitted.

These individual service submissions also go through the relevant Directorate Leadership Team where there is the initial challenge/assurance process led by the Strategic Director. There is also opportunity for political groups to provide suggested amendments and these are also cleared as deliverable by both Finance and the relevant Assistant Director.

Overall we consider the Council to have a good budget setting process that ensures that assumptions around cost pressures and savings are built on realistic foundations, there is appropriate stakeholder engagement and multiple stages of scrutiny.

Budget Monitoring

Budget monitoring reports are presented to Corporate Board on a monthly basis. These reports includes graphical dashboard style summaries of performance, high-level commentary on key variances and risks and changes from the prior period. Further detailed analysis of the variances by each service line is reported on an under/ over spend basis. These reports summarise and provide the Corporate Board with an overall position of the Council and anticipated impact any variances will have on the final outturn position.

Financial monitoring reports are also presented to the Cabinet on a quarterly basis. This is reported at a high level initially and then drills into further detail by revenue outturn in each service area, savings plans delivery, reserves position and capital programme delivery. A number of appendices are presented alongside the executive summary for further scrutiny by members.

Treasury management activity is reported to the Cabinet bi-annually i.e. on the first six months of the period and then the outturn for the year. The update report includes headlines in relation to cash balances, investment returns, debt repayments and outstanding borrowings, these are then further analysed in the body of the report which is supported by a number of appendices. The update also comments on the compliance with the strategy as approved by the Council.

We consider the Council to have a strong budget monitoring process, with reports providing the necessary information for members to provide appropriate scrutiny in relation to savings, reserves, capital and revenue outturn. These reports have a good level of detail and are reported on an appropriate basis.

Decision Making and Committee Effectiveness

The basis of the Council's decision making is governed by the Constitution. The Constitution was reviewed during 2021/22 with there being a focus on contract standing orders, financial regulation, and scheme of delegation. The aim of this review was to provide greater clarity around certain areas and ensure the Constitution remained fit for purpose.

Relevant information is provided to decision makers before major decisions are made to ensure there is appropriate challenge. During 2021/22, the results of the independent review of Scrutiny that was commissioned by the Council in February 2020 were presented to Overview and Scrutiny Committees in February, March and June 2021 and the final recommendations to the Cabinet and Council in September 2021. The results of the report highlighted several areas of good practice and also highlighted a number of opportunities to strengthen the overview and scrutiny function. There was a recommendation to take a principles based approach to drive scrutiny forward.

Governance

The Council has created an action plan in response to the report, in order to guide their actions in relation to improving the overview and scrutiny function.

Attendance at Audit and Standards Committee demonstrates that members provide sufficient challenge and scrutiny of officers. Overall, members bring a balance of different experiences to the Committee. The Audit and Standards Committee also prepares an annual report which summarises the work it has undertaken and its contribution to the governance framework in the period, in conjunction with officers, internal audit and external audit.

Overall the Council has good processes in place to ensure good decision making takes place. The recommendations from the review of Scrutiny offer the Council further guidance on how to strengthen the good processes in place and highlight the Council's proactive approach to improve processes by commissioning reviews.

Monitoring and ensuring appropriate standards

The Council have a strong legal services team headed by a Monitoring Officer who ensures the organisation meet legislative and regulatory requirements. Where applicable the Monitoring officer will attend relevant meetings of the Cabinet, Council or other committees to offer advice on both legal and regulatory matters.

The Council has set guidance for gifts and hospitality for members and staff. In our 2020/21 Annual Audit Report we recommended that consideration should be given to the review and renewel of the gifts and hospitality policy as they were due for renewal in 2021. During 2022, the Council introduced the gifts and hospitality policy for members through the changes to the Member Code of Conduct. However, the review of the gifts and hospitality policy for staff has not been completed yet. As such we have carried forward our recommendation from 2020/21 to 2021/22.

The Council have a counter fraud, bribery and corruption framework which is underpinned by the need to "support a culture of openness, honesty and integrity". The Framework defines the approach to managing the risk of fraud, bribery and corruption across the organisation and ensures that best practice is embedded across all services, projects and partnerships.

Conclusion

The Council continue to have good processes in place for the monitoring of risks, budget setting, budget monitoring and effective decision making. The only recommendations we have made relate to prior year recommendations that have not been fully completed as at 31/03/2021.

Improvement recommendations

Governance

Recommendation 2	This recommendation has been carried forward from our 2020/21 due to ongoing actions at year end: Consideration should be given to the review and renewal of the gifts and hospitality policy as these were due to review in February 2021.
Why/impact	Officers and members alike should be provided with up to date policies and procedures to follow in their respective duties.
Auditor judgement	Timely review and update of policies will ensure that these are in line with current best practice in the industry.
Summary findings	The gifts and hospitality policy provided for review was due in February 2021.
Management Comments	The gifts and hospitality policy for staff as the current policy restricts gifts/hospitality to very low levels and there is no desire to increase them. From a financial perspective the limit is described as "nominal", which has tended to be £5 or so and explicitly no alcohol. A review of existing HROD related policies was commissioned for 2022/23. unfortunately our external commission of this work did not go to plan as the external provider was unwell. The review will now be led internally and the Monitoring Officer has requested that the gifts and hospitality policy is made a priority.

The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance Monitoring

The Council reported performance against the Council Plan 2020-25 in 2021/22. In 2022/23 performance will be based on the new Council Plan 2022-27 that was approved in March 2022. The Council ensures comprehensive reporting is enabled through its PowerBi dashboards and the Council Plan is monitored against 54 key business measures (KBMs).

The year-end performance report shows that of the 54 KBMs, 47 are available for reporting and of these 47, 66% (31) are "On Track". We note that in situations where reporting against KBMs is not readily available (due to national suspension or data not being readily available at the time of reporting), the Council highlights alternative proxy measures or reports the data later to ensure performance is consistently monitored.

In situations where KBMs are not being met, there is clear narrative that sets out why the KBM is not being met and what improvement activity is underway to improve under performance.

The Council also considers performance through its use of benchmarking data. It utilizes nationally/regionally available benchmarking data to ensure the value for money of services. In March 2022 the Local Government Association (LGA) undertook a peer challenge of the Council, with the report being published in June 2022. There were lots of positives highlighted and a number of key recommendations that are currently being developed into an action plan to drive further improvement at the Council.

SEND

In September 2021 the CQC and Ofsted reported on the joint inspection of the effectiveness of SEND that was performed in July 2021. The report highlighted issues with long waiting times for assessment of children with autism, lack of stakeholder communication in some areas, a legacy of leadership teams and forums not working together closely, diminished confidence in schools to support SEND children appropriately based on insufficient training and the online resources available to parents and carers. While we also recognised that the report also highlighted a number of strengths, we ultimately raised a significant weakness in these arrangements as part of our 2020/21 Annual Audit Report and made a key recommendation.

The Council formally published the written statement of action (WSoA) in January 2022, following approval from CQC and Ofsted. A follow-up review will take place by CQC and Ofsted in June 2023. The WSoA has an action plan for each of the five areas highlighted as "significant weaknesses" by the report. There was a good level of input in the WSoA by parents and carers and the Council has improved communication in the year with these stakeholders through the introduction of a monthly SEND newsletter, the launch of a new local Facebook page and the development of more regular events such as webinars. This is all part of an ongoing communication plan that has been implemented. They have also launched a new parent carer forum (Warwickshire Parent Carer Voice).

Improving economy, efficiency and effectiveness

The Council has introduced effective governance arrangements to monitor progress of the WSoA. This includes multi-agency working groups that have parent carer representatives. These groups report to the SEND and Inclusion Steering Group, which are responsible for the delivery of the actions within the WSoA. An overview of the monitoring arrangements (taken from the WSoA) is below.

Monthly	
KPI's	Discussions and challenge held at Education & SEND Senior Management Team and CCG SMT meetings

6-weekly	
WSoA interim reports on Progress	Targeted WSoA updates to SEND and Inclusion Steering Group (exception reporting of issues)

Quarterly	
WSoA formal reports on progress of actions within plan	Full WSoA update to SEND and Inclusion Board, SEND Member Panel, NHSE and DfE

6-monthly	
WSoA formal reports on progress of actions within plan	Full WSoA update to Children and Young People's Overview and Scrutiny Committee

As show above, overall progress is also monitored by the Department of Education (DoE) and NHS England (NHSE) on a quarterly basis with the latest meeting occurring in September 2022.

Feedback from the May 2022 meeting with DoE and NHSE was reportedly positive with comments about the pace of change. We have reviewed the May 2022 update and note that positive progress is being made:

Overall we have:

10 actions
19 sub actions
71 measures

Status	Quantity	Percentage
Completed	4	6%
On track, no concerns	46	65%
On track, some concerns	11	15%
No progress, major concerns	0	0
Not due yet	10	14%

To continue the pace of the change the Council is ensuring that there is suitable investment within SEND including an investment of £4.8m in the transformation of the service and an additional £99k to support the deliver of the WSoA. The Council is working with its partners to develop a whole system approach to improvement, which will include workshops facilitated by the Council.

There are some challenges currently being faced in relation to delivering the actions within the WSoA. With the Council facing difficulties in recruiting psychology posts, timescales around procurement of services from providers and the capacity in schools to engage in Inclusive Schools Working Group. These challenges were reported as part of the May 2022 monitoring report and the Council has highlighted mitigation/remedial actions to combat these challenges.

Overall, there has been positive progress in relation to each of the significant weaknesses highlighted within the September 2021 report. Due to this positive progress, the governance arrangements in place and the ongoing external monitoring arrangements we have not highlighted a significant weakness in arrangements, however we have raised an improvement recommendation on page 19.

Improving economy, efficiency and effectiveness

HMICFRS Inspection

As part of our Annual Audit Plan for 2021/22, we highlighted a potential significant weakness in relation to the results of an inspection into Warwickshire Fire and Rescue Service (WFRS).

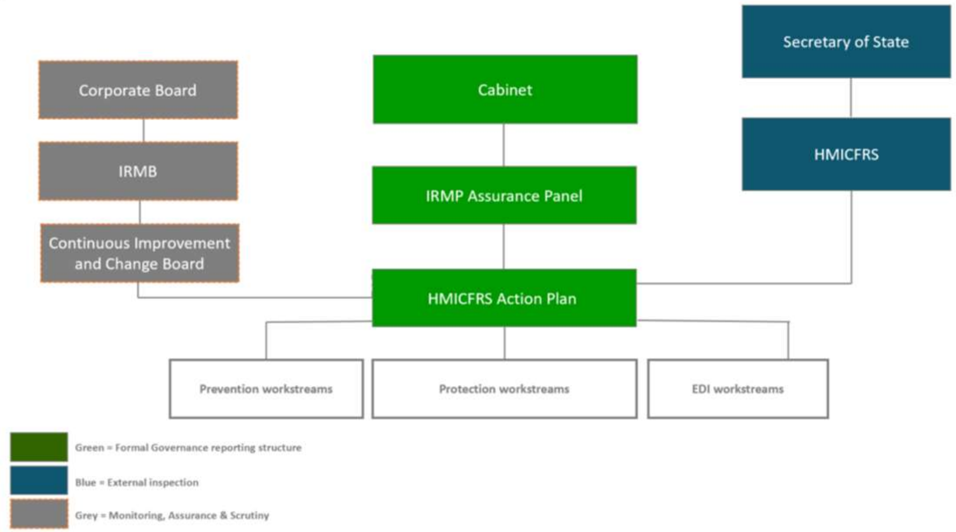
In March 2021 her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) completed an inspection of WFRS. The inspection report was publicly released in January 2022 and graded WFRS against three pillars of Efficiency, Effectiveness and People. The possible gradings are Outstanding, Good, Requires Improvement and Inadequate. WFRS received a grading of requires improvement in all three pillars.

The three pillars are split into 11 subsets, which WFRS was graded on and they were all graded as requires improvement, except for "preventing fires", which was graded as inadequate. This was a downgrade in all areas since the last inspection in 2018/19. Within the inspection report, HMICFRS highlighted three "Causes of Concern":

1. The service hasn't done enough since the last inspection to develop a prevention activity that prioritises those most at risk of fire;
2. The service hasn't done enough since the last inspection to identify its highest risk premises to inform its risk-based inspection programme; and
3. The service isn't taking a proportionate approach to promoting equality, diversity and inclusion (EDI) in the workplace.

In response the Council has developed a WSoA which was submitted to HMICFRS. They have introduced suitable governance arrangements to monitor progress against the action plan, as shown in figure 1.

The Council has fully funded the WSoA by allocating £1.55m to the improvement plan. There is a detailed budget of how this balance will be utilised.



During 2021/22, HMICFRS made a revisit in February 2022 to review progress on the action plan. Their conclusion was that significant steps had been taken in response to the concerns raised and that the increased levels of oversight and monitoring now in place reflect the determination and commitment of the WFRS to make the required improvements. However, they didn't close off any of the causes of concern and will continue to monitor progress.

Similar to other service areas, there are challenges in terms of recruitment that could affect the delivery of the plan but the service is trying alternative recruitment methods to remedy this challenge.

We have concluded that based on the governance arrangements in place, the progress made in the year and the revisit by the regulator in February we do not consider there to be a significant weakness in arrangements, however we have raised an improvement recommendation at page 20 to ensure that progress continues to be made and that any improvements are realising the expected benefits.

Improving economy, efficiency and effectiveness

Procurement

In our 2020/21 Annual Audit Report we reported that the Council has good processes in place for procurement and contract management, however we made a recommendation that the Procurement and Contract Management Strategy should be reviewed and renewed as it only covered to the period of 2020. We can confirm that the Council has updated their Procurement and Contract Strategy during the year.

In developing the strategy they ensured that there was internal stakeholder engagement, to understand the needs and plans of different services. They also utilised external consultants (PwC and Human Engine) during development to design a strategy that not only reflected best practice but also supported the aspirations the Council have in relation to procurement. The strategy has also been reviewed to ensure that it has been updated to link with the Council's Covid-19 recovery plans. The plan is built around three key pillars of Customer Value, Commercial Value and Social Value. It includes a five year road map that will guide the Council's key actions in relation to procurement and contract management. There is also a two-year delivery plan that outlines key workstreams that will be updated annually.

Overall we consider this to be a good strategy that has a clear direction of travel and which aligns with the Council's strategic objectives.

Council Plan 2022-27

The Council has refreshed their Council Plan in 2022 to ensure the Council's ambition, direction and strategy were up to date following the significant changes that have occurred since the drafting of the previous plan in 2020, examples include Covid-19, Levelling Up, climate change priorities and external uncertainty. When developing the plan the Council have ensured that strategic priorities and areas of focus were supported and guided by appropriate evidence and stakeholder engagement.

A report on the "State of Warwickshire" was drafted to provide an evidence base for the development of Council Plan, this included an analysis of Warwickshire to 2050 which presented different scenarios and looked at areas that were considered strategic priorities or areas of focus.

The Council also undertook a public engagement exercise through a questionnaire that was shared with staff, the public and partners. The Council utilised the feedback to ensure themes and priorities aligned with stakeholder responses.

The Council has also ensured that the plan continues to address the needs of the local community in relation to Covid-19 Recovery Plan. With a report being presented alongside the Council plan detailing achievements and progress made in relation to the Covid-19 recovery and where further work will take place.

The delivery of the Council plan is supporting by other key strategic documents, such as the MTFS, and through a Integrated Delivery Plan.

Partnership working

The Council continues to work well with its public, private and voluntary partners to ensure strategic objectives are achieved. There is evidence of the Council working with partners to deliver regional and national outcomes, as well as developing whole system approaches to drive improvement.

Where applicable the Council will create an agreement and Memoranda of Understanding that sets out these relationships, including areas of responsibility and how partners cooperate.

There is evidence of Cabinet considering reports on partnership working during the year and monitoring of workstreams that have been established.

Conclusion

Overall, we are satisfied that the Council has appropriate arrangements in place to ensure it can deliver economy, efficiency and effectiveness with good processes in place for performance monitoring, procurement and contract management and partnership working. There has been good process in relation to recommendations made by external regulators, however it is important that the Council continues the pace of change within these areas to meet their initial timescales.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 3	The Council are in the process of implementing the agreed improvements as set out in the Written Statement of Action that is in place due to the significant concerns raised by CQC and Ofsted in their September 2021 report. The prior period recommendation is still relevant therefore and will be completed once the Council ensure that any improvements are realising the expected benefits.
Why/impact	Although progress has been made and good processes put in place to monitor the Written Statement of Action, there is a risk that conflicting priorities may cause the Council to lose momentum. This will have a significant impact on the service user and the Council's reputation.
Auditor judgement	As the report raises significant concerns, the Council, with its partners must focus on providing a service which meets the needs of its service users and will demonstrate that the remedial actions as outlined in the written statement of actions have been implemented.
Summary findings	In September 2021, CQC and Ofsted performed a joint inspection of the effectiveness of the SEND arrangements in the local area of Warwickshire. The inspection identified some weaknesses in areas such as wait times for assessments, relationships and communication, placements, training and online offering. There has been good progress in the year, as discussed on page 16, and we have therefore downgraded our key recommendation made in 2020/21. However as this is an ongoing change programme that won't be fully reassessed by CQC and Ofsted until June 2023 we have raised this improvement recommendation to ensure that progress continues to be made.
Management Comments	We will continue to monitor progress on the written statement of action until all the improvements have been delivered and the expected benefits are being realised.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 4	The Council are in the process of implementing the agreed improvements as set out in the Written Statement of Action that is in place due to the significant concerns raised as part of the inspection of Warwickshire Fire and Rescue Service (WFRS) in January 2022. The prior period recommendation is still relevant therefore and will be completed once the Council ensure that any improvements are realising the expected benefits.
Why/impact	Although progress has been made and good processes put in place to monitor the Written Statement of Action, there is a risk that conflicting priorities may cause the Council to lose momentum. This will have a significant impact on the Council's reputation.
Auditor judgement	As the report raises significant concerns, the Council, with its partners must focus on providing a service which meets the needs of its communities and will need to demonstrate that the remedial actions as outlined in the written statement of actions have been implemented.
Summary findings	In March 2021 her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) completed an inspection of WFRS. The inspection report was publicly released in January 2022 and graded WFRS against three pillars of Efficiency, Effectiveness and People. The possible gradings are Outstanding, Good, Requires Improvement and Inadequate. WFRS received a grading of requires improvement in all three pillars. There has been good progress in the year, as discussed on page 17, however this is an ongoing change programme that still being monitored by HMICFRS.
Management Comments	We will continue to monitor progress on the written statement of action until all the improvements have been delivered and the expected benefits are being realised.

The range of recommendations that external auditors can make is explained in Appendix C.

Warwickshire Pension Fund

Financial sustainability

The operation of the Fund and how resources will be used is captured in the business plan. The primary resources of the Pension Fund can be categorised broadly into two areas, contributions received from active members and returns on investments (interest, dividends, profit on disposal etc).

In line with regulations, the Fund is required to be formally valued every three years (triennial valuation) by a qualified actuary. As part of this exercise, the actuary will undertake an in-depth review of the Fund based on its current funding plans i.e. the level of assets required to meet future benefit payments, the time period over which it aims to achieve this and then determines the contribution rate at which employer bodies must contribute for the following three years. This also outlines that for major employers, rates may be paid in advance to the Fund to cover the three year period. This should be considered in line with the funding strategy statement.

The investment activity of the Fund is dictated by the Investment Strategy statement which sets out the type of investments that pension fund money should be invested, indicative allocations and expected returns and volatilities. The performance of these investments is then monitored by the Investment Sub-Committee and Local Pensions Board.

Governance

The operation of the Pension Fund is overseen and scrutinised by a number of committees including the Pensions Board, Investment Advisory Sub-Committee and Pensions Committee

All of the above meet a number of times during the financial period. Review of the minutes of meetings demonstrates that members can discharge their responsibilities and make informed decisions based on sufficient and appropriate information.

There is also a risk register which is updated regularly to map out potential risks against likelihood and the impact they will have.

Improving economy, efficiency and effectiveness

The Local Pensions Board with the assistance of the Investments Sub-Committee, monitor investment performance on a quarterly basis in arrears in line with the reporting provided by fund managers. The Local Pensions Board is provided with a high-level commentary on the portfolio of assets held by the Fund including their value as at a point in time, cash flow information and cash balances. A more detailed analysis of funding and performance is considered by the Investment Sub-Committee and reviewed in private session due to its commercially sensitive nature. The detailed report provides members with information on valuation, sensitivity and benchmarking in order for them to ascertain potential improvements in investment activity.

The Fund produce quarterly reports to update the Local Pension Board on the key developments affecting pensions administration and the performance of the Pensions Administration Service. This covers a suite of KPIs and measure of performance against these indicators, therefore identifying areas for improvement. The report also monitors workloads, breaches of policy and other projects ongoing to improve the service.

The output of the performance of the Fund in the year is captured in the Pension Fund Annual Report.

Conclusion

Overall, we are satisfied that there are process and procedures in place to ensure the Warwickshire Pension Fund manages its resources to ensure it can continue to deliver its services, has processes in place to make informed decisions and manage its risks, and has procedures in place to monitor its performance effectively.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	In response to the September 2021 Report from the joint inspectorate review of special educational needs and/or Disabilities (SEND) by CQC and Ofsted, the Council have taken appropriate action to secure improvement in areas where the regulators have identified significant concerns in regard to the arrangements/ provisions in the local area. The Council should continue to review and improve the arrangements in place as the measures from the written statement of action evolve.	Key	December 2021	As discussed on page 16, the Council have introduced a WSoA that has robust governance arrangements around it. The May 2022 update indicates that good progress is being made against the WSoA.	Partially	Yes – Although progress has been made in the year, we will continue to monitor feedback from CQC/Ofsted as part of our 2022/23 audit procedures.
2	Consideration should be given to performing a dedicated review of savings after implementation and assessing whether there has been any impact on the quality of services.	Improvement	December 2021	The Council is currently exploring how the the benefits realisation role within the Programme Management Office can be used to assess whether there has been an impact on the quality of services for material savings options.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	Enhance the distinction between statutory and discretionary spending in the MTFS provided to Cabinet members and published online.	Improvement	December 2021	For the 2022/23 MTFS the Council introduced the concept of 'unavoidable' options for Members as distinct from those where they have a clear policy choice or are part on an invest-to-save project, which is now visible to the general public. They feel this offers a more nuanced position and gives clarity for Warwickshire citizens moving forward.	Yes	No
4	Link the people strategy (workforce plan) expectations to the MTFS.	Improvement	December 2021	Following discussion with management we have marked this recommendation as completed.	Yes	No
5	Incorporate a standard section within reporting to Cabinet and equivalent which sets out legal /regulatory implications, similar to that already provided for financial and environmental.	Improvement	December 2021	Moving forward, members will be reminded, as a standard part of agenda planning meetings, that members have the benefit of legal advice through the report and that all reports have been signed-off by legal and finance.	Yes	No

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6	Review and renew the goods and hospitality policy, as these were due for review in February 2021. .	Improvement	December 2021	The gifts and hospitality policy for members was introduced as part of the changes to the Member Code of Conduct approved during 2021/22. However the Council still plans to review the staff gift and hospitality policy as part of the planned governance compliance review.	No	Yes – recommendation carried forward
7	Review of updated arrangements in respect of delegated budgets once these have been fully implemented	Improvement	December 2021	The Council will complete schedule a review following the closure of the 2022/23 accounts as that is when the new approach will have been operational for a year.	Yes	No
8	Review and renew the procurement strategy as this covered the period to 2020.	Improvement	December 2021	Renewed procurement strategy approved in December 2021.	Yes	No

Opinion on the financial statements

Audit opinion on the financial statements

We have substantially completed our audit of your financial statements and anticipate issuing an unqualified audit opinion on following the meeting of the County Council on 7 February 2023.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

Audit Findings Report

We reported our findings in the Audit Findings Report to the Audit and Standards Committee on 26 January 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We await group instructions however we anticipate that the Council will remain under the threshold set by HM Treasury for detailed procedures and we will therefore only be required to submit an assurance statement.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and the supporting working papers continue to be of a good standard.

Issues arising from the accounts:

As noted adjacent, our audit findings report has been presented to the Audit and Standards Committee on 26 January 2023. As part of this, we did not report any significant findings however note that at the time of writing, we are substantially complete and therefore any additional findings that warrant reporting will be discussed with management and reported to those charged with governance.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation

Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

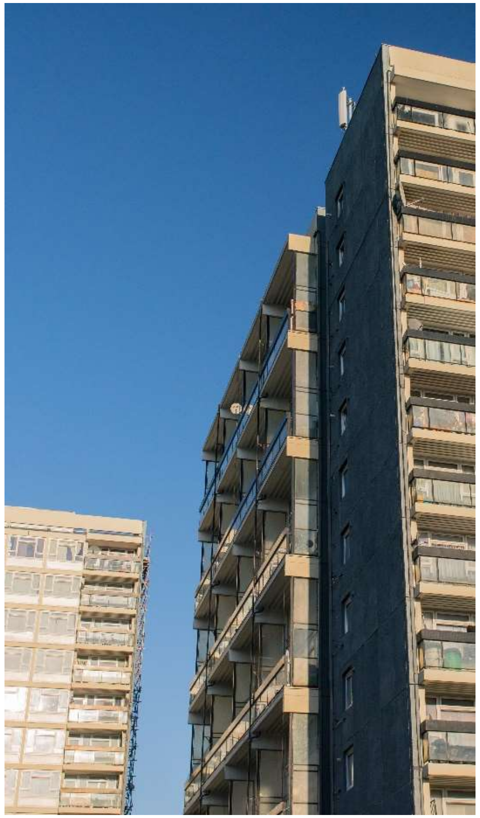
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
We highlighted a potential significant weakness in relation to the conclusions of the joint report issued by CQC and Ofsted in September 2021,which related to arrangements in the provision of the Special Educational Needs and/ or Disabilities service.	- We held discussions with senior members of the Council's management team. - Reviewed governance arrangements in place - Reviewed progress update's that were presented to relevant Scrutiny committees.	Please see page 16 for the review of our findings in the year.	We have not identified a significant weakness in arrangements for 2021/22, however we have raised an improvement recommendation on page 19.
We highlighted a potential significant weakness in relation to the conclusions of the report of the inspection of Warwickshire Fire and Rescue Service released in January 2022.	- We held discussions with senior members of the Council's management team. - Reviewed governance arrangements in place - Reviewed progress update's that were presented to relevant Scrutiny committees	Please see page 17 for the review of our findings in the year.	We have not identified a significant weakness in arrangements for 2021/22, however we have raised an improvement recommendation on page 20.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	14, 19 and 20

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Agenda Item 3

Council

7 February 2023

Warwickshire County Council Statement of Accounts 2021/22

Recommendation

That Council approves the Warwickshire County Council Statement of Accounts for 2021/22, noting any comments from Audit and Standards Committee.

1. Key Issues

1.1. This report presents the Council's Statement of Accounts for 2021/22.

1.2. The Statement of Accounts for Warwickshire County Council comprises of:

- the statement of responsibilities for the accounts;
- a narrative statement by the Strategic Director for Resources;
- the core financial statements, comprising:
    - the movement in reserves statement,
    - the comprehensive income and expenditure statement,
    - the balance sheet as at 31 March 2022,
    - the cash flow statement;
- the statement of accounting policies;
- the notes to the core financial statements; and
- the Firefighters' Pension Fund statement.

1.3. Recommendations to Council for approval of the Annual Governance Statement and the accounts of Warwickshire Pension Fund, which will form part of the County Council's 2021/22 Statement of Accounts when they are published, are sought within separate reports on today's agenda.

1.4. Elected members are not expected to be financial experts, but they are responsible for approving and issuing the Council's financial statements. In doing this they are playing a key role in ensuring accountability and value for money are demonstrated to the public. However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards and also the accounting and financing regulations of central government.

1.5. This covering report explains the key features of the primary statements and notes that make up the 2021/22 Statement of Accounts. The narrative statement provides further information on the key issues for the benefit of readers of the statements.

1.6. Council is asked to approve the 2021/22 Statement of Accounts attached at **Appendix A**. The draft accounts were previously considered by the Audit and Standards Committee at their meeting on 26 January 2023. There were no specific issues, in relation to the accounts, raised that the Committee asked to be brought to the attention of full Council.

1.7. Officers will only recommend the statement of accounts to Members for approval if an unmodified audit opinion is to be received. At the time of publication the audit of our accounts is going through an internal quality assurance process within Grant Thornton UK LLP, our external auditors. Although we are not expecting this to result in the need for any changes to the accounts themselves, if the quality assurance review is not completed before the Council meeting on 7 February 2023 the approval of the accounts will be deferred until the Council meeting on 21 March 2023.

1.8. Subject to the caveat around timing in paragraph 1.7, following their approval, by Council, the Statement of Accounts will be published as soon as the final Audit Opinion is received and inserted into the document.

2. Narrative Statement

2.1. The purpose of the narrative statement is to provide commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements. The information in the narrative statement is consistent with budget information provided during the year and reconciles to the year-end financial position reported to Cabinet on 16 June 2022.

3. Core Financial Statements

3.1. Movement in reserves statement

Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans, and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2020/21 and 2021/22.

3.2. Comprehensive income and expenditure statement

The comprehensive income and expenditure statement reports on how the Authority performed during the year and whether its operations resulted in a surplus or deficit. It is produced in a standard format and is made up of five broad sections:

- Cost of services: Presented in the management structure of the Council. It includes service specific income and expenditure.
- Other operating income and expenditure: Includes the surplus or deficit from the sale of property, plant and equipment.
- Financing and investment income and expenditure: Includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: Includes revenue from council tax, business rates and government revenue and capital grants.
- Other comprehensive income and expenditure: Includes items which are not allowed to be accounted for elsewhere, such as increases in the value of land and buildings and changes in the actuarial assessment of pension assets/liabilities.

3.3. Balance Sheet

The balance sheet is a 'snapshot' of the authority's financial position at a point in time, showing what it owns and owes at 31 March 2022. It is divided into two halves that, as the name suggests, balance. These are assets less liabilities (the top half) and reserves (the bottom half).

3.4. Cash flow statement

The cash flow statement sets out our cash receipts and payments during the year, analysing them into operating, investing and financing activities. Cash-flows are related to income and expenditure but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the comprehensive income and expenditure statement when the transactions occurred, not when the cash was paid or received.

4. Accounting Policies and Notes to the Core Financial Statements

4.1. The accounting policies set out the accounting rules the authority has followed in compiling the financial statements. They are largely specified by International Financial Reporting Standards and the Local Authority Accounting Code of Practice. We have limited discretion to amend them.

4.2. The Notes to the accounts provide further detail for the figures within the core statements as well as other information we are required to include in the Statement of Accounts.

5. Firefighters' Pension Fund Statement

5.1. It is unusual for an unfunded pension scheme (such as the firefighters' scheme) to have a fund as it holds no assets that need to be ringfenced. We collect in the Fund contributions receivable from Warwickshire County Council (as the employer) and firefighters' (employee) contributions and pay out any benefits due. The Fund is then balanced to nil at the end of each financial year by either paying over or receiving pension fund top-up grant from the government.

6. Audit Status

6.1. The attached 2021/22 Statement of Accounts has been audited and the Audit Findings Report from the external auditors, Grant Thornton, has been presented to the Audit and Standards Committee. The Annual Audit Report which communicates to the audited body and key external stakeholders, including members of the public, the key issues arising from auditors' work, is elsewhere on today's agenda.

6.2. The audit opinion is also included in that auditor's report and will be signed by Grant Thornton's Engagement Partner on receipt of our letter of representation signed by the Strategic Director for Resources and Chair of Council following approval of the accounts. A letter of representation is provided in connection with the audit of the 2021/22 financial statements for the purpose of expressing our opinion to the best of our knowledge and belief, having made appropriate enquiries, that the financial statements give a true and fair view.

6.3. The approved accounts will be published alongside the authority's Annual Governance Statement and the Accounts of Warwickshire Pension Fund (elsewhere on the Agenda) together with the signed audit opinions.

7. Financial Implications

7.1. None

8. Environmental Implications

8.1. None

9. Background Papers

9.1. None.

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Warwickshire County Council

STATEMENT OF ACCOUNTS
2021-2022

Warwickshire County Council Statement of Accounts

Section A: Narrative Statement

Section B: Statement of Accounts

Section C: Warwickshire County Council Annual Governance Statement

Section D: Warwickshire Pension Fund Statement of Accounts

Introduction

I am pleased to introduce our Financial Accounts for 2021/22. The purpose of these accounts is to present a true and fair view of the financial results of our activities for the year and the value of our assets and liabilities at the end of the year.

This narrative report is set out in five parts. The first provides some key information on what the Council does, how it does it and its plans for the future. The second part provides further detail on how we plan to resource the Council's activities. This section also considers the factors in the external environment that influence our decisions and highlights some of the key risks that we have identified to the delivery of our priorities. The third part summarises our financial and other performance in 2021/22 and our effectiveness in the use of our resources, while the fourth part describes our outlook moving forward into the new financial year. It includes some of the key pressures facing the Council over the next few years and the changes taking place in the Council to respond to those challenges. Finally, this report explains how the Financial Accounts for 2021/22 are prepared and set out.

The Covid-19 Pandemic has continued to have profound impacts, globally and locally, for public health, the economy, society and the environment. The County Council rose to the challenge of delivering a range of new services at short notice and provide existing services in different ways whilst reducing income generation opportunities and causing delays in the delivery of some of our key revenue and capital projects. Alongside responding to the immediate challenge presented by the Pandemic we have completed the delivery of our recovery strategy and developed a new Council Plan for the next 5 years to ensure the Council, residents and Warwickshire as a whole emerges from the Pandemic stronger than ever. Our efforts were supported by additional Government funding allowing us to continue this crucial work beyond the end the current financial year. The result is a highly unusual financial year with the impact of Covid visible throughout our financial statements.

Rob Powell
Strategic Director for Resources

Organisational overview

In February 2022 our new Council Plan was approved. The purpose of the Council Plan is to set out the top-level strategic direction of the Council and to articulate the Council's vision and ambition for Warwickshire. The Council Plan provides the necessary framework to deliver on our ambitions, through change management and innovation, and ensures there is a clear line of sight on delivery of the Council's core purpose and outcomes. Our ambition remains to make Warwickshire the best it can be, sustainable now and for future generations.

Our ambition for Warwickshire

Three strategic priorities

We want Warwickshire to have a **thriving economy and places** that have the right jobs, skills, education, and infrastructure.

We want to be a County where all **people can live their best lives**; where communities and individuals are supported to live safely, healthily, happily and independently.

We want to be **a County with a sustainable future** which means adapting to and mitigating climate change and meeting net zero commitments, so that our generation ensures future generations can live well and reap the benefits of a sustainable and thriving Warwickshire.

Seven areas of focus

- Create vibrant places with safe and inclusive communities
- Deliver major infrastructure, digital connectivity and improved transport options
- Promote inclusive, sustainable economic growth, successful business, good quality jobs and future skills
- Tackle climate change, promote biodiversity and deliver on our commitment to Net Zero
- CHILD FRIENDLY — Deliver our Child Friendly Warwickshire strategy - Happy, healthy, safe children
- Through education, improve life opportunities for children, young people and those with special educational needs and disabilities
- Support people to live healthy, happy, and independent lives and work with partners to reduce health inequalities

To make this happen, we will be a great Council and partner: One which harnesses community power, uses data and digital solutions to improve service efficiency and is a great organisation to work in with outstanding leadership and a talented agile workforce.

The approach to developing the new Council Plan this year was fully integrated and can be described as - One Council, One Plan, One Budget. The Council Plan communicates our priorities over the next 5 years. It seeks simplicity within the complexity, breadth and inter-dependence of the Council's strategic role and service delivery, while ensuring sufficient flexibility to respond to rapidly changing, volatile and often ambiguous external conditions. Our Budget and Medium-Term Financial Strategy (MTFS) will translate the direction set out in the Council Plan into a sustainable financial strategy. This helps us to plan ahead, so we are able to meet our spending requirements, taking into account Government grants, Business Rates and Council Tax income. The financial strategy helps us to ensure our financial resilience and medium-term financial sustainability, so we can continue to provide high quality services to our residents.

There are a number of key themes to the strategy, setting out our areas of focus:

- The strong foundations through delivery against the Covid-19 Recovery Plan and our transformation programme, as reported to Cabinet in December 2021, and a continuation of work we have started;
- Early thinking and commitment to work with partners to develop a clear policy approach to the levelling up agenda;
- Joining up, connecting, and working as One Council to focus our collective efforts and maximise their impact for communities and residents;
- Building on our work on Community Powered Warwickshire and work done including our Social Investment and Green Shoots funds, Shielding hubs, Food Forum, Community testing etc.;
- A sharper focus on prioritisation to balance rapidly increasing demand with available resource and funding, and to optimise the Council's impact on our communities and residents; and
- Our commitment to working with partners and communities to identify solutions to the challenges we face; to build on existing strengths and successes and to learn and improve from our experiences.

We use reserves to manage financial risk and promote financial sustainability. Any reserves not needed to manage financial risk are used for time-limited investment to support the delivery of the Council's ambitions, to deliver savings and to reduce demand in future years.

The medium-term financial strategy will require regular reviews in order to remain dynamic, robust, ambitious and deliverable, and will be updated at least annually.

Politically, Warwickshire County Council has 57 councillors, who are elected every four years. The last elections were held on 6 May 2021. The current political composition of the Council is 42 Conservative members, 6 Labour members, 5 Liberal Democrat members, 3 Green Party members and one Independent. The Council makes its decisions via a Cabinet of nine members (in 2021/22) including the Leader of the Council, Cllr Izzi Seccombe OBE. Warwickshire's Councillors are responsible for setting the strategic direction of the Council and for scrutinising performance. Further details of the governance arrangements in the Council are included in the Annual Governance Statement, included within this document.

Organisationally, in 2021/22 Warwickshire operated through three Directorates: Communities (including Fire and Rescue and Education), People (including Public Health) and Resources. Each Directorate is headed by a Strategic Director who sits on the Council's Corporate Board along with the Chief Executive. Services within each Directorate have plans in place which correspond to the budget set for them by Council and the key outcomes within the Council Plan. Each service has Key Performance Indicators which are monitored and included in quarterly performance reports to Directorate Leadership Teams and Members.

At the end of the year we had the equivalent of 4,156 full-time employees and just under a third of our spending each year is on staffing. This is an increase of 120 full-time employees from last year as planned organisational change and Pandemic response has resulted in a strengthening of our teams in several areas. Warwickshire's employees are responsible for translating Councillors' strategic decisions into actions. Our Workforce Strategy sets out the key principles to ensure we have a workforce that is fit for purpose to deliver the Council Plan.

The Council collaborates with a number of external partner organisations to plan and deliver its intended outcomes. These include the neighbouring councils of Coventry City Council, Solihull Metropolitan Borough Council, and the five Warwickshire District and Borough Councils. We are a non-constituent member of the West Midlands Combined Authority and a member of the Coventry and Warwickshire Local Enterprise Partnership. We work closely with local NHS organisations, particularly through the Health and Wellbeing Board and the Coventry and Warwickshire Integrated Care System. We also work with a number of other bodies, including:

- Central Government departments and ministries;
- National and local voluntary and community sector organisations, and charities;
- Academy schools and academy trusts in Warwickshire;
- Local universities and other academic organisations;
- Local industry and businesses; and
- Town and parish councils in Warwickshire.

Further details of the Council's key priorities, plans and outcomes are available in the Council Plan.

Resourcing our activities

The medium-term financial strategy underpins the delivery of the Council Plan and is agreed as part of the budget-setting process which concludes in February each year. Taking a medium-term approach allows for a more coordinated and planned approach to prioritisation and allows services to focus on delivery knowing the financial limits and constraints within which they are required to operate. Within the budget resolutions, the Council confirms and applies a number of fundamental financial strategies and policies.

Revenue and capital spending

We spend our resources in two ways, through revenue and capital spending. Broadly, our revenue spending relates to income received in year and spending on items used in the year. Most of our salary costs are included in revenue expenditure. Our capital spending relates to items we have bought, created, or improved and which will be used for more than one year. An annualised amount is charged to our revenue accounts to reflect the economic use of assets each year to provide services. This accounting charge does not reduce our revenue resources but borrowing to fund our capital expenditure does.

Revenue allocations are made to services through a process which balances demand forecasts, inflation and other price increases, commitment to our statutory duties and the investment choices which the Council wishes to make to improve services or reduce costs. By law, we must set a balanced budget which ensures that the Council meets not only its existing commitments but also remains on a firm footing for the future.

Revenue Resources Original gross budget at start of year	**2021/22** £m	**2022/23** £m
Business Rates	67.7	73.6
Council Tax	293.0	305.2
Total Unconditional Revenue Resources (Gross)	360.7	378.8
Specific Government Grants	84.3	115.0
Adult Social Care Levy	30.7	38.0
Customer and Client Receipts	131.2	107.8
Dedicated Schools Grant	246.3	249.1
Total Revenue Resources	853.2	888.7

Adult Social Care is the third largest area of revenue spending after schools and Children and Education. Each year since 2016-17 the Government has permitted local authorities to levy an additional amount on top of their normal council tax increase each year, with this additional funding to be ring-fenced for use in adult social care. We have taken the additional levy (2% for each year between 2016/17 and 2020/21 as well as for 2022/23, and 1% in 2021/22) and have increased the resources available to deliver adult social care by at least the amount raised this way.

The figures shown above for specific Government grants include a number of grants which come with conditions that limit our discretion in how they can be used. The largest of these is the Dedicated Schools Grant which we receive from Government to meet the cost of funding schools and relevant pupil-related services; this is presented separately in the table above. We are continuously reviewing how we deploy these resources for maximum strategic effectiveness.

Our capital spending power is the combination of external income which must be spent on capital (such as specific grants or contributions and the receipts from the sale of our assets) and the extent to which the Council is willing to meet the costs associated with borrowing money from its revenue resources.

Capital Resources Budget for the year after adjusting for previous year's outturn	**2021/22** £m	**2022/23** £m	**2023/24 and later** £m
Capital Grants and Contributions	**148.8**	**90.7**	**109.1**
Receipts from the Sale of Assets	**29.2**	**9.0**	**125.3**
Direct Application of Revenue Resources	**1.3**	**0.5**	**0.1**
Borrowing (to be repaid from revenue resources)	**39.9**	**74.9**	**216.1**
Total Capital Resources	**219.2**	**175.1**	**450.6**

(Note: the 2022/23 and later years' figures will be updated before the accounts are finalised to reflect the rephasing of the capital programme as a result of the 2021/22 end of year position)

Our capital allocations are made in line with our Capital Strategy, which includes three key elements: capital maintenance works to ensure our assets continue to be fit for purpose and able to support the provision of services; replacement of assets that have reached the end of their useful life and capital investment to create and develop new assets. Each element has a number of strands that ensure a clear focus on the purpose of capital spending and the prioritisation of proposals, underpinned by specific service asset management strategies.

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

- Maintaining our assets to ensure services can continue to be delivered;
- Statutory health and safety and other regulatory requirements; and
- Annual equipment and/or vehicle replacement programmes.

Our annual maintenance programme includes allocations from the Government grants received for schools and highways maintenance plus revenue funding used for the replacement of vehicles, where this is more cost effective than leasing the vehicle. We also finance some maintenance from borrowing.

For 2022/23 a new Asset Replacement Fund has been 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.

Investment schemes are, by their nature, not routine and so are only considered if they move the organisation towards the delivery of our outcomes or are invest-to-save schemes. Where we have discretion in how to apply capital financing, we use a structured evaluation process that assesses:

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

Investment schemes may be funded by any of the sources in the above table, and often a combination of these.

Savings and efficiencies

The resource estimates shown above reflect the impact of Pandemic and the broader economic outlook. The Council has a strong track record of delivering savings which has served us well this year through some challenging financial times. The Council Plan and the Medium-Term Financial Strategy aim to further this success, maintaining strategies of investment for longer term savings and, as far as possible in an environment of high and rising inflation, prioritising finding new ways of working rather than service reductions. The key themes are better procurement, improvements in efficiency, increased income and delivering reductions in demand. The Medium-Term Financial Strategy tasks the authority with finding £65.7m of savings over the next 5 years.

Reserves

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

We hold reserves to:

- Ensure future events outside of our control do not undermine the authority's overall financial position or impact on service delivery;
- Plan for the effective use of resources over time for a specific purpose;
- Ensure we meet funding conditions (set either by an external funding body or a specific decision of Members) in our use of any available resources; and
- Retain any other accumulated underspends prior to decisions on their use.

Our budget is set to include anticipated levels of reserves added or drawn down in the year; these plans may change as the year progresses to react to emerging pressures or other events and are approved in our quarterly monitoring process. Some reserves are held at a corporate level to support overarching risks and strategies.

The level of general reserves is consistent with the overall financial environment and the key financial risks faced by the Council. These risks are assessed at least annually and take account of circumstances at the time of assessment as well as trends into the future.

The Medium-Term Financial Strategy includes the planned use of £41.1m of the Available-for-Use reserve.

Reserves Balances at start of year	**2021/22** £m	**2022/23** £m
Management of Risk	18.8	15.6
Available to Use Reserve	42.0	48.8
Earmarked Reserves	70.7	83.3
General Reserves	21.4	26.0
Specific Investment (including Covid funding)	70.2	47.7
Schools	21.3	23.1
Total Reserves	244.4	244.5

Borrowing and investments

We undertake treasury management activities in a prudent and flexible manner so as to ensure we retain sufficient liquid funds to provide for day-to-day cashflow requirements whilst funding our capital spend at the lowest cost. These activities are managed within an overall framework determined by the Treasury Management Strategy which is updated and approved by Members annually. Interest income and expenditure as a result of investments or borrowing is reflected in our revenue budgets.

Pensions

The majority of the Council's employees (excluding schools) are members of the Warwickshire Local Government Pension Scheme, and the Council administers the fund that supports the Scheme. As a defined benefit scheme, the Scheme is shown as a long-term liability in our accounts. However, statutory arrangements for funding this deficit are in place, including increased contributions over the working life of employees, and means that our financial position remains healthy.

Both the accounts for the County Council and the Pension Fund are included in this document, though they are operated as independent entities. The County Council's accounts reflect the pension disclosures relating only to its own employees. This includes disclosures for those staff with alternative pension schemes, such as Teachers and Firefighters.

Management of Risk

The successful delivery of the Council Plan and our sustainability into the future are dependent on our ability to manage and respond to the risks we face. Many potential issues will remain on the strategic risk register and be regularly monitored, while others are actively managed to reduce the risk or its impact. Further information can be found in the Annual Governance Statement section within this document.

Our performance in 2021/22

£4 million of external funding secured by Economy and Skills Team.

61% of people open to Adult Social Care over the age of 80 receiving care at home.

Received approximately **660,000** visits to our recycling centres.

There has been a **21% increase** in e-books and audio loans.

Our Registration Service conducted **2880 marriage ceremonies and delivered 772** citizenship ceremonies online.

Delivered road safety education sessions to **98,000 people.**

87% of planning applications determined as County Planning Authority within their statutory time period.

98% of Warwickshire broadband coverage.

76% of Warwickshire all pupils achieved grades 4 or above in English and mathematics GCSEs.

Over the last year we have continued to respond to the changing demands of the COVID-19 Pandemic, following Government guidelines and advice. As the national focus moved towards learning to live with COVID-19, locally our Recovery Plan which identifies our priorities and aids us to get back to a more normal state was implemented, following final Cabinet approval in September 2020. Our key principles have shaped our response this year:

- Target recovery activity and support to where most needed through evidence-based decisions and focusing on priority outcomes and agreed priorities.
- Stabilise and accelerate the recovery for Warwickshire's people, places, and businesses, including the recovery of Council Tax and Business Rates;
- Tackle inequalities - helping our most vulnerable and disadvantaged citizens and communities overcome the negative impacts of COVID-19;
- Join up and work in Partnership - maximise connections with partners (public services, private sector, communities, voluntary sector, and citizens) to speed up recovery;
- Focus on long-term environmental challenges - use recovery efforts to accelerate Warwickshire's climate change ambitions; and
- Apply our learning from COVID-19 - utilise learning and good practice to improve the Council as an organisation, deepen collaboration and partnership working, and strengthen place and systems-based working across Warwickshire.

The full COVID-19 Recovery Plan comprises 10 recovery priorities and the key achievements are summarised below.

Priority 1 - Contain the virus and promote physical and mental health and well-being: Promote the health and wellbeing of our communities, contain the spread of COVID-19 locally and target action to protect our most vulnerable residents and communities.

Across the last year there are numerous key achievements in this priority area. Our outbreak control plan continues to be utilised as and when required. Encouragingly, over the course of the Pandemic, the overall number of COVID-19 cases and death rates in Warwickshire per 100,000 population is lower than both the national and regional figure. The County Council's contact tracing team has taken over the role of National Test and Trace contacting up to 4,000 residents a week and operating 7 days a week, receiving positive feedback from the Department of Health and Social Care. Our lateral flow testing (LFT) operation, built in December 2020 to provide asymptomatic COVID-19 testing from 6 static testing sites and a mobile offer, was slimmed down, and refocused from July 2021 onto 'disproportionately impacted groups'. A Warwickshire wide COVID-19 vaccination programme was implemented at speed in line with Government requirements, alongside a programme of Flu vaccinations in the winter period resulting in an overall increase in vaccination uptake.

Ongoing preventative initiatives such as Wellbeing for Life and Fitter Futures continue to reduce pressures on NHS services. Our Health and Wellbeing Strategy was published and highlights our vision for improving the Health and Wellbeing of our citizens, supporting our local economy and our staff. Our Well-being for Life "Plan on a Page" has been finalised covering the promotion of 5 ways to well-being, work-place well-being (Thrive at work), obesity and mental health.

A £1m Social Investment Fund was launched to enable targeted interventions to support Warwickshire's communities and enable community-based support for those disproportionately impacted by COVID-19 such as extending or introducing specialist support; or providing additional community-based support.

Priority 2 - Maintain resilient and sustainable services: Manage increased demand for service.

Key achievements supporting this priority for include the commissioning of new mental health and wellbeing support services for adults strengthening our support offer to local residents.

We continue to support the care market, taking a mutual aid approach, to respond to infection, prevention, and control; testing; vaccination; recruitment and retention as well as financial pressures. We passported national funds quickly and maintained our temporary payment terms.

A recent peer review of Adult Social Care including our start with strengths approach was highlighted as good practice and enables us to manage our demand and sustain positive achievements as a result of our adult transformation programme. We have successfully leveraged our voluntary sector opportunities to support our health and care services through community engagement.

Last year Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspected the Warwickshire Fire and Rescue Service (WFRS) and its response to the Pandemic, reporting their findings that WFRS had maintained its statutory functions and made good use of its staff to carry out additional duties to support the community during the Pandemic.

The demand for our virtual library services continues to rise with on average, approx. 20,000 eAudio and eBook titles are now downloaded, approx. 50,000 eNewspaper issues are read and approx. 70,000 searches every month.

Priority 3 - Help our children and young people catch up on their education: By returning to learning, improving access to digital resources, and tackling attainment gaps.

Key achievements for this priority include continuing to support and advise early years settings, schools and colleges with their COVID-19 response, recovery, and resilience plans. Despite continued disruption across recent academic years pupil attendance remains high with an overall rate being in line with National and West Midlands rates.

The Department for Education published attainment data for last year shows that Warwickshire continues to perform strongly in GCSE results when compared nationally, regionally and with our statistical neighbours. This trend is also apparent for Warwickshire pupils who have a statement of Special Educational Needs (SEN). However, disadvantaged Warwickshire pupils do not perform so well against benchmarks and addressing this remains a key focus.

All education providers have been given the chance to bid for post-16 transition funding and future careers funding to support the engagement with skills and training programmes. Further progress was made on the delivery of our Special Educational Needs & Disabilities (SEND) Change and Inclusion transformation programme incorporating the outcomes of the recent Ofsted local area inspection. Career advice to vulnerable and disadvantaged young people including apprenticeships and supported internships has increased and is continuing.

Our new Children's and Young People strategy was approved, and our Child Friendly Warwickshire programme launched.

Priority 4 – Harness the power of our communities to tackle inequality and social exclusion: Champion equality and tackle the effects of poverty, vulnerability, isolation, loneliness, and domestic violence: and support this by promoting increased and sustainable social action, volunteering, and community capacity.

A £1m Social Impact Fund was launched supporting voluntary, community, and social enterprises to address inequalities in areas most affected by COVID-19. The Local Welfare Scheme continues to help our most vulnerable residents, helping cover the cost of food, energy, water bills and other essentials. Since December 2020, successfully distributing its £1.89m allocation of DWP's COVID-19 Winter Grant Scheme, £1.63m COVID-19 Local Support Grant and £3.47m Household Support Fund, achieving high redemption and take up rates. By working with the Citizens Advice network, we are ensuring there is appropriate specialist debt provision across the county, focusing on financial difficulties that have arisen as a result of COVID-19. Our Warwickshire Food Forum co-ordinates county wide work to tackle food poverty including the establishment of a food strategy to understand priorities and gaps in provision, food banks, and the development of three community supermarket pilots. We proactively supported those families eligible for benefits related free school meals with the cost of food for their children over all the school holiday periods. This cohort of children has been supported throughout the Pandemic through the Local Welfare Scheme, School Holiday Support Scheme or more recently in 2021/22 through automatic vouchers via grant funding through the Household Support Fund.

We have launched a £1.3m COVID-19 Mental Wellbeing and Resilience Programme with four strands. Our COVID-19 Mental Wellbeing Resilience Fund funded thirty-six successful bids and awarded £177k to support 100 schools to develop their mental wellbeing curriculum.

In addition, we are developing a loneliness and social isolation awareness raising campaign, which will include training for Council staff to better identify people who are experiencing loneliness, signposting them to the support they need.

Working with our delivery partner, New Local, we are progressing an ambitious Community Powered Warwickshire programme, underpinning the Council Plan and we continue to establish voluntary and community programmes to build on the achievements of the COVID-19 response effort.

The Warwickshire Community And Voluntary Action (WCAVA) is developing an action plan for volunteers for carers and are engaging carer organisations to understand both their short and long-term needs and an employment pathway into Volunteering placements is being explored; we are also developing a service offer specification for our support to the voluntary and community sector; WCAVA continue to work with the Carers Trust, the Trust Partnership, and Warwick Young Carers, to develop volunteer roles and bring volunteers into these organisations; we are attempting to measure the social value of volunteering to be able to highlight the benefit to the community; a participation and engagement framework is being developed, establishing a residents' panel and developing our wider approach to consultation with local residents to better inform and test our policy and performance; six programmes are now in delivery with the aim of reducing loneliness and isolation and we have developed a framework with Coventry University to evaluate their impact; the commissioning of a domestic abuse support and accommodation service has been concluded with Refuge now delivering the service from 2021 to 2026 and a Tackling Social Inequalities Strategy has been developed and delivery on this programme of work is now underway.

Our Councillor Grant programme, which provides each of Warwickshire's County Councillors a fund of £6k to invest in small-scale projects that will make a difference to their areas, received 259 applications for support.

Priority 5 – Support business and grow the economy: Build confidence in local businesses. Re-purpose town centres and create the conditions for business innovation and investment to drive economic growth.

Our key achievements in this priority include continuing proactive work with our key partners, including the Chamber of Commerce, Federation of Small Businesses, Coventry and Warwickshire Local Enterprise Partnership and Growth Hub, Coventry City Council, and the District & Borough Councils to co-ordinate our support measures to ensure a rapid and coherent response to support our economy.

In addition to the support provided by Government, we developed an economic recovery package, which includes a range of support measures providing locally tailored help to our businesses and economy. Our Survive, Sustain, Grow programme offers supported 600 businesses with bespoke advice and support to review and refocus their business plan to adjust to the Pandemic and explore new growth opportunities. Digital training for retail businesses provided specialist support to retailers to help them both create and maximise their on-line presence. The Adapt & Diversify scheme, allocated £1.5m of small grants to 120 businesses to help them invest in new activity that would enable them to exploit new growth opportunities. Our employee well-being support programme was extended to small businesses across the county to provide help and advice to employees who may be struggling, receiving positive feedback.

We supported our struggling tourism economy with a marketing and promotion campaign for Warwickshire engaging national press and media outlets, reaching an audience of around 47m people, actively engaging over 50,000 people in campaigns and competitions. Other targeted work supports local economies during the Pandemic and focusses on future growth opportunities, including the Tech Challenge which is a competitive fund challenging our local digital creative sector to develop innovative new approaches to support our town centres recover from the Pandemic through new digital platforms that town centres and local businesses can utilise.

The Art Challenge uses the Getting Building Fund in a programme working with local artists and creatives to develop 8 art installations in 2022 across our town centres to creating new focal points. The fund was also used to provide investment to develop new employment space for the digital creative and gaming sector in Leamington Spa, providing additional space to support a priority sector which experienced strong growth during the Pandemic. Our Warwickshire Future Places work with the Institute of Place Management is a series of interactive workshops and learning sessions with partners, stakeholders, and representatives of our town centres to explore future drivers of change and opportunities, providing a toolkit to help local areas develop recovery and growth plans for their towns.

Priority 6 – Stimulate job creation and skills: Work with our partners in the Local Enterprise Partnership and higher and further education, to invest in getting people back into employment, or starting their careers, supporting skills, training, and re-learning.

Key achievements for this priority included early preparation for the end of the Government's Furlough scheme by creating a service to provide redundancy support for employers. A digital careers offer was developed providing video content showcasing a range of different sectors, career, and training opportunities available. Grant funding supported schools to adapt their careers offer in light of restrictions preventing work experience in workplaces, and a transition fund enabling further education and training providers to undertake activities and induction programmes over the summer for school leavers. Warwickshire Skills Hub launched in September 2021 supports residents make the most of their employability through upskilling and / re-skilling.

Our Fair Chance Employer Programme supports businesses to become more inclusive and provide opportunities for key priority groups including care leavers, older workers, and those with special educational needs and disabilities (SEND). We are continuing the Apprenticeship Progression Programme which experiences a steady flow of applications. New training programmes such as the Government's "Restart Scheme" is supporting us to meet many emerging skills gaps.

There has been an 80% increase in employer enquiries wanting to offer training and work opportunities as they build back their workforce. Adult Community Learning has been reviewed to take account of the changing requirements as a result of COVID-19.

Priority 7 – Invest in regeneration and a sustainable future: Invest in the regeneration of local areas, support housing growth, a fit for the future digital infrastructure and sustainable transport.

Key achievements supporting this priority includes the commencement of the £140m Warwickshire Recovery and Investment Fund which will stimulate the County's economy, create up to 3,400 jobs, support local businesses and bring investment into the County over the next 5 years. It is anticipated leverage of up to £104m from the private sector, up to £35m from the public sector and provide an annual regional Gross Value Added of up to £160m.

We have established our own property company, the Warwickshire Property and Development Group (WPDG), to support area regeneration and make the most of our land assets. The company's business plan forecasts delivery of 2,200 units of housing, alongside developments in the industrial, tourism and retail markets. We continue to work in partnership with the District & Borough Councils and Homes England to deliver the housing needs of Warwickshire and support the recovery of our local economy developing a priority worker help to buy scheme as an option, where appropriate, for new builds developed by the WPDG.

An ambitious programme of cycling infrastructure schemes is delivering 29 km of new or upgraded cycling infrastructure. Active travel is promoted through road safety education and support to schools, businesses, partners, and communities to develop sustainable travel plans. We are utilising funding secured from the Office for Zero Emission Vehicles and the Getting Building Fund by installing 90 twin headed charge points across the county, predominantly in District & Borough off-street car parks, with some located on-street in our town centres and smaller market towns.

We have secured funding for the roll out of fibre broadband for Warwickshire, and proactively support the roll out of 4G and 5G mobile phone connectivity. Evidence from Mobile Network operators continues to show progress against the upgrade to masts, providing improved 4G in rural areas and 5G delivery in more urban areas including Warwick, Nuneaton, Leamington, Kenilworth, Stratford and Atherstone.

The Customer Service Centre answered 234105 calls over the year and we are proud that customer satisfaction levels have remained high with an average of 89.4%

24929 community safety contacts by Warwickshire Fire and Rescue Service.

Recovered energy from over 77% of our residual waste.

89%

of Warwickshire pupils attended schools (including nursery schools) judged Good or Outstanding by Ofsted.

Our business support programmes have helped clients raise over £3m of investment.

3645 incidents were attended by Warwickshire Fire and Rescue Service.

Heritage and Cultural Services have seen a 5.01% increase in uptake in services through digital channels.

Priority 8 – Climate Change: Make sustainability and tackling climate change central to our recovery so that we lay the foundations for a sustainable long-term future.

Key achievements this year include sustained reductions in carbon emissions in 2021/22 where 7,822 tonnes, a reduction of 31% compared to pre-Pandemic levels of 11,395 tonnes, comprising;

- 31% reduction in total; and
- 58% reduction in staff business travel emissions.

A Climate Change Impact Assessment has been completed identifying areas and services most at risk of future extreme weather, vulnerabilities, mitigation, and priority actions.

Residents and local businesses benefitted from the introduction of a collective Green Energy purchasing scheme and residents were able to take advantage of cheaper energy suppliers through our "Switch and Save" scheme. Energy reduction plans in Council buildings have been developed and are being implemented.

We supported delivery of a Coventry and Warwickshire COP26 conference in March 2022 with key partners in the spring involving key public, private and voluntary sector partners across the sub-region sharing good practice, aligning plans and jointly committing to collaboration on decarbonising the sub-region.

We implemented the first Local Government Biodiversity Net Gain in the UK requiring developers to deliver a wider range of environmental benefits over and above the full environmental impact of the proposed development e.g., air quality, flood risk management.

Our innovative "Green Shoots" community climate change programme is underway with local organisations bidding for support for green initiatives. 110 applications to a total of £1.3m has been received, and £625k for 69 schemes awarded. The scheme was featured as a Local Government Association (LGA) case study and was showcased at COP26 in Glasgow. We have also funded an additional 4 projects to the value of £10,000 for implementation by schools following a Young Green Shoots initiative.

The Road Safety team has been working with 80 Warwickshire Schools as part of the Safe and Active Travel Awards programme which combines road safety, environmental benefits, sustainable travel and health activities. Work is also ongoing on the Safe and Active Travel scheme with workplaces and the wider community.

We have been awarded a grant to develop a plan for net zero heating in several Council premises. We have developed an ambitious estates rationalisation plan helping to reduce the office footprint.

The rural tree planting scheme will contribute to Warwickshire's commitment to plant one tree for every resident, working closely with our District and Borough colleagues, with over 1,800 trees being planted in 2021 and to be recorded on the West Midlands Virtual Forest. The Council's tenants have been supported to plant over 1,000 trees on the County Council's farms as part of a 2-year Local Authority Treescape Fund grant.

Priority 9 – Develop our people and future ways of working: Invest in a sustainable and resilient workforce through recovery, learning from COVID-19 to embed flexible working, promote well-being and develop new ways of working.

Key achievements supporting this priority include developing our Employer Brand, which focuses on the powerful impact our people can have on others through their work and comprises of 3 'pillars': working with passion and purpose; explore and further your career; and improving at every opportunity.

We continue to strengthen our focus on Equality, Diversity, and Inclusion (EDI) by revamping the council EDI group and growing our staff networks to engage with staff on a range of issues. Our pay gap information is positive and favourable compared to the national picture and our staff surveys indicate that 83% of staff agree that the Council values equality and diversity in the workplace.

Our agile working programme has been implemented to enable work to be “what you do and not ,when and where you do it”, building a sustainable and resilient workforce.

A staff engagement strategy has been developed to build on our “staff check-in” approach implemented during COVID-19, with our staff engagement index increasing from 70% to 74% compared to a benchmark average of 57% and the Local Government benchmark of 54%.

We have achieved bronze Thrive at Work accreditation and are working towards the Silver accreditation, while our sustainable and resilient workforce project has been implemented to support the well-being of our staff achieving a reduction in sickness absence from 10.9 days per FTE, to 8.50 days in December 2021. Our Estates Masterplan programme is being developed to reflect our ongoing needs across the Council and reduce our carbon footprint and we have developed our building re-instatement plan to ensure our buildings are COVID-19 safe and to support hybrid working through digital technology.

Priority 10 – Deliver high performance by harnessing digital, data and making the most effective use of our resources: Use data and technology solutions to drive investments and high performance; and develop a new framework to measure performance, investments, and financial management.

Our key achievements this year for this priority include progressing our plan to digitise our records and remove our reliance on paper across our operations with over 4,900 boxes and circa 29,000 files submitted through our records storage process. We are also continuing to develop our Microsoft functionality and to create a common approach to records storage.

We are working to ensure our strategy is evidence-led with improvements including data providing real-time reporting and performance information. Our customer service standards underwent a full review during the COVID-19 recovery period, and despite the changing working practices and increased demand on our customer-facing services, we continue to comply with the standards and demonstrate many areas of good practice.

Our Council Plan and Performance Management Framework have been refreshed and incorporate the continuing work to recover from the ongoing and longer-term impacts of the Pandemic alongside our usual Service offer.

We have also been successful in receiving awards across the year:

- Warwickshire County Council’s Legal Services team have been recognised and celebrated for their outstanding achievements in contributing to the local community, winning two awards at this year’s national Lawyers in Local Government Awards. Warwickshire Legal Services were named Governance Team of the Year and one of the team members was awarded the title of Legal Professional of the Year at the sixth annual awards ceremony, celebrating the most dedicated and engaged professionals across local government legal practice.
- We retained our LEXEL accreditation which is a legal practice quality mark for client care, compliance, and practice management. It sets the standard for client care; risk management; people management; structure and strategy; financial management; information management as well as file and case management.
- We retained or ISO14001 accreditation
- We won the Young Authority of the Year 2022 and first full-time roles secured for the 1st cohort of the National Graduate Development programme.
- 2 of our National Trainees were awarded Highly Commended at the awards too.
- The Association for Public Service Excellence Award was achieved for collaborative working across

Community Safety & regulatory services in regard to our response to Covid-19

We have benefitted from a number of Service inspections this year including Children's Services, Ofsted has now published its report on and stated that Warwickshire is 'good'. We are all delighted by the report having previously been marked as 'requires improvement' during the last inspection in May 2017. The latest inspection, published in a report on 1 February 2022, found that children and families in Warwickshire benefit from consistently good quality services at an early stage, making a real difference to their lives. Ofsted found that WCC social workers listen carefully to children and make sure that children's views inform decision-making. Our social workers were found to be building stronger, more trusting relationships with families, giving parents confidence to develop their parenting skills.

The outcome of the latest HMICFRS inspection for Warwickshire Fire and Rescue Service was published in January 2022 and we were judged as "needing improvement" overall. A detailed action plan has been developed and implemented to address the areas found to be needing improvement.

Our LGA Peer Challenge was conducted in March 2022. The full report was published in April highlighting the impact of our transformation programme and endorsing our plans for the future.

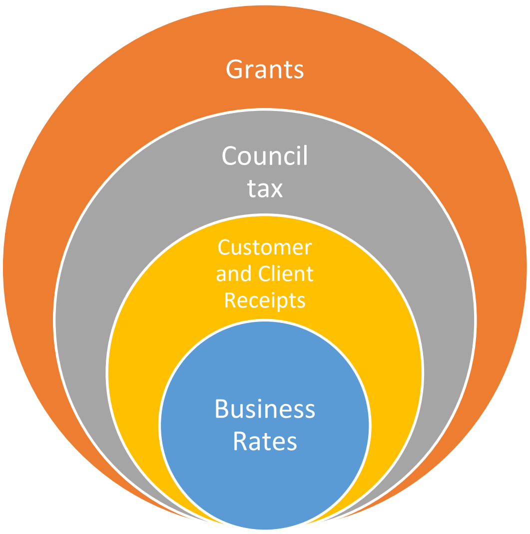
Financial performance

Revenue income and expenditure

Our total revenue income from all sources in 2021/22 was £923.6 million, £70.4m higher than the gross income budget at the beginning of the year. The increase is attributable to higher than anticipated government grants (largely relating to Covid-19 and offset by the cost of services provided) and an increase in receipts from customers for services provided.

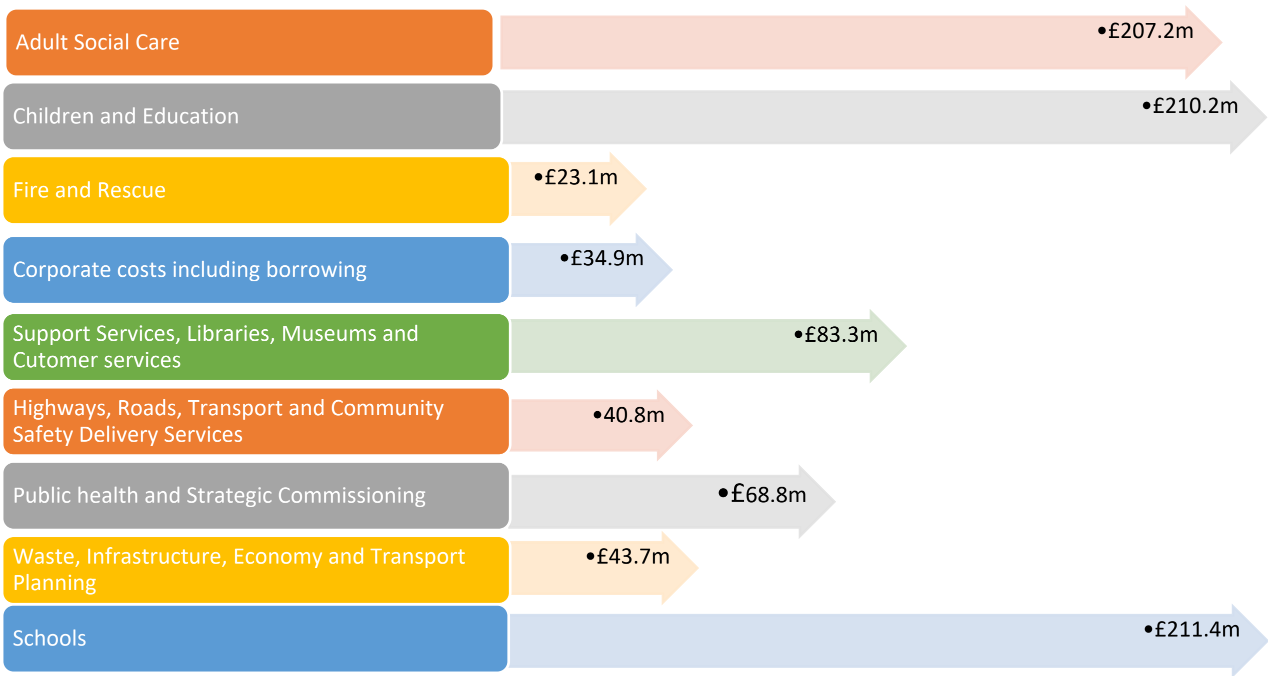
Revenue Income

Grants	**£404.7m**
Council tax (inc. Adult Social Care Levy and deficit from previous years)	**£322.2m**
Customer and Client Receipts	**£136.4m**
Business rates	**£60.3m**

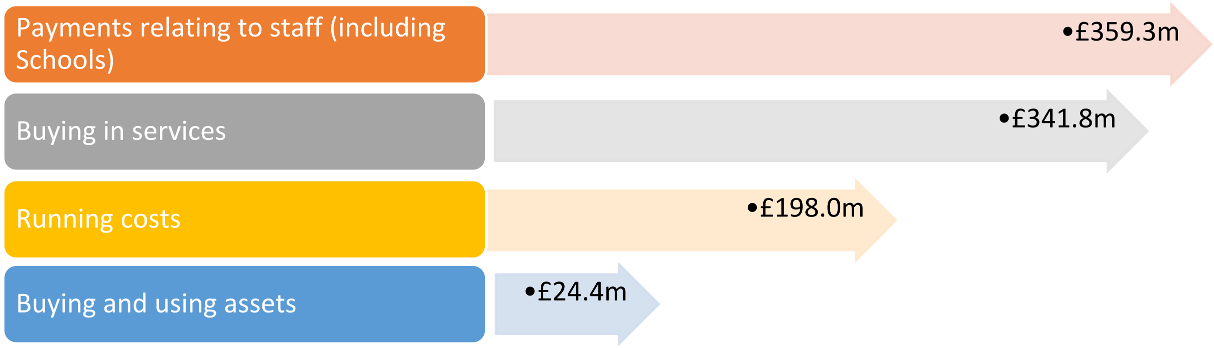


We have spent £712.1 million of this revenue income to finance the various services we provide (excluding schools). Adding on schools spending (£211.4 million) and technical adjustments makes up the gross expenditure shown in our Comprehensive Income and Expenditure Statement.

Revenue Spend by Service



Revenue Spend by Type



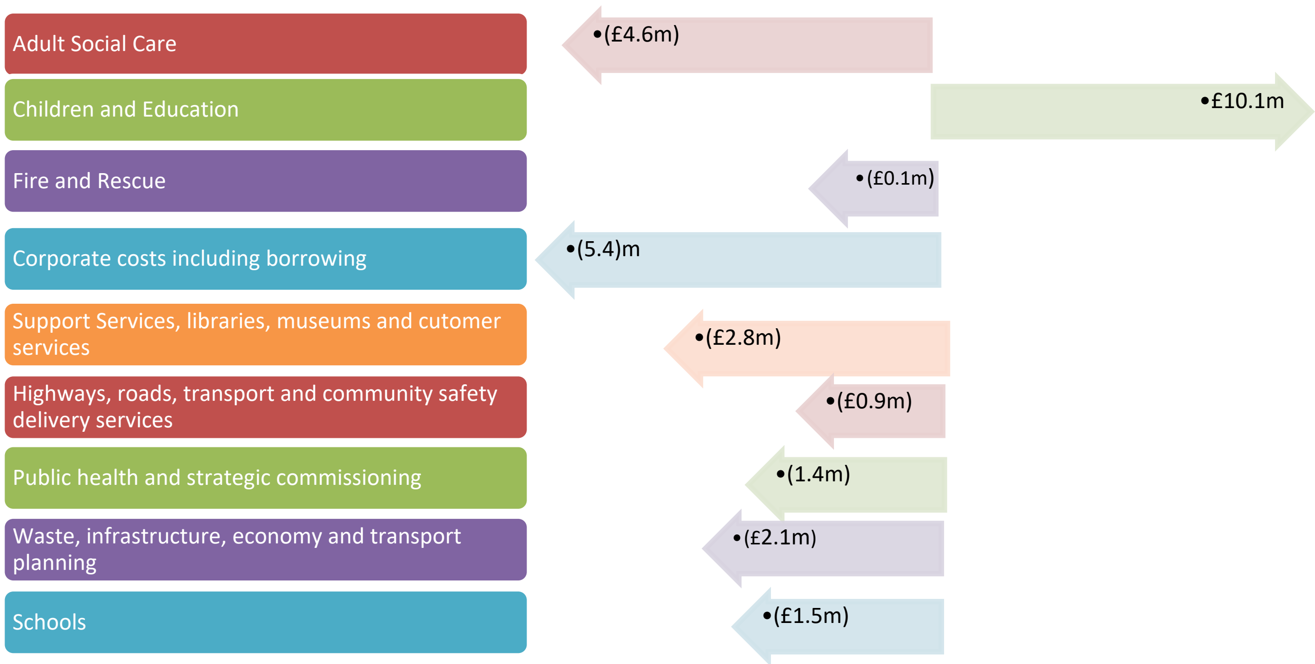
Revenue Underspends/Overspends

The net difference between our funding and expenditure for the year is £0.1 million. As part of our outturn we received £42.4m of Covid-related funding from the Government and Health and spent £47.5 million of this in the financial year. As a result, we have reduced our Covid reserves to £19.3m.

Of the remaining £5.2 million added to reserves during the year:

- £3.6m was an increase in funds held with our external partners;
- £6.0m was to increase our volatility reserves to take account of increasing commercial and inflationary risk;
- £12.5m was a reduction due to allocations to specific projects delivering the Council's ambitions; and
- £8.1m was the residual net underspend on services.

The chart below shows the service variance after accounting for Covid income and expenditure, Investment fund allocations and approved reserve movements during the year:



Capital spending and the value of our assets

We spent **£107.6 million** on the purchase and creation of assets in 2021/22 including **£22.1 million** on assets owned by other parties. Our initial estimate was **£219.2 million** but in-year adjustments for additions (for example, to spend newly awarded grants), reductions or rescheduling brought our approved budget for 2021/22 down to **£138.5 million** as at January 2022. Our capital spending was therefore **£111.6 million** less than our original budget, and **£30.9 million** less than the latest approved budget. This underspend was due to delays on individual projects. Most of this spending now is expected to be incurred in future years, with the budget for 2022/23 being **£175.1 million**.

The value of our fixed assets has increased from **£1,134 million** to **£1,345 million** in 2021/22.

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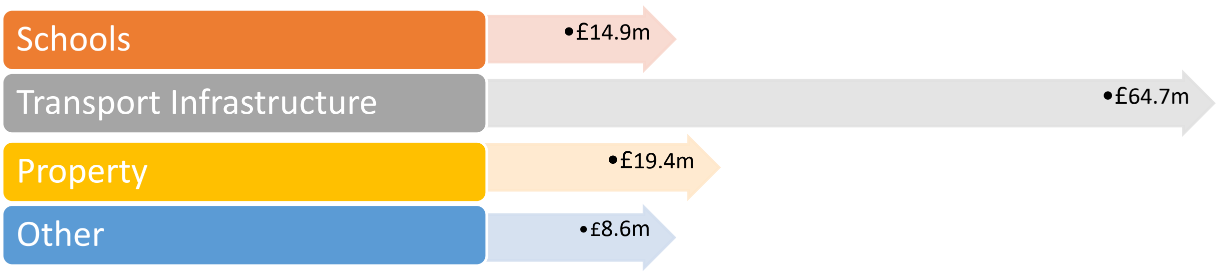
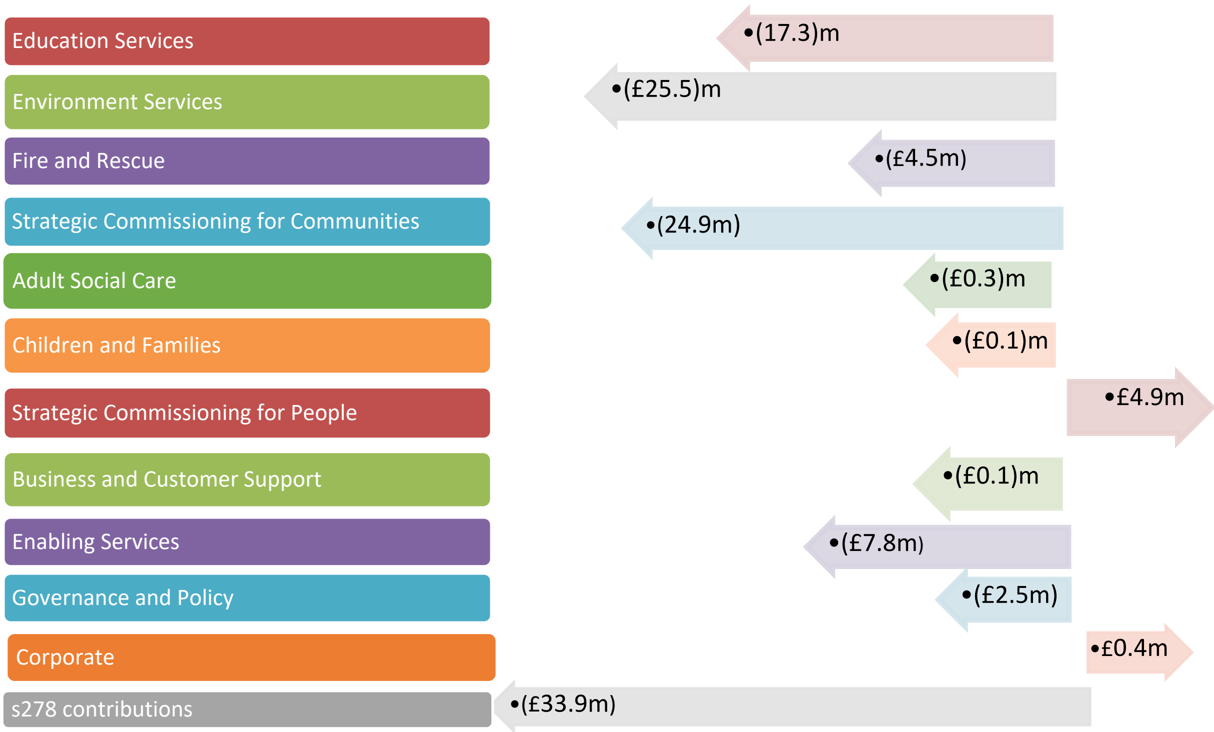
The main reasons for this decrease are:

- **£29.3 million** of assets disposed of or through schools transferring to Academy status;
- A spend of **£85.1 million** increasing the value of our assets;
- A write-down of **£29.4 million** to reflect our assets' usage by services; and
- A net increase in the value of our assets of **£190.2 million** is a result of updated valuations to reflect market movements and usage changes.

Capital Spend by Service



Capital over/underspends compared to the budget at the start of the year



Savings and efficiencies

As part of the Medium-Term Financial Strategy the savings target set for the 2021/22 financial year was £8.0m. These savings were spread across a number of areas. Some of the larger items were:

- £0.9 million reduced in Children's Services through the realignment of services and reduction of staff;
- £0.8 million reduction in cost as a result of the revised phasing of the capital programme;
- £0.7 million savings through managing the cost of externally commissioned care for adults; and
- £0.6 million saving from a review of Enabling Services expenditure on staffing, expenses and projects.

99.4% of the saving target has been delivered during the year despite the ongoing challenge presented by the Covid Pandemic.

Reserves

We planned to use £4.2 million of our reserves to support the delivery of services in 2021/22. However, services spent £1.4 million more than their cash-limited budget; when combined with the additional resources received during the year and the reclassification of the Dedicated Schools Grant deficit of £0.4 million as an unusable reserve, the outcome was that our usable revenue reserves increased overall by £0.3 million.

At 31 March 2022 our usable revenue reserves were therefore £244.5 million, of which £23.1 million was held by schools. We consider this to be a robust figure and allows us some flexibility to balance the challenges of meeting current and unknown future economic uncertainty alongside investment to improve our efficiency and the wider community economic recovery. We will continue to apply our Reserves Strategy which describes how and when these reserves should be used or added to. Based on our current

Medium Term Financial Strategy it is anticipated that the level of revenue reserves will reduce to £179.3m by the end of 2026/27.

Borrowing and Investments

Whilst the Council's benchmark rate of return on investment in 2021/22 was 0.14%, our treasury management activity generated a higher average interest on investments of 0.29%. In line with the Treasury Management Strategy the Council has prioritised first security, then liquidity and yield in its investments. This involved investing in banks, building societies and other local authorities, as well as external fund managers such as cash, property and bond funds. Our long-term debt outstanding was £321.4 million at 31 March 2022; and at 31 March 2022 we were holding £458.62 million of cash, cash equivalents and treasury investments.

Pensions

At 31 March 2022 our total pensions liability was £901.1 million, a decrease of £161.8 million over the year. The decrease is largely attributable to the re-measurement of liabilities relating to the Local Government Pensions Scheme to recognise the changes in actuarial assumptions at the balance sheet date. This remains within the expected range and we are confident that this liability is well managed within the statutory arrangements.

Outlook

Pre-Existing Financial Challenges

The current Council Plan approved in February 2022 includes a 5-year medium-term financial strategy and reserves strategy that are updated annually. This gives greater alignment of the financial position and plans of the Council to the strategic priorities of thriving economy and places, a sustainable future and safe and healthy communities, as well as managing the risk inherent in providing a diverse range of services to a diverse community funded by numerous income streams.

The finance strategy recognised a number of risks to be monitored, managed and where uncontrollable to be financially underwritten:

- The broader economic environment, such as the impacts of movement in inflation, council tax base and interest rates on our day-to-day costs, income and debt repayments;
- Unforeseen medium/long term impact of the Covid-19 Pandemic;
- Prolonged uncertainty around Central Government's future decisions about local government financing, including a new funding model for adult social care to replace the social care council tax precept and the Better Care Fund grants;
- Dependency on locally collected Business Rates, placing greater importance on the need to maintain reserves to manage any volatility;
- Designing and delivering sustainable delivery of Special Educational Needs services within the level of DSG funding; and
- Pension cost increases arising from revaluations and any Central Government decisions about the scheme's funding mechanisms.

Covid-19

2021/22 has been a second highly unusual financial year due to the ongoing impact of Covid. Some areas have continued to face increases in demand and drops in planned income as well as the need to maintain a range of new services set up last year almost overnight. Other areas continued to see a temporary reduction in demand and Covid has limited our ability and capacity to invest in change and deliver our planned capital investments. It has been a period of sustained uncertainty as we adapt services and ways of operating in a post-Covid environment where our understanding of which changes will persist into the medium term is continually evolving.

We continued to receive significant and welcome additional funding from Government, in many different tranches, with numerous conditions attached, and at various times during the year, to help us support our communities through the Pandemic. The incremental provision of in-year funding, proliferation of small funding pots and understanding the changing financial impact of Covid on our costs and income have continued to provide for a challenging financial management environment.

The outturn figures reflect these factors and we remain a financially strong and resilient Authority and have not had to identify additional savings in-year or re-base budgets. However, the potential additional costs and loss of income need to be managed to ensure the Council's budget remains balanced and sustainable into the future.

Inflation

The annual inflation rate in the UK jumped to 9% in April 2022, the highest level since 1982, prompted by rising prices for utilities and fuel. The current forecasts indicate that the prices are expected to revert to a moderate annual increase from 2024/25 but the current inflationary pressure represents significant and potentially fundamental challenges for the County Council, residents and communities of Warwickshire.

Inflation will not only make providing our services more expensive but also expected to increase the demand for council services from the most vulnerable segments of the community. In addition to the direct cost of inflation, the rising cost of living and the National Living Wage will likely to have an indirect impact on our cost via the nationally negotiated annual pay awards.

Mitigation

These risks are common to all local authorities, and we continue to combat them through a mix of active management and financial planning. The specific plans to mitigate the financial risk associated with Covid-19 are:

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

In order to face the challenge of the increasing inflation the organisation is already working on reviewing and reprioritising its plans to ensure the long-term sustainability of core services and delivery of the key priorities set out in the Council Plan.

Major Developments

Two major developments that we brought forward in 2020/21 to support economic growth and Warwickshire's recovery post the Covid-19 Pandemic have become operational in 2021/22.

Warwickshire Property and Development Group (WPDG) is a local authority trading company set up to deliver our policy objective of creating jobs and more homes across Warwickshire. In its first year of operation

WPDG reported operating losses before tax of £0.516m. The loss is due to the company beginning to incur costs such as salaries, IT costs and legal and professional fees from when it was set up, at its balance sheet date it had not yet started to generate income to cover these costs. This net loss position was anticipated, with the loss being slightly less than estimated in the approved business plan. Incurring a loss during the inception phase is normal for a new business and is not a cause for immediate concern.

The Warwickshire Recovery and Investment Fund has been set up to provide access to finance, on a repayable basis, that helps businesses in Warwickshire start, grow and scale-up; helps businesses locate in the county; and leverages additional resources for the county through investment and support for key growth businesses. Our investment will be a maximum of £140 million over the next five years and at the end of the 2021/22 financial year £1m of it has been approved.

Basis of preparation and presentation

In considering this report, you should note that the comparison of spend against service budgets which we use internally to assess our financial performance is not directly comparable to the cost of services disclosed in the Statement of Accounts. This is mainly due to the accounting adjustments required to comply with reporting requirements, which do not impact on the amount of our spending to be met by local taxpayers, which is central to our in-year monitoring of our financial performance. The key differences relate to the way in which we account for items such as depreciation, impairment, reserves, provisions and carry-forwards. Each of these items is explained further in our accounting policies or the glossary.

Core Financial Statements

These comprise the four key pieces of information in the Statement of Accounts

Comprehensive Income and Expenditure Statement	Balance Sheet
An accounting surplus of £81.5 million for 2021/22 has been reported; the outturn position is an £10.5 million surplus. *This statement shows the accounting cost in the year of providing services rather than the amount to be funded from taxation. The main factors in the move are capital depreciation, revaluation and pensions charges.*	**An increase of £406.9 million in County Council's net assets as at 31 March 2022.** *The balance sheet shows the value of the assets and liabilities recognised by the County Council. At 31 March 2022 the County Council's net worth was £453.6 million.*
Cash Flow Statement	**Movement in Reserves Statement**
A net cash outflow of £37.0 million in 2021/22 in cash or cash equivalents. *This statement summarises the cash that has been paid to us and which we have paid to other organisations and individuals.*	**An increase of £14.9 million in the County Council's usable reserves, made up of an increase of £3.0 million in revenue reserves and £11.9 million in capital reserves.** *This statement shows the movement in year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be used to fund spending or reduce taxation) and other reserves.*

Statement of accounting policies

This summarises the accounting rules and conventions we have used in preparing these financial statements. There have been no changes to our accounting policies during the year. During 2020/21 the Audit and Standards Committee agreed two changes to our accounting policies relating to group accounts and leases. Both of these policies were expected to affect the preparation of the 2021/22 accounts but they were not required this year.

Notes to the core financial statements

The notes include more detail to support the information contained in the core financial statements as well as information on critical judgements and assumptions applied in the production of the accounts.

Other sections of this Document

As well as the Statement of Accounts for the County Council, this document includes separate sections for the Annual Governance Statement and the Statement of Accounts for the Warwickshire Pension Fund.

The Annual Governance Statement describes the Council's Governance Framework and system of internal control. It includes a review of the effectiveness of this system in the past year and identifies key risks for the Council to manage in the future. The Annual Governance Statement also covers the Warwickshire Pension Fund.

The Warwickshire Pension Fund's Statement of Accounts describes the Fund's financial position and performance in 2021/22. While the County Council administers the Fund, the Fund's accounts represent its activities on behalf of all its member organisations. Further information about the Fund can be found in Note 1 of that section.

Rob Powell
Strategic Director for Resources

Warwickshire County Council

Statement of Accounts

2021/22

Warwickshire County Council

Working for Warwickshire

We would welcome any comments or suggestions you have about this publication. Please contact Virginia Rennie, Strategic Finance, Resources Directorate, Warwickshire County Council.

- Phone: 01926 412239
- E-mail: vrennie@warwickshire.gov.uk

You can also leave your comments on our website at www.warwickshire.gov.uk

If this information is difficult to understand, we can provide it in another format, for example, in Braille, in large print, on audiotape, in another language or by talking with you. Please contact Gary Morris on 01926 412243.

This document forms part of the Warwickshire County Council's 2021/22 Statement of Accounts which also includes the Annual Governance Statement and the accounts for Warwickshire Pension Fund. The accounts for the Pension Fund are available at www.warwickshire.gov.uk

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Statement of responsibilities for the statement of accounts

This section explains our responsibilities for our financial affairs and how we make sure we carry out these responsibilities properly, in line with the Accounts and Audit (Amendment) Regulations 2022 and the Accounts and Audit Regulations 2015.

Responsibilities of the Council

We do the following:

- Make sure that one of our officers is responsible for managing our financial affairs. In this council, the Strategic Director for Resources is responsible for this;
- Manage our affairs to make sure we use our resources efficiently and effectively and protect our assets; and
- Approve the statement of accounts.

Responsibilities of the Strategic Director for Resources

As the Strategic Director for Resources, I am responsible for preparing our statement of accounts. These accounts must present a true and fair view of our financial position, including our income and spending for the year.

In preparing our statement of accounts, I have:

- Selected suitable accounting policies and applied them consistently;
- Made reasonable and prudent judgements and estimates; and
- Followed the Chartered Institute of Public Finance and Accountancy/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have also:

- Kept proper accounting records which are up to date; and
- Taken steps to prevent and detect fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Warwickshire County Council at 31 March 2022 and the income and expenditure for the year ended 31 March 2022. The unaudited draft accounts were authorised for issue on 22 July 2022. These will then be audited and presented at a meeting of the Council, expected to be 7 February 2023. The approved accounts will then be authorised for issue on that date.

Rob Powell
Strategic Director for Resources **Date: 7 February 2023**

Councillor David Humphreys **Date: 7 February 2023**
Chair of the Council

Comprehensive Income and Expenditure Statement

2020/21				2021/22		
Gross expenditure £m	Gross income £m	Net expenditure / income £m	Summary of revenue spending	Gross expenditure £m	Gross income £m	Net expenditure / income £m
			Money spent on services			
285.8	-36.2	249.6	~ Communities Directorate	303.7	-56.2	247.5
356.5	-88.4	268.1	~ People Directorate	388.0	-104.7	283.3
96.8	-10.3	86.5	~ Resources Directorate	101.8	-24.6	77.2
176.2	-268.1	-91.9	~ Schools	181.8	-268.3	-86.5
25.4	-69.1	-43.7	~ Corporate Services and Resourcing	7.4	-111.9	-104.5
	-3.4	-3.4	~ Non-distributed costs	0.0	-2.2	-2.2
940.7	**-475.5**	**465.2**	**Net cost of services**	**982.7**	**-567.9**	**414.8**
24.4	0.0	24.4	~ Other operating expenditure (note 4)	21.2	0.0	21.2
49.7	-14.2	35.5	~ Financing and investment income and expenditure (note 5)	57.0	-20.6	36.4
0.0	-517.2	-517.2	~ Taxation and non-specific grant income and expenditure (note 6)	0.0	-553.9	-553.9
1,014.8	**-1,006.9**	**7.9**	**Surplus (-) or deficit on the provision of services**	**1,060.9**	**-1,142.4**	**-81.5**
			Items that will not be reclassified to the surplus (-) /deficit on the provision of services			
		-7.6	~ Surplus (-) or deficit on revaluation of property, plant and equipment			-103.5
		-0.1	~ Surplus or deficit from investments in equity instruments designated at fair value through other comprehensive income.			0.0
		224.0	~ Remeasurements of the net defined benefit liability/(asset)			-221.9
		216.3	**Other comprehensive income and expenditure**			**-325.4**
		224.2	**Total comprehensive income and expenditure**			**-406.9**

To arrive at the figures for each directorate in the table above we adjust the income and expenditure figures used internally to report our financial performance, as required by the Code and regulations. A reconciliation of these adjustments and more details as to what each adjustment relates to are shown in the Expenditure and Funding Analysis (Note 1) and the Adjustments between accounting basis and funding basis under regulations (Note 2) in conjunction with the Movement in Reserves Statement. For administrative reasons the Dedicated Schools Grant (DSG) is managed centrally as a single grant and shown within Schools in the CIES above. However, £82.4 million in 2021/22 was used to fund education related services provided by the Council (£84.9 million in 2020/21).

Figures for income, gains and surpluses are shown as negative (-) above.

Movement in Reserves Statement

Movement in Reserves Statement - 2021/22	General Fund (Unearmarked Funds) £ m	General Fund Earmarked Reserves £ m	General Fund Capital Fund £ m	Total General Fund Reserves £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Total Usable Reserves £ m	Unusable Reserves £ m	Total Authority Reserves £ m
Balance at 31 March 2021	**21.4**	**230.5**	**0.7**	**252.6**	**17.7**	**3.8**	**274.1**	**-227.4**	**46.7**
Movement in Reserves during 2021/22									
Total Comprehensive Income and Expenditure	81.5	0.0	0.0	81.5	0.0	0.0	81.5	325.4	406.9
Adjustments between accounting basis and funding basis under regulations (note 2)	-78.8	0.0	0.3	-78.5	-14.2	26.1	-66.6	66.6	0.0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**2.7**	**0.0**	**0.3**	**3.0**	**-14.2**	**26.1**	**14.9**	**392.0**	**406.9**
Transfers to / from (-) Earmarked Reserves (note 7)	1.9	-1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / Decrease (-) in Year	**4.6**	**-1.9**	**0.3**	**3.0**	**-14.2**	**26.1**	**14.9**	**392.0**	**406.9**
Balance at 31 March 2022	**26.0**	**228.6**	**1.0**	**255.6**	**3.5**	**29.9**	**289.0**	**164.6**	**453.6**

Movement in Reserves Statement - 2020/21	General Fund (Unearmarked Funds) £ m	General Fund Earmarked Reserves £ m	General Fund Capital Fund £ m	Total General Fund Reserves £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Total Usable Reserves £ m	Unusable Reserves £ m	Total Authority Reserves £ m
Balance at 31 March 2020	**21.2**	**170.1**	**1.7**	**193.0**	**8.9**	**3.6**	**205.5**	**65.4**	**270.9**
Reporting of Schools Budget Deficit to new Adjustment Account at 1 April 2020	0.0	3.0	0.0	3.0	0.0	0.0	3.0	-3.0	0.0
Restated balance at 1 April 2021	**21.2**	**173.1**	**1.7**	**196.0**	**8.9**	**3.6**	**208.5**	**62.4**	**270.9**
Movement in Reserves during 2020/21									
Total Comprehensive Income and Expenditure	-7.9	0.0	0.0	-7.9	0.0	0.0	-7.9	-216.3	-224.2
Adjustments between accounting basis and funding basis under regulations (note 2)	64.4	0.0	0.1	64.5	8.8	0.2	73.5	-73.5	0.0
Net Increase / Decrease (-) before Transfers to Earmarked Reserves	**56.5**	**0.0**	**0.1**	**56.6**	**8.8**	**0.2**	**65.6**	**-289.8**	**-224.2**
Transfers to / from (-) Earmarked Reserves (note 7)	-56.4	57.4	-1.1	0.0	0.0	0.0	0.0	0.0	0.0
Increase / Decrease (-) in Year	**0.2**	**57.4**	**-1.0**	**56.6**	**8.8**	**0.2**	**65.6**	**-289.8**	**-224.2**
Balance at 31 March 2021	**21.4**	**230.5**	**0.7**	**252.6**	**17.7**	**3.8**	**274.1**	**-227.4**	**46.7**

Balance Sheet as at 31 March 2022

31 March 2021 £ m		31 March 2022 £ m	Notes
1,122.8	Property, plant and equipment	1,333.2	**8**
4.6	Heritage assets	5.0	**10**
4.9	Investment property	5.7	**11**
2.2	Intangible assets	1.1	**12**
1,134.5	**Total fixed assets**	1,345.0	
12.3	Long-term investments	14.2	**13**
3.1	Long-term debtors	3.3	**13**
1,149.9	**Total long-term assets**	**1,362.5**	
	Current assets		
211.7	Short-term investments	312.2	**13**
0.4	Inventories	0.6	
105.6	Short-term debtors	113.9	**15**
198.5	Cash and cash equivalents	161.5	**16**
516.2	**Total current assets**	**588.2**	
	Current liabilities		
-5.6	Short-term provisions	-5.3	**18**
-149.0	Short-term creditors	-159.4	**17**
-2.7	Short-term grants received in advance	-5.1	**24**
-157.3	**Total current liabilities**	**-169.8**	
358.9	**Current assets less current liabilities**	**418.4**	
-2.2	Long-term provisions	-2.2	**18**
-321.4	Long-term borrowing	-321.4	**13**
-75.7	Long-term grants received in advance	-102.6	**24**
-1,062.8	Liability related to defined benefit pension scheme	-901.1	**37**
-1,462.1	**Long-term liabilities**	**-1,327.3**	
46.7	**Net assets**	**453.6**	
274.1	Usable reserves	289.0	**19**
-227.4	Unusable reserves	164.6	**20**
46.7	**Total reserves**	**453.6**	

Rob Powell
Strategic Director for Resources
7 February 2023

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Cash Flow Statement

31 March 2021 £ m		Notes	31 March 2022 £ m
-7.9	Net surplus or (deficit) on the provision of services		81.5
154.9	Adjustment to surplus or deficit on the provision of services for noncash movements	21	33.6
-104.9	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	-111.9
42.1	Net Cash flows from operating activities		3.2
-25.3	Net Cash flows from Investing Activities	22	-40.2
-20.0	Net Cash flows from Financing Activities	23	0.0
-3.2	**Net increase or (decrease) in cash and cash equivalents**		**-37.0**

31 March 2021 £ m		Note	31 March 2022 £ m
201.7	Cash and cash equivalents at the beginning of the reporting period	16	198.5
198.5	Cash and cash equivalents at the end of the reporting period	16	161.5
-3.2	**Net increase or (decrease) in cash and cash equivalents**		**-37.0**

Statement of accounting policies

This section summarises the accounting rules and conventions we have used in preparing these financial statements.

General

The content, layout and general rules we used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2021/22 ('the Code') issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards (IFRSs).

Accruals of income and expenditure

Activity is accounted for in the year that it takes place. This means that income from the sale of goods or the provision of services is recorded in our accounts when the goods or services are transferred to the recipient in accordance with the performance obligations in the contract. Expenditure is recorded in our accounts when services are received, rather than when we actually make a payment, and supplies are recorded as expenditure when we use them or as inventories on the Balance Sheet until that point. Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Where income and expenditure have been recognised but cash has not been received/paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, subject to a de minimis level for non-system generated accruals of £50,000. We do not expect the effect of this de minimis level to be material to the overall position.

Assets held for sale

Where we have decided to sell an asset and the asset is being actively marketed with a sale expected within 12 months of making that decision, it is categorised as a current asset held for sale. We value these at the lower of carrying amount and fair value less disposal costs. Those assets that we do not expect to sell within 12 months are not classed as assets held for sale and instead are valued at their previous use.

Apprenticeship Levy

The cost of the Levy is recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement (CIES) when it is paid to Her Majesty's Revenue and Customs (HMRC). When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the CIES against the service benefiting from the training.

Cash and cash equivalents

Cash is money held in current bank accounts and overdrafts that are repayable on demand and are integral to daily cash flow management. Money held in call accounts and short-term funds invested for a term of three months or less are classified as cash equivalents because they are readily available to be converted into cash.

Contingent assets

We identify contingent assets where an event has taken place that gives the authority a probable asset whose existence will only be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control. Our contingent assets disclosure is shown in note 33. These are not included in our Balance Sheet.

Contingent liabilities

We identify contingent liabilities where either:

- A possible obligation has arisen from past events and whose existence will be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control; or
- A present obligation may arise from past event but is not recognised because either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Our contingent liabilities disclosure is shown in note 34. These are not included in our Balance Sheet.

Employee benefits

Benefits payable during employment

The accounts reflect entitlements that have been earned by employees, such as salaries and wages, as a consequence of the service completed by them as at 31 March each year even if we would never normally make payments for them, such as annual leave and time-off in lieu not yet taken. These are accrued for in the cost of services in the CIES.

Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before normal retirement age or an officer's decision to accept voluntary redundancy. Termination benefits are recognised immediately as an expense to the service in the CIES at the earlier of when the authority can no longer withdraw the offer or when we recognise costs of a restructuring.

Post-employment benefits

As part of the terms and conditions of employment we offer retirement benefits. Although these benefits will not actually be payable until the employee retires, we account for post-employment benefits in the CIES at the time that employees earn their future entitlement.

Our employees are members of four different pension schemes, and we participate in one compensation scheme:

- The Local Government Pension Scheme;
- The Teachers' Pension Scheme;
- The Firefighters' Pension Scheme and the Firefighters' Injury Awards Scheme; and
- The National Health Service Pension Scheme.

All four pension schemes provide members with pensions and other benefits related to their pay and length of service. Details of these schemes, our accounting policies in relation to them and their impact on the financial statements are shown in note 37.

Events after the Balance Sheet date

We consider any material events that occur between the date of the Balance Sheet and the date the accounts are authorised for issue by the Strategic Director for Resources.

Exceptional items, prior period adjustments and changes to accounting policies

Exceptional items are material items of income or expenditure that are disclosed separately in the CIES to aid understanding of our financial performance.

Prior period adjustments are made where there are material adjustments applicable to prior years arising from changes in accounting policies or to correct a material error. Where a change to accounting policies is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for earlier years as if the policy had always applied.

Fair value
We value several classes of our assets at fair value. We define this as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In 2021/22 fair value applies to non-operational property, plant and equipment classified as surplus assets, investment properties, assets held for sale and financial instruments.

We use appropriate valuation techniques, maximising the use of relevant known data and thereby minimising the use of estimates or subjective valuations. We assess the level of uncertainty in our valuations by assigning our assets into three categories:

- Level 1 – quoted prices of identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable, either directly or indirectly; and
- Level 3 – unobservable inputs.

Further detail is shown in notes 11 and 13.

Financial assets
Financial assets are classified based on our business model for holding them and their cash flow characteristics. There are three main classes:

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Fair value through other comprehensive income and expenditure (FVOCI) – designated equity instruments.

Financial assets measured at amortised cost are recognised on the Balance Sheet when we become a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

The fair value measurements of FVPL assets are based on the following techniques:
- Instruments with quoted market prices – the market price; and
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

FVPL assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. A financial instrument revaluation reserve exists to hold qualifying gains and losses on FVPL assets (note 20). Those that do not qualify impact the general fund and are held in an earmarked volatility reserve (note 7).

Equity instruments designated as FVOCI are those which are not held in order to give rise to contractual cashflows and are not held for trading. They are valued at fair value using the earnings multiple valuation method or at cost if suitable information is not available or appropriate. Movements in fair value are recognised in the CIES in Other Comprehensive Income and Expenditure and reflected in the Financial Instruments Revaluation Reserve. These gains or losses are only realised in the General Fund when the assets are sold. Interest is recognised in the CIES is the amount receivable for the year in the loan agreement.

We recognise expected credit losses on assets held at amortised cost or FVOCI either on a 12-month or lifetime basis as appropriate. Impairment losses are calculated to reflect our expectation that future cash flows might not take place because the debtor defaults on their obligations. Where risk has significantly increased since an instrument was recognised, losses are assessed on a lifetime basis. Where risk has not significantly increased or remains low, losses are assessed on the basis of 12-month expectations. For further details on the impairment of current debtors (allowances for bad debts) see note 15. These are shown in service expenditure in the CIES.

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument in the year it was due. For our borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CIES is the amount payable for the year in the loan agreement.

Trade creditors are due within one year and carrying value is deemed to equate to fair value.

Going concern

Local authorities cannot be created or dissolved without statutory prescription. The provisions of the Code on going concern reflect the economic and statutory environment in which local authorities operate and hence these accounts are prepared on the basis that the functions of the authority will continue in operational existence for the foreseeable future.

Grants

Grants are shown in the accounts in the year that they relate to rather than when we actually receive them. They are only shown in the accounts if we are certain that we will receive them. General grants we receive are shown as Taxation and non-specific grant income in the CIES. Revenue grants we receive to pay for spending on specific service activities are shown as income for the relevant service area when we are confident that any grant conditions have been met. Where revenue grants have conditions outstanding the grant is held as a receipt in advance; if the conditions are met but the grant remains unspent it is held in an earmarked reserve.

Capital grants are credited to the CIES when any relevant conditions governing their use have been met. This income is then reversed out and charged to the Capital Adjustment Account upon use, so the level of council tax is not affected. Unused non-conditional capital grants are held in the Capital Grants Unapplied Reserve. Before the conditions are met, capital grants are held on the Balance Sheet as a receipt in advance.

Group accounts

We have assessed a number of entities, including our wholly owned subsidiaries, in line with the Code and accounting standards. Having due regard to materiality of effects on the financial statements and other qualitative considerations that may affect the understanding by the readers of the accounts, we have not established a requirement to produce group accounts. Further details of all our associated companies, subsidiary company holdings and other related party details are outlined in note 40. In addition, we have accounted for schools' income and expenditure, assets and liabilities in the single entity financial statements rather than produce group accounts, in accordance with the Code.

Heritage assets

Our heritage assets are held for their cultural, environmental or historic associations, making their preservation for future generations important. We value our museum collections and valuables at the Courts, Judges House and Shire Hall at their insurance valuations. The Golden Tower of Leaves and our Waller of Woodcote archive collection of family and estate letters and deeds at County Records are valued at cost. It would not be cost effective to undertake revaluations for all other County Record documents and any valuations would not have a material impact on the accounts. Operational heritage assets used in the provision of services or for other activities are accounted for under other asset classes elsewhere in the Balance Sheet. Heritage assets classified as community or other assets are valued at insurance cost unless our valuer believes conventional methods relevant to their classification are more appropriate. Any gains on reclassification are taken to the Revaluation Reserve. More detailed information on the heritage assets we hold is available on our website https://www.warwickshire.gov.uk.

Income from selling non-current assets

We use the income from selling non-current assets (buildings, vehicles and land) to meet part of the cost of new capital spending or to repay borrowing. We show the gain or loss on the sale of assets in the CIES. This is the difference between the sale proceeds and the carrying value of an asset after allowing for costs relating to the sale of the asset. We take all costs of disposal incurred in a year to the CIES, regardless of whether all the proceeds of the related sale have been received. We use up to 4% of a capital receipt to meet these disposal costs.

The carrying value of the asset (the net book value after depreciation) and the sale proceeds are also reversed in the Movement in Reserves Statement (MIRS) and transferred to the Capital Adjustment Account and Capital Receipts Reserve respectively, so the level of council tax is not affected.

Where we have the right to capital receipts but have not yet received the cash payment, the transactions in the CIES are unaffected. However, instead of recognising the sales proceeds we instead recognise a Deferred Capital Receipt, which cannot be used to pay for our capital expenditure until the cash is received.

Intangible assets

Intangible assets are non-financial non-current assets that do not have physical substance and are controlled by the authority through custody or legal rights (such as software licences). We treat intangible assets in the same way as other non-current assets. We gradually reduce the value of intangible assets on a straight-line basis over their useful life (up to 10 years) to reflect the consumption of the economic or service benefit and charge this to the CIES. Intangible assets are valued at amortised historic cost.

Inventories

Inventories are materials or supplies that will be consumed in producing goods or providing services. The highways, roads and transport services stocks are valued at the cost of replacing them. Other stocks are valued at the cost we paid for them. These methods of valuing stocks are different from the methods set out by the Code. This does not have a material effect on the financial statements.

Investment property

Investment property assets are those held for rental purposes or capital value appreciation or both. They are not used for the delivery of services. Such assets are initially measured at cost. Investment property is not depreciated but is revalued at fair value every year. Gains and losses on revaluation, as well as disposal and/or rental income, are shown in the Financing and investment income and expenditure line in the CIES. Our valuation techniques in relation to investment properties are as outlined in note 26.

Leases

Leases can be designated as either finance leases or operating leases. Finance leases are those where substantially all the risks and rewards relating to the leased asset transfer to the lessee. All other leases are operating leases.

Finance leases

We deal with finance leases where we are the lessee in the same way as other capital spending. We include these as assets in the Balance Sheet and charge depreciation on them. Rentals are apportioned between a charge for the acquisition of the asset (recognised as a liability in the Balance Sheet at the start of the lease and written down annually as rent becomes payable) and a finance charge made each year to the CIES.

We do not have material finance leases where we are the lessor.

Operating leases

The vast majority of our lease rental payments (as lessee) are assessed to be operating leases and are charged evenly to the CIES over the life of the lease.

Where we grant an operating lease over a property or item of plant or equipment, the asset is retained on the Balance Sheet and the rental income is credited to the CIES as it is due.

We do not disclose contingent rents as they are not material to the financial statements.

Minimum Revenue Provision

We are required to make an annual contribution from revenue for the repayment of our debt as approved in our Treasury Management Strategy. This is known as the Minimum Revenue Provision (MRP). We calculate MRP on a weighted average straight-line basis using the average remaining useful life of our asset portfolio over the two asset categories of:

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

Overheads and support service costs

All support service costs are held within the directorate within which they are managed. In accordance with the CIPFA Service Reporting Code of Practice 2021/22 support service costs are only apportioned to services on a relevant basis for the purposes of unit costs reporting on services when required for Government statistical comparability.

Pooled budgets

We are the host authority to a number of pooled budget arrangements. These are joint arrangements solely for the purposes of working together with other public sector bodies and which do not create separate entities. We have reported on those arrangements showing the total pooled resources and expenditure including the nature of those arrangements in the notes to the accounts. We have accounted for in our income, expenditure, assets and liabilities in our financial statements, only that where we are the commissioning body. This will include amounts owed to or owed by the other parties in the pooled budget arrangement to the authority where it is the commissioning body.

Property, plant and equipment

Assets that have a physical substance, are held for use in the production or supply of services and that are expected to be used during more than one financial year are classified as property, plant and equipment (PPE). The accounting policies specific to Infrastructure assets are set out separately below.

Recognition

Our spending on buying, creating or improving PPE is classed as capital spending provided that it is probable that the future economic benefits or service associated with the item will flow to us and the cost of the item can be measured reliably. Spending that does not provide a significant benefit in terms of value, asset life, or service performance or which falls below our de minimis level of £6,000 is charged to our revenue account in full in the year it occurs.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our valuation process is led by the Council's Strategic Finance team in collaboration with the Strategic Assets Management team. External valuers are commissioned on a multi-year contract basis.

The closing balances on 31 March 2022 were determined in the following ways:

- Operational land and buildings are included in the Balance Sheet at their current value based on their existing use less an annual charge for depreciation. However, where there is insufficient market valuation evidence, for example schools, assets are included in the Balance Sheet at a depreciated replacement cost;

- Surplus assets are those which we do not use in our day-to-day work and which are not likely to be disposed of in the next twelve months. We include these assets in the Balance Sheet at fair value, based on highest and best use. These assets are revalued every year and so are not subject to depreciation;
- We include infrastructure assets, such as roads and bridges and community assets, vehicles and equipment in the Balance Sheet at the amount they cost when brought into use less an annual charge for depreciation. These assets are valued in this way because there is no meaningful market data available to calculate an existing use value; and
- Assets under construction are held in the Balance Sheet at the cost incurred on their production to date. When the asset is deemed operationally complete the balance is transferred to the appropriate asset class shown above and depreciation begins.

We revalue operational PPE assets held at a value other than depreciated historic cost annually to ensure their carrying amount is not materially different from their current value at year end.

When asset values rise above the amount we paid for them we add the difference to the Revaluation Reserve. When asset values go down, the reduction is charged to any available Revaluation Reserve balance held for that asset, with the remainder being charged to the relevant service line in the CIES. This charge is then reversed out in the MIRS so that there is no impact on council tax.

Impairment

Assets are assessed at each year-end to identify whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. The accounting treatment of impairment losses is the same as that for revaluation losses shown above.

Depreciation

Depreciation is an accounting estimate used to spread the cost of an asset over its useful economic life. We charge depreciation on buildings over our valuer's estimate of their useful economic life (between 5 and 65 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 20 years for vehicles and between 3 and 30 years for equipment).

The cost of depreciation is calculated by the following methodology:

- Our new assets are depreciated from the start of the financial year after they become operationally complete;
- Depreciation is calculated on a straight-line basis meaning that an asset's value falls equally each year throughout its life. If the gross value or remaining life of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year; and
- We generally charge depreciation on buildings as a single asset. However, if we determine that the value of major components within an asset are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the major component is depreciated separately.

We do not charge depreciation on land we own, as it does not have a limited useful life, nor on investment properties or assets held for sale. Similarly, heritage assets are generally assessed to have infinite lives and so are not depreciated.

The estimated useful economic lives of our land and buildings are assessed by our valuers as part of the revaluation of these assets.

Derecognition

Assets are derecognised when they are replaced, sold or no longer owned. The amount of the asset written out is the carrying value (including any revaluations and accumulated depreciation). This leaves no residual value relating to the asset. When derecognition occurs, the carrying value derecognised and the proceeds received are added to the calculation of the gain/loss on disposal. This is charged to the CIES and subsequently reversed out in the MIRS so that there is no impact on the general fund.

Property, plant and equipment – Infrastructure Assets

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. The authority uses a useful economic life of 30 years for infrastructure assets.

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Provisions

We put amounts of money aside to meet future specific service payments. For future events to be reflected in provisions, they need to meet three tests:

- They must be the result of a past event;
- A reliable estimate can be made; and
- There must be a clear responsibility for the Council to make a future payment because of the past event.

Provisions are charged to the appropriate service line in the CIES when we become aware that it is probable a payment will be required. The provision is based on the best estimate of the likely settlement. When payments are made, they are charged to the provision already set up in the Balance Sheet.

Reserves

We keep reserves to pay for spending on projects we will carry out in future years, to protect us against unexpected events and to manage the financial risk of the uncertainty we face. Reserves include 'earmarked reserves' which are set aside for certain policy purposes and other 'general reserves' which represent resources set aside for purposes such as general events and managing our cash flow. By law, schools are entitled to keep any of their budgets they have not spent. These amounts are shown separately from other reserves.

Reserves are created by appropriating amounts from the Council's General Fund in the MIRS. When expenditure is financed from a reserve, the expenditure itself is charged to the appropriate service line in the CIES. The reserve is then appropriated back via the MIRS so that there is no net charge against council tax. Some reserves hold unspent funding which can only be applied in specific ways, such as the Capital Grants Unapplied and Capital Receipts Reserve.

Other 'unusable reserves' are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits:

- The capital accounting system requires us to maintain a Revaluation Reserve to reflect unrealised gains on non-current assets, and a Capital Adjustment Account to manage timing differences between their usage and financing;
- We maintain a Deferred Capital Receipts Reserve to recognise proceeds from the sale of assets where we have a right to the capital receipts but have not received cash payment;
- We maintain a Financial Instruments Revaluation Reserve to hold qualifying gains and losses on FVPL assets;
- We maintain an Accumulated Absences Reserve to hold the amount we have to accrue for post-employment benefits such as annual leave earned but untaken at the year-end so as not to affect the level of Council Tax;
- We maintain a Collection Fund Adjustment Account which holds the difference between the amounts required to be shown in the CIES for council tax and business rates and that required by legislation to be taken against the General Fund;
- We maintain a Dedicated Schools Grant (DSG) Adjustment Account to hold deficits on DSG as these cannot be offset against General Fund Reserves and must be carried forward and met from future DSG funding in line with current legislation and statutory requirements; and
- We maintain a Pensions Reserve to hold the difference between any increase in the accounting cost of pensions in the year and the statutory figure chargeable in any year, which is the contribution made by the authority.

Revenue expenditure funded from capital under statute

We undertake some capital spending during the year that does not result in the creation of an asset we own. Any money we spend this way must be charged to the CIES but be funded from capital resources, and so, we make an adjustment in the MIRS equal to the expenditure to reverse this to the Capital Adjustment Account.

Schools and schools' assets

The balance of control for local authority maintained schools, foundation, voluntary aided and voluntary controlled schools are all deemed to lie with the local authority. We therefore recognise schools' assets, liabilities, reserves and cash flows in our financial statements as if they were transactions, cash flow and balances of the authority. Any asset provided by a third party and consumed in the provision of an education service with schools or donated to the school will be treated as a donated asset. School assets are derecognised in full on the date that a school transfers to academy status. These are disposals for nil consideration. These losses on disposal/transfer are shown in the Other operating income and expenditure line in the CIES.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income. We are subject to Partial Exemption: as long as the VAT we claim on purchases used to generate exempt income is less than 5% of all VAT claimed on purchases in the year, we can claim all our VAT back in full.

Note on Roundings

Individual tables presented within disclosures may not sum due to roundings. This does not reflect any inaccuracy or error.

Notes to the Core Financial Statements

Note 1: Expenditure and Funding Analysis and associated notes

The purpose of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. grants, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed and earned by the authority in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund £m	Adjustments Between the Funding and Accounting Basis £m	Net expenditure in the Comprehensive Income and Expenditure Statement £m	Summary of revenue spending	Net Expenditure Chargeable to the General Fund £m	Adjustments Between the Funding and Accounting Basis £m	Net expenditure in the Comprehensive Income and Expenditure Statement £m
			Money spent on services			
208.5	41.1	249.6	~ Communities Directorate	215.0	32.5	247.5
259.2	8.9	268.1	~ People Directorate	272.0	11.3	283.3
69.6	17.0	86.6	~ Resources Directorate	70.0	7.2	77.2
-93.8	1.9	-91.9	~ Schools	-93.1	6.7	-86.5
-181.1	137.3	-43.8	~ Corporate Services and Resourcing	-141.8	37.3	-104.5
0.0	-3.4	-3.4	~ Non-distributed costs	0.0	-2.2	-2.2
262.4	**202.8**	**465.2**	**Net cost of services**	**322.0**	**92.8**	**414.8**
-313.7	-143.6	-457.3	~ Other income and expenditure	-322.2	-174.1	-496.3
-51.3	**59.2**	**7.9**	**Surplus (-) or deficit on the provision of services**	**-0.2**	**-81.3**	**-81.5**
-5.3	**5.3**		DSG Deficit in Year Transferred to DSG Adjustment Account - adjustment between funding and accounting basis	**-2.8**	**2.8**	
-56.6	**64.5**		**Transferred to General Fund Balances**	**-3.0**	**-78.5**	
193.0			Opening General Fund Balances	252.6		
3.0			Opening Balance Adjustment - DSG Adjustment Account	0.0		
56.6			Less/Plus Surplus or (Deficit) on General Fund Balance in Year	3.0		
252.6			**Closing General Fund Balance**	**255.6**		

The General Fund balances above include a significant proportion of earmarked reserves including those held by schools. For more details and information see the MIRS and note 2 to the accounts.

The analysis of the money spent on services used in the Expenditure and Funding Analysis are those reported to the Cabinet as part of quarterly budget monitoring and year end reporting.

Notes to the Expenditure and Funding Analysis

The table below provides a reconciliation of the main adjustments to the net expenditure chargeable to the General Fund Balances to arrive at amounts in the CIES. The relevant transfers between reserves are explained in the MIRS.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	2021/22 Adjustments for Capital Purposes (a) £m	Net change for Pensions Adjustments (b) £m	Other Statutory Differences (c) £m	Total Adjustments £m
~ Communities Directorate	22.4	10.3	-0.2	32.5
~ People Directorate	-3.7	12.9	2.1	11.3
~ Resources Directorate	-5.0	11.6	0.6	7.2
~ Schools	-0.4	8.3	-1.2	6.7
~ Corporate Services and Resourcing	-70.9	2.4	105.8	37.3
~ Non-distributed costs	0.0	-2.2	0.0	-2.2
Net cost of services	**-57.6**	**43.3**	**107.1**	**92.8**
~ Other income and expenditure from the Expenditure and Funding Analysis	-67.9	17.0	-123.3	-174.1
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	**-125.5**	**60.3**	**-16.2**	**-81.3**
DSG Deficit in Year Transferred to DSG Adjustment Account - adjustment between funding and accounting basis			2.8	2.8
Total for MIRS	**-125.5**	**60.3**	**-13.4**	**-78.5**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement Amounts	2020/21 Adjustments for Capital Purposes (a) £m	Net change for Pensions Adjustments (b) £m	Other Statutory Differences (c) £m	Total Adjustments £m
~ Communities Directorate	36.5	3.4	1.2	41.1
~ People Directorate	1.2	4.5	3.2	8.9
~ Resources Directorate	11.1	3.7	2.2	17.0
~ Schools	-0.3	1.3	0.9	1.9
~ Corporate Services and Resourcing	8.8	0.9	127.6	137.3
~ Non-distributed costs	0.0	-3.4	0.0	-3.4
Net cost of services	**57.3**	**10.4**	**135.1**	**202.8**
~ Other income and expenditure from the Expenditure and Funding Analysis	-40.3	15.9	-119.2	-143.6
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement surplus or deficit on the Provision of Services	**17.0**	**26.3**	**15.9**	**59.2**
DSG Deficit in Year Transferred to DSG Adjustment Account - adjustment between funding and accounting basis			5.3	5.3
Total for MIRS	**17.0**	**26.3**	**21.2**	**64.5**

a) **Adjustments for capital purposes –** this column adds in depreciation, impairment and revaluation gains and losses as well as revenue expenditure funded by capital under statute and capital grants used to fund that expenditure to the service lines within the CIES. It also includes:

- **Other operating expenditure** – income received on disposal of assets and the amounts written off on those assets are added;

- **Financing and investment income and expenditure –** statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted; and
- **Taxation and non-specific grant income and expenditure** – credits for capital grants receivable in the year without conditions or for which conditions were satisfied in the year are added.

b) **Net change for the Pensions adjustments** – this column adds the net change for the removal of pensions contributions and the addition of employee pension-related expenditure and income.

- **For services –** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement of current service costs and past service costs as a result of employee service; and
- **For financing and investment income and expenditure** – the net interest on the defined benefit liability is added as a cost.

c) **Other differences** – this column adds other differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. These include:

- Taxation and non-specific grant income and expenditure – the difference between what is chargeable under statutory regulations for Council Tax and Business Rates and the income recognised under generally accepted accounting practices. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund. Revenue grants that are receivable without conditions or service-specific stipulation are required to be shown within this line rather than within the Net Cost of Services.
- Transfer of DSG Deficits – the amount by which we are required to transfer the deficit on schools' budgets to an unusable reserve in line with statutory requirements.

Expenditure and Income Analysed by Nature

2020/21 £m	Expenditure/Income	2021/22 £m
	Expenditure:	
359.2	~ Employee expenses	404.4
546.0	~ Other services expenses	576.4
39.9	~ Depreciation and amortisation	41.3
28.7	~ Impairment and revaluation losses (including reductions in fair value of investment property)	1.6
16.6	~ Interest payments	16.0
0.3	~ Precepts and Levies	0.3
24.2	~ Loss on the disposal of assets	20.9
1,014.8	**Total Expenditure**	**1,060.9**
	Income:	
-73.1	~ Fees, charges and other service income from contracts with customers	-91.5
-36.1	~ Other contributions, reimbursements and statutory income	-42.6
0.0	~ Revaluation gains (Restatement of prior PPE revaluation and impairment losses)	-86.8
-4.6	~ Interest and investment income (including increases in fair value of investment property)	-5.5
-310.7	~ Income from council tax	-326.1
-3.4	~ Pensions Gain on settlements and curtailments	-2.2
-579.1	~ Grants & non domestic rates income	-587.7
-1,006.9	**Total Income**	**-1,142.4**
7.9	**Surplus or Deficit on the Provision of Services**	**-81.5**

Total income received can be analysed on a segmental basis as follows:

2020/21 £m	Segmental Income Received	2021/22 £m
-42.0	~ Communities Directorate	-65.4
-90.3	~ People Directorate	-107.0
-15.8	~ Resources Directorate	-32.0
-268.1	~ Schools	-268.3
-520.9	~ Corporate Services and Resourcing	-578.7
-937.0		-1,051.4
-66.4	~ Capital Grants Credited to the CIES (Note 24)	-88.0
-3.4	~ Pension Gain on Settlements and Curtailments	-2.2
0.0	~ Revaluation Gains and profit on sale of investment property credited to the CIES (Notes 11 & 5)	-0.8
-1,006.9	**Total Income Analysed on a segmental basis**	**-1,142.4**

We lease some of our properties on long term contracts with customers, but these are not material. Any amounts outstanding at year end are shown amongst the debtors in note 15 as appropriate.

Note 2: Adjustments between accounting basis and funding basis under regulations

Adjustments between accounting basis and funding basis under regulations 2021/22	General Fund Balance £ m	Capital Fund £ m	Capital Receipts Reserve £ m	Capital Grants Unapplied £ m	Movement in Unusable Reserves net spending £ m
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
~ Charges for depreciation of non-current assets	40.3				-40.3
~ Revaluation gains on property, plant and equipment assets	-86.8				86.8
~ Movements in the market value of investment properties	-0.8				0.8
~ Amortisation of intangible assets	1.0				-1.0
~ Capital grants and contributions applied	-82.5				82.5
~ Revenue expenditure funded from capital under statute	22.1				-22.1
~ Amounts of non-current assets written off on disposal to the CIES	25.6				-25.6
Insertion of items not debited or credited to the CIES					
~ Minimum Revenue Provision	-10.9				10.9
~ Capital expenditure charged to the General Fund Balance	-2.5				2.5
Adjustments primarily involving the Capital Grants Unapplied Account					
~ Application of Capital Grants to the Capital Adjustment Account	-26.1			26.1	0.0
Adjustments primarily involving the Capital Receipts Reserve & the Deferred Capital Receipts Reserve					
~ Cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-4.9		4.9		0.0
~ Deferred capital receipts realised in year	0.0		5.0		-5.0
~ Deferred capital receipts credited as part of the gain/loss on disposal to the CIES	0.0				0.0
~ Use of Capital Receipts Reserve to finance new capital expenditure	0.0		-23.8		23.8
~ Contribution from Capital Receipts Reserve to fund administrative costs of non-current asset disposals	0.0	0.3	-0.3		0.0
Adjustments primarily involving the Financial Instruments Revaluation Reserve					
~ Unrealised gains and losses of financial instruments which are shown in the CIES but are not charged/credited to the General Fund Balance in accordance with statutory requirements	-1.9				1.9
Adjustments primarily involving the Pensions Reserve					
~ Grant funding of fire fighters' pension liabilities	-6.3				6.3
~ Reversal of net charges made for retirement benefits in accordance with IAS19	116.7				-116.7
~ Employer's pensions contributions and direct payments to pensioners	-50.3				50.3
Adjustments primarily involving the DSG Adjustment Account					
~ Amount of DSG deficit for the year required to be removed from the CIES in accordance with statutory requirements	2.8				-2.8
Adjustments primarily involving the Collection Fund Adjustment Account					
~ Amount by which council tax income credited to the CIES is different from council tax income calculated in accordance with statutory requirements	-3.8				3.8
~ Amount by which business rates income credited to the CIES is different from business rates income calculated in accordance with statutory requirements	-8.5				8.5
Adjustment primarily involving the Accumulated Absences Account					
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-2.0				2.0
Total adjustments	**-78.8**	**0.3**	**-14.2**	**26.1**	**66.6**

Adjustments between accounting basis and funding basis under regulations 2020/21	**General Fund Balance £ m**	**Capital Fund £ m**	**Capital Receipts Reserve £ m**	**Capital Grants Unapplied £ m**	**Movement in Unusable Reserves net spending £ m**
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement (CIES):					
~ Charges for depreciation of non-current assets	38.9				-38.9
~ Revaluation losses on property, plant and equipment assets	26.6				-26.6
~ Movements in the market value of investment properties	0.0				0.0
~ Amortisation of intangible assets	1.0				-1.0
~ Capital grants and contributions applied	-83.0				83.0
~ Revenue expenditure funded from capital under statute	20.8				-20.8
~ Amounts of non-current assets written off on disposal to the CIES	47.8				-47.8
Insertion of items not debited or credited to the CIES					
~ Minimum Revenue Provision	-11.4				11.4
~ Capital expenditure charged to the General Fund Balance	-2.0				2.0
Adjustments primarily involving the Capital Grants Unapplied Account					
~ Application of Capital Grants to the Capital Adjustment Account	-0.2			0.2	0.0
Adjustments primarily involving the Capital Receipts Reserve & the Deferred Capital Receipts Reserve					
~ Cash sale proceeds credited as part of the gain/loss on disposal to the CIES	-12.6		12.6		0.0
~ Deferred capital receipts realised in year			11.3		-11.3
~ Deferred capital receipts credited as part of the gain/loss on disposal to the CIES	-9.1				9.1
~ Use of Capital Receipts Reserve to finance new capital expenditure	0.0		-15.1		15.1
~ Contribution from Capital Receipts Reserve to fund administrative costs of non-current asset disposals	0.0	0.1	-0.1		0.0
Adjustments primarily involving the Financial Instruments Revaluation Reserve					
~ Unrealised gains and losses of financial instruments which are shown in the CIES but are not charged/credited to the General Fund Balance in accordance with statutory requirements	0.1				-0.1
Adjustments primarily involving the Pensions Reserve					
~ Grant funding of fire fighters' pension liabilities	-3.7				3.7
~ Reversal of net charges made for retirement benefits in accordance with IAS19	76.3				-76.3
~ Employer's pensions contributions and direct payments to pensioners	-46.3				46.3
Adjustments primarily involving the DSG Adjustment Account					
~ Amount of DSG deficit for the year required to be removed from the CIES in accordance with statutory requirements	5.3				-5.3
Adjustments primarily involving the Collection Fund Adjustment Account					
~ Amount by which council tax income credited to the CIES is different from council tax income calculated in accordance with statutory requirements	3.1				-3.1
~ Amount by which business rates income credited to the CIES is different from business rates income calculated in accordance with statutory requirements	7.8				-7.8
Adjustment primarily involving the Accumulated Absences Account					
~ Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	5.0				-5.0
Total adjustments	**64.4**	**0.1**	**8.8**	**0.2**	**-73.5**

Note 3: Significant items of income and expenditure and restatements of prior year figures

There have been no significant changes in the organisation's structure from 2020/21 to 2021/22. As any changes would not have had a material effect on the income and expenditure statement, we have not restated comparatives.

During 2021/22 we received £42.4m Covid funding to support our Covid response and recovery including government grants and NHS discharge claims. The cost of effectively managing the immediate response to the Pandemic and mitigating the long-term impact of Covid on our communities was £47.5m. The in-year funding shortfall has been funded from earmarked reserves that were set aside in 2020/21 for this purpose. At the end of the year the Council had £19.3m Covid -19 funding remaining in it is earmarked reserves to continue to support the work relating to ongoing Covid activity in 2022/23 and beyond.

In 2021/22 there was an increase in the carrying amount of our property, plant and equipment of £190.2 million. £86.8 million of this reverses revaluation decreases or impairment losses that had been charged to the surplus or deficit on the provision of services in previous years. The revaluation gain is shown in our gross income, by service in the CIES.

Note 4: Other operating expenditure

2020/21 £ m	Other operating expenditure	2021/22 £ m
0.3	Environment Agency Levy	0.3
24.2	Losses on disposal/transfer of non-current assets	20.9
24.4		**21.2**

The loss on the disposal/transfer of non-current assets in 2021/22 primarily relates to the transfer of schools to academy status.

Note 5: Financing and investment income and expenditure

2020/21 £ m	Financing and investment income and expenditure	2021/22 £ m
16.6	Interest payable and similar charges	16.0
18.7	Net interest on the net defined benefit liability	21.6
-2.5	Interest receivable and similar income	-1.8
-1.4	Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to usable reserves	1.6
0.1	Unrealised gains or losses on financial assets held at fair value through profit and loss transferred to unusable reserves	-1.8
-9.6	Trading account income	-15.1
12.0	Trading account expenditure	17.4
2.0	Income and expenditure on investment properties and changes in their fair value	-0.8
0.3	Other investment expenditure	0.3
-0.7	Other investment income	-1.1
35.5		**36.3**

Note 6: Taxation and non-specific grant income and expenditure

2020/21 £ m	Taxation and non specific grant income and expenditure	2021/22 £ m
-310.7	Council tax income	-326.1
	Business rates income and expenditure	
-40.5	~ Business rates top up	-41.0
-18.3	~ Retained business rates	-26.6
3.7	Business rates pool growth (WCC share)	0.7
-2.6	Business rates pool surplus	-1.9
	Other non-ringfenced Government grants	
-3.7	~ Fire Pensions Fund Grant	-6.3
-78.7	~ Revenue grants	-64.7
-66.4	~ Capital grants and contributions	-88.0
-517.2		**-553.9**

Note 7: Transfers to/from earmarked reserves

Movement in earmarked reserves	Balance at 31 March 2020	Transfer to DSG Unusable Reserve 1 April 2020	Transfers		Balance at 31 March 2021	Transfers		Balance at 31 March 2022
			Out	In		Out	In	
	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m
Schools Balances	14.2		0.0	7.1	21.3	0.0	1.7	23.0
DSG Reserve	-3.0	3.0	0.0	0.0	0.0	0.0	0.0	0.0
External Commitments Reserves	11.8		-4.1	3.0	10.7	-1.4	5.0	14.3
Redundancy Fund	8.4		-1.4	0.0	7.0	-1.2	0.0	5.8
Insurance Fund	9.1		-0.5	0.0	8.6	-0.6	0.0	8.0
DSG Offset Fund	12.3		0.0	0.0	12.3	0.0	1.4	13.7
Investment Funds	36.9		0.0	3.6	40.5	-16.2	7.2	31.5
Projects and Policies Reserves	10.6		0.0	0.0	10.6	-4.8	2.3	8.1
Volatility Reserves	21.4		-0.8	13.6	34.2	-8.3	14.7	40.6
Management of Directorate Reserves	22.5		-3.7	0.0	18.8	-6.4	3.3	15.6
Covid Grants Reserves	14.1		0.0	10.4	24.5	-19.0	13.8	19.3
Medium Term Financial Strategy	11.8		-16.5	46.7	42.0	0.0	6.6	48.6
Total	**170.1**	**3.0**	**-27.1**	**84.4**	**230.5**	**-57.9**	**56.0**	**228.6**

Earmarked Reserves are the money that we set aside to meet future known budget commitments or so we have the resources to respond to unforeseen events. A full list of reserves can be found in the 2021/22 Financial Outturn Report, available at https://www.warwickshire.gov.uk.

The categories of Earmarked Reserves we held are:

- School balances: accumulated underspends of schools held under a scheme of delegation;
- DSG Reserve: Deficits on DSG (not managed under a scheme of delegation) must now be held in an unusable reserve called the Dedicated Schools Grant Adjustment Account. At 1 April 2020 we were required to transfer from General Fund earmarked reserves the deficit brought forward. This is shown above and in note 20;
- External Commitments Reserves: unused funding received from third parties with conditions on its use is carried forward until the conditions are met;
- Redundancy Fund: resources set aside to meet the costs of redundancies that arise as a result of changes to our services and the way they are delivered;

- Insurance Fund: resources set aside to meet the costs of self-insurance and any excesses on our insurance policies;
- DSG Offset Fund: we are holding £13.7 million in a DSG Offset Fund. This is part of our medium-term financial strategy to ensure sufficient funds are available to meet a future deficit when either we have approval to fund deficits from general reserves or the current regulations change;
- Investment Funds: funding to deliver a future programme of activity to deliver the outcomes and priorities in the Council Plan;
- Projects and Policies Reserves: funding to deliver projects and policies approved by the Council that extend over more than one financial year;
- Volatility Reserves: a number of the Council's activities and costs are volatile over time. Rather than managing this volatility on an annual basis the volatility reserves are used to smooth the financial impact across financial years;
- Management of Directorate Risk Reserves: as part of our Reserves Strategy up to a maximum of 3% of a directorate's net revenue budget (2% for Resources directorate) is held to manage in-year variations between planned and actual spend;
- Covid Grants Reserves: funding received from Government to support the covid response and recovery that had not been used by the end of the financial year; and
- Medium Term Financial Strategy (MTFS): funding available to support the delivery of the Council's MTFS. Of the £48.6 million in this reserve at 31 March 2022, £41.1 million is planned to be used as part of the resourcing delivery of our 2022-27 MTFS.

Note 8: Property, plant and equipment

Property, plant and equipment	**Land and buildings £ m**	**Surplus assets £ m**	**Vehicles, machinery, furniture and equipment £ m**	**Roads and bridges* £ m**	**Country parks and open spaces £ m**	**Assets under construction £ m**	**Total £ m**
Gross book value at 1 April 2021	572.8	5.1	58.3		2.2	56.9	695.3
Depreciation balance at 1 April 2021	0.0	0.0	-47.4		0.0	0.0	-47.4
Net book value (modified historical cost)*	0.0	0.0	0.0	474.9	0.0	0.0	474.9
Net book value at 1 April 2021	**572.8**	**5.1**	**10.9**	**474.9**	**2.2**	**56.9**	**1,122.8**
Changes in the year							
~ spending on assets	16.3	0.0	4.6	24.4	0.2	41.0	86.5
~ transfer of assets under construction to operational assets on project completion	3.5	0.0	0.0	15.2	0.0	-18.7	0.0
~ value of assets we have sold/transferred	-25.1	-1.0	-3.3	0.0	0.0	0.0	-29.4
~ changes in the value of assets: revaluation	51.9	-0.2	0.0	0.0	1.0	0.0	52.7
~ reversal of prior year impairments and revaluation losses	126.4	0.7	0.0	0.0	1.9	0.0	129.0
Depreciation							
~ depreciation written off on revaluation	8.1	0.0	0.0	0.0	0.0	0.0	8.1
~ depreciation written off on disposal	0.5	0.0	3.2	0.0	0.0	0.0	3.7
~ depreciation	-13.8	0.0	-2.3	-24.1	0.0	0.0	-40.2
Net book value at 31 March 2022	**740.6**	**4.6**	**13.1**	**490.4**	**5.3**	**79.2**	**1,333.2**
Gross book value at 31 March 2022	745.8	4.6	59.6		5.3	79.2	894.5
Depreciation balance at 31 March 2022	-5.2	0.0	-46.5		0.0	0.0	-51.7
Net book value (modified historical cost)*	0.0	0.0	0.0	490.4	0.0	0.0	490.4
Net book value at 31 March 2022	**740.6**	**4.6**	**13.1**	**490.4**	**5.3**	**79.2**	**1,333.2**

* In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets (Roads and Bridges) this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclosure this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Property, plant and equipment	**Land and buildings £ m**	**Surplus assets £ m**	**Vehicles, machinery, furniture and equipment £ m**	**Roads and bridges £ m**	**Country parks and open spaces £ m**	**Assets under construction £ m**	**Total £ m**
Gross book value at 1 April 2020	605.3	1.4	56.1		2.5	62.8	728.1
Depreciation balance at 1 April 2020	0.0	0.0	-45.9		0.0	0.0	-45.9
Net book value (modified historical cost)*	0.0	0.0	0.0	448.7	0.0	0.0	448.7
Net book value at 1 April 2020	**605.3**	**1.4**	**10.2**	**448.7**	**2.5**	**62.8**	**1,130.9**
Changes in the year							
~ reclassifications	-2.2	2.2	0.0	0.0	0.0	0.0	0.0
~ spending on assets	14.9	0.0	3.0	34.7	0.1	26.2	78.9
~ transfer of assets under construction to operational assets on project completion	18.1	0.0	0.0	13.9	0.0	-32.0	0.0
~ value of assets we have sold/transferred	-29.6	0.0	-0.8	0.0	0.0	-0.1	-30.5
~ changes in the value of assets: revaluation	-37.9	0.4	0.0	0.0	-0.6	0.0	-38.1
~ reversal of prior year impairments and revaluation losses	4.1	1.1	0.0	0.0	0.2	0.0	5.4
Depreciation							
~ depreciation written off on revaluation	13.6	0.0	0.0	0.0	0.1	0.0	13.7
~ depreciation written off on disposal	0.6	0.0	0.8	0.0	0.0	0.0	1.4
~ depreciation	-14.1	0.0	-2.3	-22.4	-0.1	0.0	-38.9
Net book value at 31 March 2021	**572.8**	**5.1**	**10.9**	**474.9**	**2.2**	**56.9**	**1,122.8**
Gross book value at 31 March 2021	572.8	5.1	58.3		2.2	56.9	695.3
Depreciation balance at 31 March 2021	0.0	0.0	-47.4		0.0	0.0	-47.4
Net book value (modified historical cost)*	0.0	0.0	0.0	474.9	0.0	0.0	474.9
Net book value at 31 March 2021	**572.8**	**5.1**	**10.9**	**474.9**	**2.2**	**56.9**	**1,122.8**

Our land and building assets include schools, fire stations, libraries, waste disposal sites and other buildings. Assets we have disposed of mainly relate to 8 schools that have transferred to Academy status during the year.

Depreciation
We charge depreciation on buildings over our valuer’s estimate of their useful economic life (between 5 and 65 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 20 years for vehicles and between 3 and 30 years for equipment).

Capital commitments

At 31 March 2022, the authority had entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years. The total of those payments we were still due to make on capital schemes that were not yet finished, or which we had not finished paying for, is £21.6 million. Similar commitments at 31 March 2021 were £11.9 million.

The three largest outstanding commitments are as follows:

1. Highways maintenance contract - £10.5 million;
2. BDUK Broadband contract no 3 - £8.7 million; and
3. New Special Educational Needs and Disabilities school - £1.3 million.

Effects of changes in estimates

There have been no material changes to our accounting estimates for property, plant and equipment in 2021/22.

Revaluations

We carry out a programme of revaluations that ensures all property, plant and equipment required to be measured at fair value for the asset type is revalued annually. The table below shows the date at which our property, plant and equipment assets were last valued.

Revaluations	Land and buildings £ m	Surplus Assets £ m	Vehicles, machinery, furniture and equipment £ m	Roads and bridges £ m	Country parks and open spaces £ m	Assets under construction £ m	Total £ m
Carried at Historical Cost	**59.3**	**0.0**	**13.1**	**490.4**	**5.3**	**79.2**	**647.3**
Valued at current value as at:							
31st March 2022	681.3	4.6	0.0	0.0	0.0	0.0	685.9
Total cost or valuation	**740.6**	**4.6**	**13.1**	**490.4**	**5.3**	**79.2**	**1,333.2**

All our assets carried at current value were valued in 2021/22. Valuation of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

All our Surplus Assets fall within the Level 2 - Fair value category, valued using observable inputs. There has been no change in categorisation during the year.

Note 9: School property, plant and equipment

The value of our school property, plant and equipment is £524.9 million (2020/21 - £399.5 million). The table below shows a breakdown across the various types of school.

School property, plant and equipment At 31 March 2022	Land £ m	Buildings £ m	Other Assets £ m	Total £ m	Number of Schools
Community Schools	123.5	178.3	1.8	303.6	68
Voluntary Aided Schools	39.7	48.1	0.0	87.8	25
Voluntary Controlled Schools	38.1	60.0	0.0	98.1	31
Foundation Schools	9.1	26.3	0.0	35.4	6
Net book value at 31 March 2022	**210.4**	**312.7**	**1.8**	**524.9**	**130**

School property, plant and equipment At 31 March 2021	Land £ m	Buildings £ m	Other Assets £ m	Total £ m	Number of Schools
Community Schools	124.0	97.8	1.6	223.4	70
Voluntary Aided Schools	39.9	20.6	0.0	60.5	26
Voluntary Controlled Schools	59.5	30.5	0.0	90.0	36
Foundation Schools	9.6	16.0	0.0	25.6	6
Net book value at 31 March 2021	**233.0**	**164.9**	**1.6**	**399.5**	**138**

The number of schools has reduced by 8 which chose to take up academy status in 2021/22. Whilst we recognise the assets of voluntary aided, voluntary controlled and foundation schools in our accounts we do not have the right to access or dispose of these assets to settle any liabilities. We have no donated school assets.

Note 10: Heritage assets

The net book value of the heritage assets we hold is £5.0 million (£4.6 million in 2020/21). There have been no material acquisitions during 2021/22 and there have not been any significant disposals of heritage assets. More detailed information about the specific heritage assets we hold is on our website https://www.warwickshire.gov.uk.

Note 11: Investment properties

We classify a number of properties as investment properties, most of which are leased out to third parties under operating leases.

The following items of income and expense have been accounted for in the Financing and investment income and expenditure line in the CIES:

31 March 2021 £ m	Investment properties	31 March 2022 £ m
0.1	Direct net operating expense arising from investment property	0.0
0.1	**Net gain(-) /loss**	**0.0**

The table below summarises the movement in the fair value of investment properties over the year.

31 March 2021 £ m	Investment properties	31 March 2022 £ m
23.6	Balance at the start of the year	4.9
-18.7	Disposals	0.0
0.0	Net gains from fair value adjustments	0.8
4.9	**Balance at the end of the year**	**5.7**

The table below shows the fair value of these assets.

Investment Properties - Fair value	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
31st March 2022	0.0	5.7	0.0	5.7
31st March 2021	0.0	4.9	0.0	4.9

There have no changes in the year between levels.

Note 12: Intangible Assets

We account for our software as intangible assets, to the extent that the software is not an integral part of a particular IT system accounted for as a hardware item of property, plant and equipment. Our intangible assets include both purchased licences and internally generated software.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.1 million (£1.0 million in 2020/21) was charged to revenue in 2021/22.

The movement on intangible asset balances during the year is as follows:

2020/21 £ m	Intangible assets	2021/22 £ m
7.6	Gross book Value at 1 April	7.8
-4.6	Amortisation balance at 1 April	-5.6
3.0	**Net book value at 1 April**	**2.2**
	Changes in the year	
0.2	~ Spending on assets	0.0
-0.1	~ Value of assets we have sold	0.0
	Amortisation	
0.1	~ Amortisation written off on disposal	0.0
-1.0	~ Amortisation	-1.1
2.2	**Net book value at 31 March**	**1.1**
7.8	Gross book Value at 31 March	7.8
-5.6	Amortisation balance at 31 March	-6.7
2.2	**Net book value at 31 March**	**1.1**

All software is valued at historic cost. We own a number of software licences across the authority which are written off to revenue over their expected useful lives.

Note 13: Financial instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Financial Assets	31 March 2021			31 March 2022		
	Current £m	Long-term £m	Total £m	Current £m	Long-term £m	Total £m
Investments:						
~ Fair Value through Profit and Loss	33.5	10.2	43.7	31.9	12.0	43.9
~ Loans and Receivables/Amortised Cost	178.2	0.0	178.2	280.3	0.0	280.3
~ Fair value through other comprehensive	0.0	2.1	2.1	0.0	2.2	2.2
Total investments	**211.7**	**12.3**	**224.0**	**312.2**	**14.2**	**326.4**
Debtors - at amortised cost						
~ Amortised cost	0.2	3.1	3.3	0.4	3.3	3.7
~ Financial assets carried at contract amounts	83.9	0.0	83.9	84.5	0.0	84.5
Total Debtors	**84.1**	**3.1**	**87.2**	**84.9**	**3.3**	**88.2**
Cash:						
~ Cash and cash equivalents	198.5	0.0	198.5	161.5	0.0	161.5
Total Cash	**198.5**	**0.0**	**198.5**	**161.5**	**0.0**	**161.5**
Total Financial assets	**494.3**	**15.4**	**509.7**	**558.6**	**17.5**	**576.1**

Financial Liabilities	31 March 2021			31 March 2022		
	Current £m	Long-term £m	Total £m	Current £m	Long-term £m	Total £m
Borrowings:						
~ Financial liabilities at amortised cost	0.0	321.4	321.4	0.0	321.4	321.4
Total Borrowings	**0.0**	**321.4**	**321.4**	**0.0**	**321.4**	**321.4**
Creditors - amortised cost						
~ Financial liabilities at contractual amounts	77.4	0.0	77.4	89.8	0.0	89.8
Total Creditors	**77.4**	**0.0**	**77.4**	**89.8**	**0.0**	**89.8**
Total Financial Liabilities	**77.4**	**321.4**	**398.8**	**89.8**	**321.4**	**411.2**

Reconciliation to Balance Sheet carrying amounts	2020/21 £m	2021/22 £m
Debtors that are financial instruments	84.1	84.9
Debtors that are not financial instruments	21.5	29.0
Total Debtors	**105.6**	**113.9**
Creditors that are financial instruments	77.4	89.8
Creditors that are not financial instruments	71.6	69.5
Total Creditors	**149.0**	**159.3**

The valuation of financial instruments has been classified into the three levels of fair value hierarchy required in the Code according to the quality and reliability of the information and techniques used to value them at fair value.

The fair values of financial liabilities and financial assets carried in the balance sheet at contractual amounts have been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments. (Level 1 in the fair value hierarchy).

The difference between the long-term borrowing nominal amounts carried in the Balance Sheet and their fair value is based on a calculation that uses new loan rates to estimate what it would cost to borrow a similar portfolio of loans at the Balance Sheet date. These loans are with the Public Works Loan Board with interest rates fixed on the date of the initial lending. For more details see note 14.

We use an external expert to provide the fair values for our borrowings, which along with our other financial assets held in the amortised cost and fair value through profit and loss categories, are Level 2 in the fair value hierarchy.

Equity instruments assets are valued internally using the earnings multiple valuation method based on the latest available accounts for the companies in which we hold shares. Details are shown in note 40. Where that data is not available, they are valued at cost. (Level 3 in the fair value hierarchy).

Investments held at amortised cost of £280.3 million (£178.2 million in 2020/21) consist of bank, building society and local authority investments which are held solely for payment of principal and interest and a business model to collect contractual cash flows. The carrying amount and fair value consist of the principal amount and accrued interest to 31 March.

Assets held at fair value through profit and loss of £43.9 million (£43.7 million in 2020/21) are made up of two funds: Threadneedle Social Bond Fund and CCLA Property Fund. At 31 March 2020 the CCLA Property Fund was gated (meaning no investors could withdraw from the fund) by the Fund manager, as a result of the Covid-19 pandemic and its effects on the accurate valuation of the property portfolios it held. This meant we were unable to request for these funds to be cashed in and we re-categorised the CCLA as a long-term investment. Whilst the fund is no longer gated the cost of requesting the funds in the short-term means that we have determined that this investment should remain as a long-term investment. The carrying amount and fair value are based on unit prices provided through fund manager statements.

In assessing fair value, we have made the following assumptions:

- No early repayment or impairment is recognised;
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

There have been no transfers between input levels in 2021/22 and no changes in the valuation techniques for financial instruments during the year.

The fair value hierarchy of assets and liabilities is shown in the table on the following page.

Financial Instruments - Fair value 31 March 2022	Valued at Cost £ m	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
Financial Assets:-					
- Amortised Cost	280.3	0.0	0.0	0.0	280.3
- Fair Value through Profit and Loss	0.0	43.9	0.0	0.0	43.9
- Fair value through other comprehensive income - designated equity instruments	0.0	0.0	0.0	2.2	2.2
Debtors					
- Amortised Cost	0.0	0.0	3.7	0.0	3.7
- Financial assets carried at contractual amounts (deemed to be fair value)	84.5	0.0	0.0	0.0	84.5
Cash:-					
- Cash and Cash Equivalents - deemed to be fair value	161.5	0.0	0.0	0.0	161.5
Total Financial Assets	**526.3**	**43.9**	**3.7**	**2.2**	**576.1**
Financial Liabilities:-					
Borrowings:-					
- Financial liabilities carried at amortised cost	0.0	0.0	477.0	0.0	477.0
Creditors:-					
- Financial liabilities carried at contractual amounts (deemed to be fair value)	89.8	0.0	0.0	0.0	89.8
Total Financial Liabilities	**89.8**	**0.0**	**477.0**	**0.0**	**566.8**

Financial Instruments - Fair value 31 March 2021	Valued at Cost £ m	Quoted Market Price - Level 1 £ m	Using Observable Inputs - Level 2 £ m	Unobservable Inputs - Level 3 £ m	Total £ m
Financial Assets:-					
- Amortised Cost	178.2	0.0	0.0	0.0	178.2
- Fair Value through Profit and Loss	0.0	43.7	0.0	0.0	43.7
- Fair value through other comprehensive income - designated equity instruments	0.0	0.0	0.0	2.1	2.1
Debtors:-					
- Amortised cost	0.0	0.0	3.3	0.0	3.3
- Financial assets carried at contractual amounts (deemed to be fair value)	83.9	0.0	0.0	0.0	83.9
Cash:-					
- Cash and cash equivalents (deemed to be fair value)	198.5	0.0	0.0	0.0	198.5
Total Financial Assets	**460.6**	**43.7**	**3.3**	**2.1**	**509.7**
Financial Liabilities:-					
Borrowings:-					
- Financial liabilities carried at amortised cost	0.0	0.0	520.6	0.0	520.6
Creditors:-					
- Financial liabilities carried at contractual amounts (deemed to be fair value)	77.4	0.0	0.0	0.0	77.4
Total Financial Liabilities	**77.4**	**0.0**	**520.6**	**0.0**	**598.0**

Interest paid and investment income received	**(Surplus)/Deficit on the Provision of Services**		**Other Comprehensive Income and Expenditure**	
	2020/21 £m	**2021/22 £m**	**2020/21 £m**	**2021/22 £m**
Net gains and Losses				
~ Financial assets measured at fair value through profit and loss	-1.3	-0.1	0.0	0.0
~ Investment in equity instrument designated at fair value through other comprehensive income	-0.7	0.0	-0.1	0.0
Total net gains	**-2.0**	**-0.1**	**-0.1**	**0.0**
Interest Revenue				
~ Financial assets measured at amortised cost	-2.5	-1.8	0.0	0.0
Total Interest Revenue	**-2.5**	**-1.8**	**0.0**	**0.0**
Interest Expense				
~ Financial liabilities measured at amortised cost	16.6	16.0	0.0	0.0
Total Interest Expense	**16.6**	**16.0**	**0.0**	**0.0**

Financial Assets	**31 March 2021**		**31 March 2022**	
	Carrying Amount £ m	**Fair Value £ m**	**Carrying Amount £ m**	**Fair Value £ m**
Financial assets held at amortised cost	178.2	178.2	280.3	280.3
Financial assets at fair value through profit and loss	43.7	43.7	43.9	43.9
Cash and cash equivalents	198.5	198.5	161.5	161.5
Fair value through other comprehensive income - designated equity instruments	2.1	2.1	2.2	2.2
Debtors carried at amortised cost	0.2	0.2	0.4	0.4
Debtors carried at contractual amounts	83.9	83.9	84.5	84.5
Long term debtors - amortised cost	3.1	3.1	3.3	3.3
Total	**509.7**	**509.7**	**576.1**	**576.1**

Financial Liabilities	**31 March 2021**		**31 March 2022**	
	Carrying Amount £ m	**Fair Value £ m**	**Carrying Amount £ m**	**Fair Value £ m**
Financial liabilities held at amortised cost	321.4	520.6	321.4	477.0
Financial liabilities at contractual amounts	77.4	77.4	89.8	89.8
Total	**398.8**	**598.0**	**411.2**	**566.8**

Note 14: Nature and extent of risk arising from financial instruments

Our activities expose us to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to us;
- Liquidity risk – the possibility that we might not have funds available to meet our commitments to make payments; and
- Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Our overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Financial risk management is carried out by a central treasury management team, under policies approved by the Council annually in the Treasury Management Strategy, available via https://www.warwickshire.gov.uk. We have written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk
Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to our customers. Our Accounting Policies note describes our overall approach to evaluating impairments to be reflected in the carrying value of our financial assets.

Many of the invoices we raise are the result of statutory obligations. However, where we are providing non statutory goods or services to customers, we consider their ability to pay. A number of checks are available to managers as outlined in our Corporate Debt Recovery Policy. Our current debtors, including trade debtors, are assessed at each year end for impairment. This is assessed using aged debt analysis and past experience of bad debt profiles. The change in the bad debt provision during the year and any amounts found to be irrecoverable are charged against services in the Net Cost of Services in the CIES. The amount of our bad debt provision is shown in note 15.

We have assessed our potential maximum exposure to credit risk, based on experience of default and collectability over the last five financial years. This has been adjusted to reflect current market conditions. However, there is no effect as there is no instance of institutions that meet our credit ratings defaulting in the last five years. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score as laid out in the Treasury Management Strategy.

Liquidity risk
As we have ready access to borrowings from the Public Works Loan Board, there is no significant risk that we will be unable to raise finance to meet our future commitments under financial instruments. Instead the risk is that we will be bound to replenish a significant proportion of our borrowings at a time of unfavourable interest rates. To mitigate this, our strategy is to ensure that when taking out new borrowing we spread maturity dates to match future cash flows.

The maturity analysis of financial liabilities is as follows:

2020/21 £ m	Loans we have not yet repaid	2021/22 £ m
	We owe money to:	
321.4	~ Public Works Loans Board	321.4
321.4	**Total**	**321.4**
	When we will pay the money back:	
18.0	Between 5 and 10 years	18.0
303.4	More than 10 years	303.4
321.4	**Total**	**321.4**

Our level of borrowing is due to paying for capital spending in previous years. We have not borrowed any money from external sources in 2021/22 to pay for new capital spending.

We use cash reserves which we have set aside to support future years' revenue budgets to invest in the short term.

All trade and other payables are due to be paid in less than one year.

Market risk
<u>Interest Rate Risk</u>
We are exposed to significant risk in terms of our exposure to interest rate movements on our borrowings and investments. Movements in interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise;
- Borrowings at fixed rates – the fair value of the borrowings will fall;
- Investments at variable rates – the interest income credited to the CIES will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

As part of our strategy for managing interest rate risk we aim to keep a maximum of 25% of our borrowing in variable rate loans.

We have an active strategy for assessing interest rates exposure that forecasts any adverse changes on a quarterly basis and assesses the impact to be incorporated into the medium-term financial strategy. According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

- No change in the fair value of fixed rate investment assets; and
- A decrease in fair value of fixed borrowing of £75.1 million (£86.0 million in 2020/21).

Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES and affect the General Fund. Movements in the fair value of fixed rate investments will be reflected in the CIES.

Price risk

We have some shareholdings in specific interests, and we are not in a position to diversify our portfolio. The current value of the shareholding is £2.2 million. For these equity instrument holdings, we have irrevocably elected to recognise any movements in price as gains and losses recognised in Other Comprehensive Income in the CIES. In 2021/22 this amounted to no gain or loss. Any gain or loss will not be credited or charged to the General Fund until such times as shareholdings are either impaired, sold or derecognised. We also have some investments held as Fair Value through Profit and Loss. All profits and losses on sales and impairments as well as in-year valuation movements on these assets are recognised immediately in the CIES. We have not disposed of any of these holdings this year. At 31 March 2022 we recognised a total net gain of £0.1 million in the CIES. One of these investments has been classified as a pooled investment vehicle which allows us to apply a statutory override which means that any changes in fair value do not hit the General Fund but are reversed in the MIRS and placed in the unusable Financial Instruments Revaluation Reserve until the investment is either sold or de-recognised. The other is not classed as a pooled investment vehicle, so the statutory override does not apply and changes in fair value are reflected in the General Fund in the year.

Treasury management

We comply with CIPFA's Treasury Management in Public Services Code of Practice and the Ministry for Housing, Communities and Local Government guidance on local government investments issued in March 2004. An updated version of the latter was released in February 2018 to apply to accounting periods from 1 April 2018 onwards.

We aim to achieve the optimum return on our investments commensurate with proper levels of security and liquidity. The borrowing of monies purely to invest and make a return is unlawful and we do not engage in such activity. Our external fund managers comply with the Annual Investment Strategy, approved by Elected Members on an annual basis. The agreement between us and the fund managers additionally stipulates additional guidelines and limits in order to manage risk.

Note 15: Debtors

31 March 2021 £ m	Short-term debtors	31 March 2022 £ m
18.9	Trade Receivables	26.6
3.9	VAT	4.6
31.6	Other Public Sector Debtors	25.2
17.9	Council Tax and Non Domestic Rates - Taxpayers	19.7
0.0	Council Tax and Non Domestic Rates - Local authorities	3.9
-4.3	Council Tax and Non Domestic Rates - Bad Debts	-4.3
4.0	Prepayments to External Organisations and Individuals	5.0
17.4	Social Care Debtors	21.4
9.1	Capital debtors from External Organisations and Individuals	8.8
10.7	Other debtors	7.5
-3.6	Bad Debts	-4.5
105.6	**Balance at the end of the year**	**113.9**

Note 16: Cash and cash equivalents

31 March 2021 £ m	Cash and cash equivalents	31 March 2022 £ m
24.8	Cash held by the authority (including schools and imprest accounts)	27.0
153.7	Bank current accounts (call accounts and instant access deposit accounts)	134.5
20.0	Short-term deposits with building societies and other institutions less than 3 months maturity	0.0
198.5	**Balance at the end of the year**	**161.5**

Note 17: Creditors

31 March 2021 £ m	Short-term Creditors	31 March 2022 £ m
10.0	Trade Payables	14.1
5.3	Social Security Costs	6.8
7.5	Other Public Sector accruals	10.5
4.2	Council Tax and Non Domestic Rates - Taxpayers	4.0
17.1	Council Tax and Non Domestic Rates - Local authorities	10.7
11.6	Accumulated Absences	9.6
45.0	Receipts in Advance	45.3
11.7	Other accruals in relation to capital contracts	13.1
36.6	Other accruals to External Organisations and Individuals	45.3
149.0	**Balance at the end of the year**	**159.4**

Note 18: Provisions

Our provisions total £7.5 million (£7.8 million 2020/21).

Our former liability insurers, Municipal Mutual Insurance (MMI) went into run-off (ceased to write new business) on 30 September 1992, following which a contingent Scheme of Arrangement became effective on January 1994 to ensure a smooth run-off should MMI subsequently be declared insolvent. In the event of the Scheme being triggered, claims paid by MMI after 30 September 1992 will be liable to claw back at a percentage to be determined by the administrators, with subsequent claims to be paid in part at the same percentage. A Supreme Court judgement relating to establishment of liability arising from mesothelioma claims under employers' liability policies has resulted in the increased possibility of the Scheme being triggered. We have set aside £2.0 million to cover the claw back and the outstanding claims.

We have to account for our share of non-domestic rating appeals that are still to be resolved by the Valuation Office Agency for the District and Borough Councils in Warwickshire. We cannot predict when these appeals may be raised or settled, so we have assumed that these settlements will be made within 1 year for the purposes of these accounts. The amount we have provided is £4.3 million.

We have reassessed the balance of liabilities between the County Council and the Firefighters' Pension Fund. Some of the final costs are still uncertain and so a provision of £0.6 million has been included.

All other provisions, totalling £0.6 million, are individually insignificant.

Note 19: Usable Reserves

Movements in our usable reserves are detailed in the Movement in Reserves Statement and in notes 1 and 2. A summary of revenue and capital usable reserves is shown below:

31 March 2021 £ m	Usable reserves	31 March 2022 £ m
21.4	General Fund	26.0
230.5	Earmarked Reserves	228.6
0.7	Capital Fund	1.0
17.7	Capital Receipts Reserve	3.5
3.8	Capital Grants Unapplied	29.9
274.1	**Total usable reserves**	**289.0**

Note 20: Unusable Reserves

31 March 2021 £ m	Unusable reserves	31 March 2022 £ m
188.6	Revaluation Reserve	269.9
667.6	Capital Adjustment Account	808.2
9.1	Deferred Capital Receipts Reserve	4.1
2.1	Financial Instruments Revaluation Reserve	4.0
-11.6	Accumulated Absences Reserve	-9.6
-12.1	Collection Fund Adjustment Account	0.2
-8.3	Dedicated Schools Grant Adjustment Account	-11.1
-1,062.8	Pensions Reserve	-901.1
-227.4	**Total unusable reserves**	**164.6**

Revaluation Reserve
The Revaluation Reserve contains the gains we have made arising from increases in the value of our property, plant and equipment and intangible assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

31 March 2021 £ m	Revaluation Reserve	31 March 2022 £ m
193.1	Balance on 1 April	188.6
10.0	Revaluation increases	141.2
-2.3	Revaluation decreases	-37.7
-6.0	Depreciation adjustment to Capital Adjustment Account	-5.9
-6.2	Revaluation written off on disposal	-16.3
188.6	**Balance on 31 March**	**269.9**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for the financing of the acquisition, construction or enhancement of those assets under statutory provisions:

- The Account is debited with the cost of acquisition, construction and enhancement as depreciation, impairment and revaluation losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts we set aside as finance for the costs of acquisition, construction and enhancement;
- The Account contains the accumulated gains and losses on investment properties; and
- The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

31 March 2021 £ m	Capital Adjustment Account	31 March 2022 £ m
679.2	Balance on 1 April	667.6
0.0	Revaluation increase	0.8
-32.0	Revaluation decrease	-42.2
5.4	Reversal of previous impairments	129.0
6.0	Depreciation adjustment to Revaluation Reserve	5.9
6.2	Revaluation written off on disposal	16.3
-47.8	Value of asset disposals	-25.6
-20.8	Transfer of spending on assets we do not own	-22.1
-39.9	Depreciation charge to revenue	-41.3
11.4	Minimum revenue provision (MRP)	10.9
99.9	Money used to buy assets	108.9
667.6	**Balance on 31 March**	**808.2**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as useable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

31 March 2021 £ m	Deferred Capital Receipts reserve	31 March 2022 £ m
11.4	Balance on 1 April	9.1
9.1	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive Income and Expenditure Statement	0.0
-11.4	Transfer to the Capital Receipts Reserve upon receipt of cash	-5.0
9.1	**Balance on 31 March**	**4.1**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains/losses made by the authority arising from increases/decreases in the value of its equity investments that are measured at fair value through other comprehensive income plus those financial assets valued at fair value through profit and loss for which a statutory override exists, because they meet the conditions of being classified as a pooled investment vehicle. This means that changes in their fair value do not hit the General Fund.

The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost; or
- Disposed of and the gains are realised.

31 March 2021 £ m	Financial Instrument Revaluation Reserve	31 March 2022 £ m
2.1	Opening Balance	2.1
0.1	Upward revaluation of investments	1.9
-0.1	Downward revaluation of investments	0.0
2.1	**Balance at 31 March**	**4.0**

Accumulated Absences Account

The Accumulated Absences Account absorbs the amounts that would otherwise affect the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from the Account.

31 March 2021 £ m		Movement in Accumulated Absences Account	31 March 2022 £ m	
	-6.6	Balance on 1 April		-11.6
6.6		Settlement or cancellation of accrual made at the end of the preceding year	11.6	
-11.6		Amounts accrued at the end of the current year	-9.6	
	-5.0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		2.0
	-11.6	**Balance on 31 March**		**-9.6**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts due to the General Fund.

31 March 2021 £ m	Movement in Collection Fund Adjustment Account	31 March 2022 £ m
-1.2	Balance on 1 April	-12.1
-3.1	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3.8
-7.8	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rate income calculated for the year in accordance with statutory requirements	8.5
-12.1	**Balance on 31 March**	**0.2**

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant (DSG) Adjustment Account is required to hold the deficits on DSG as these cannot be offset against General Fund Reserves and must be carried forward and met from future DSG funding in line with current legislation and statutory requirements. The deficit is removed from the CIES and reversed through the MIRS into this account.

31 March 2021 £ m	Dedicated Schools Grant (DSG) Adjustment Account	31 March 2022 £ m
-3.0	Balance on 1 April	-8.3
-5.3	Deficit on Schools Budget for the year	-2.8
-8.3	**Balance on 31 March**	**-11.1**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. We account for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet costs. However, statutory arrangements require benefits earned to be financed, as we make employer's contributions to pension funds or eventually pay any pensions for which we are directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources we have set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time that the benefits come to be paid.

On 31 March 2021 £ m	Pensions Reserve - All Schemes	On 31 March 2022 £ m
-812.6	Balance as 1 April	-1,062.8
-224.0	Remeasurements of net defined (liability)/asset	231.8
0.0	Effect of business combinations and disposals	-10.0
-76.3	Reversal of net charges made for retirement benefits	-116.7
46.4	Employer's pension contributions and direct payments to pensioners payable in the year	50.3
3.7	Grant funding of firefighters' pensions liabilities	6.3
-1,062.8	**Balance at 31 March**	**-901.1**

Note 21: Cash Flow Statement – operating activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

31 March 2021 £m		31 March 2022 £m
38.9	Depreciation	40.3
26.6	Impairment and downward valuations	-87.6
1.0	Amortisation	1.1
0.0	Acquisition of donated assets	-1.4
27.2	Increase/(decrease) in creditors	11.4
-11.4	(Increase)/decrease in debtors including bad debts	-15.2
0.1	(Increase)/decrease in inventories	-0.2
26.2	Movement in pension liability	60.1
47.8	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	25.6
-1.6	Other non-cash items charged to the net surplus or deficit on the provision of services	-0.5
154.9	**Total**	**33.6**

The cash flows for operating activities include the following items:

31 March 2021 £m		31 March 2022 £m
2.1	Interest received	1.7
-16.6	Interest paid	-16.0
0.7	Dividends received	1.1

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

31 March 2021 £m		31 March 2022 £m
-21.7	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-4.7
-83.2	Any other items for which the cash effects are investing or financing cash flows	-107.2
-104.9	**Total**	**-111.9**

Note 22: Cash Flow Statement – investing activities

31 March 2021 £ m	Cash flows from investing activities	31 March 2022 £ m
-78.6	Purchase of property,plant and equipment, investment property and intangible assets	-83.7
-138.0	Purchase (-) of short-term and long-term investments	-260.0
90.0	Proceeds of short-term and long-term investments	158.0
-1.8	Other receipts or payments (-) for investing activities	-0.4
23.9	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	9.7
79.1	Other receipts from investing activities - capital grants	136.2
-25.3	**Net cash flows from investing activities**	**-40.2**

Note 23: Cash Flow Statement – financing activities

31 March 2021 £ m	Cash flows from financing activities	31 March 2022 £ m
-20.0	Repayments of short and long term borrowing	0.0
-20.0	**Net cash flows from financing activities**	**0.0**

There were no financing activities in 2021/22. In 2020/21 the only cash flow in relation to borrowing was the repayment of £20.0 million of loans outstanding.

Note 24: Grant Income

We credited the following grants to the CIES in 2021/22:

2020/21 £ m	Grant income	2021/22 £ m
	Revenue grants credited to Services:	
233.2	Dedicated Schools Grant	239.9
9.6	Pupil Premium Grant	9.6
0.1	Sixth Form Funding	0.0
13.7	Other Schools Grants	3.5
4.3	Asylum Seekers Grant	6.6
23.4	Public Health Grant	23.9
4.7	Universal Infant Free School Meals	4.0
1.6	Adult & Community Learning	1.8
14.5	Contain Outbreak Management Covid Grant	2.8
7.8	Hospital Discharge Grant	3.1
1.9	Winter Grant Fund	0.0
5.6	Covid Test and Trace, Community Testing & ASC Rapid Testing Grants	1.9
13.4	Covid Infection Control Grant	10.0
14.7	Better Care Fund	14.5
0.0	Community Renewal Fund	1.6
0.0	Household Support Grant	3.5
1.1	Workforce Recruitment & Retention Grant	3.9
0.9	Covid 19- Catch up Grant	1.1
0.7	Bus Service Operators Grant	1.7
0.1	Holiday Activities and Food Programme	1.2
4.4	Other revenue grants	4.7
355.7	**Total revenue grants**	**339.3**
	Capital grants and contributions credited to services:	
5.1	Disabled Facilities Grant	5.1
0.0	Environment Agency	0.1
2.3	Building Digital UK (BDUK)	5.2
7.1	Private developer funding	8.3
2.3	Other grants/contributions	1.9
16.8	**Total capital grants and contributions**	**20.6**
372.5	**Total**	**359.9**

2020/21 £ m	Grant income	2021/22 £ m
	Revenue grants credited to Taxation and Non Specific Grant Income:	
9.6	Business Rates Retention/Compensation Scheme	10.7
0.0	Council Tax Support Scheme	4.9
26.4	Adult Social Care & Better Care Fund	27.0
0.0	Domestic Abuse Support Grant	1.0
31.6	Covid 19 Support Grants	10.8
3.4	New Homes Bonus	2.7
1.8	Independent Living Fund Grant	1.8
1.3	Tackling Troubled Families	1.1
1.0	Childrens Social Innovation Programme	1.0
1.2	Fire Service Pensions Grant	1.3
3.7	Fire Pension Fund Grant	6.3
2.5	Other Grants	2.4
82.4	**Total revenue grants**	**71.0**
	Capital grants and contributions credited to Taxation and Non Specific Grant Income:	
1.2	Devolved Formula Capital	1.3
5.6	Schools Maintenance and Basic Need	32.3
26.6	Local Transport Plan and other transport grants	20.3
4.9	Contribution from other local authorities	5.6
15.3	Private developer funding	20.1
0.0	Donated assets received	1.4
12.8	Other grants/contributions	7.0
66.4	**Total capital grants and contributions**	**88.0**
148.9	**Total**	**159.0**

We have received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

The balances at year end are as follows:

31 March 2021 £ m		31 March 2022 £ m
	Short-term grant receipts in advance - revenue	
1.0	Rural Mobility Fund	1.0
0.7	Syrian Settlement Grant	1.1
0.9	Other grants	3.0
2.7	**Total revenue grants**	**5.1**
	Long-term grant receipts in advance - capital	
1.0	Devolved Formula Capital	0.8
6.2	Grant from Other Local Authorities	9.3
0.7	Additional School Capital Funding	0.5
66.5	Private developer funding and capital receipt deposits	87.9
1.3	Other grants/contributions	4.1
75.7	**Total capital grants**	**102.6**
78.4	**Total**	**107.7**

Note 25: Accounting standards issued that have not yet been adopted

The following accounting standards have been issued but not yet adopted:

- Annual improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes 4 changed standards:
  - IFRS 1 (First-time adoption)
  - IAS 37 (Onerous contracts)
  - IFRS 16 (Leases)
  - IAS 41 (Agriculture)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

These standards all apply to local authority accounts in 2022/23 but are not expected to have a material effect on the authority's financial statements.

Note 26: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions we have made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in our Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance in relation to individual assets. In the current economic climate, the authority cannot be certain about its ability to sustain the current level of spending on repairs and maintenance bringing into doubt the useful lives of the assets.	If a reduction of asset life occurs, the depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £3.0 million for every year that useful lives are reduced.
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate, in isolation, would result in an increase in the pension liability of £38.7 million. See note 37 for further examples. During 2021/22, our actuaries advised that the net pensions' liability has decreased by £161.7 million mainly as a result of an actuarial gain due to revaluation of fund liabilities.
McCloud and Sargeant Judgements	The McCloud and Sargeant judgements upheld the claimant's cases that the method of implementation of the new public sector pension schemes discriminated against younger members. Our consulting actuaries have included an estimate of the impact in the calculation of our pension liability. However, the remedy to resolve the age discrimination has yet to be agreed and the financial impact remains uncertain.	A 1% change in the employer's liability as a result of the final remedy would change our pension liabilities by £23m.

Item	Uncertainties	Effect if actual results differ from assumptions
Covid-19	Our immediate response to the Covid-19 pandemic, the impact of lock down and social distancing on service provision, the wider effects on the economy locally, nationally and globally and the need to invest in the reinstatement of services and recovery began to impact towards the end of March 2020. We used expert external valuers and actuaries to value of our assets and liabilities as at the end of March 2021 and March 2022 to ensure our balance sheet reflects the estimated impact at that point. However, the duration of the pandemic and the depth of and timeframe for recovery from any economic downturn remain uncertain. Therefore, the financial impact and risk of a material adjustment to our balance sheet going forward remains. The key elements that could be negatively impacted include: • The fair value of our assets and investments; and • The level of reserves and cash we use compared to our plans to meet any unfunded costs as well as an increase in both demand for our services and a reduced resource base in future years.	We have £255.6m of general fund revenue reserves and £473.7m of cash and short-term investments at 31 March 2022. A significant proportion of these could be used/redirected to meet any immediate funding shortfall. Any material use would require a review of our medium-term spending and investment plans. Our long-term investments and investment property equate to 1.4% of our total long-term assets at 31 March 2022. A decrease in value of these assets will not affect the underlying strength of our asset base. £138.6m of our operational land and buildings assets are valued on the basis of their existing use. A 12%+ variation in the value of these assets would have a material impact on our accounts.
Inflation	We are facing material inflationary increases for the first time in decades. The key elements that could be negatively impacted include: • The fair value of our assets and investments – through the impact in the value of our investments and the increased cost of delivering new investments/assets impacting on the amount of investment we can undertake; • The level of reserves we use compared to our plans to meet any increased costs and/or demand for our services compared to our plans; and • The net pensions liability through the impact on both the estimation of liabilities and the expected return on pension fund assets. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	We have £255.6m of general fund revenue reserves and £473.7m of cash and short-term investments at 31 March 2022. A significant proportion of these could be used/redirected to meet any immediate funding shortfall. Any material use would require a review of our medium-term spending and investment plans. Our long-term investments and investment property equate to 1.4% of our total long-term assets at 31 March 2022. A decrease in value of these assets will not affect the underlying strength of our asset base. £138.6m of our operational land and buildings assets are valued on the basis of their existing use. A 12%+ variation in the value of these assets would have a material impact on our accounts. The effects on the net pension liability of changes in individual assumptions can be measured. See note 37 for further examples. A 1% variation in the fair value of our share of the Pension Fund's assets is £14.0m.

Item	Uncertainties	Effect if actual results differ from assumptions
Fair Value	It is not always possible for the fair values of investment properties, surplus assets and assets held for sale to be measured based on quoted prices in active markets (i.e. Level 1 inputs). For Level 2 inputs we use quoted prices for similar assets or liabilities in active markets at the balance sheet date. Where possible the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. Where Level 1 inputs are not available, we use valuers to identify the most appropriate valuation techniques to determine fair value.	We use a combination of indexation techniques, beacon valuations and discounted cash flow models to measure the value of our investment properties, surplus assets and assets held for sale.

Note 27: Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed from borrowing (resulting in future revenue charges), the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically yet to be financed. The CFR is analysed in the second part of this note.

2020/21 £ m	Capital financing requirement	2021/22 £ m
289.8	Opening requirement	278.3
	Capital investment:	
78.9	- Property, plant & equipment	86.4
0.0	- Heritage assets	0.1
0.2	- Intangible assets	0.0
0.0	- Long term debtors relating to capital transactions	0.4
20.8	- Revenue spending from capital under statute	22.1
99.9	**Total capital investment**	**109.0**
	Sources of finance:	
-15.0	- Capital receipts	-23.9
-83.0	- Government grants and other contributions	-82.6
	- Sums set aside from revenue:	
-2.0	- Direct revenue contributions	-2.5
-11.4	- MRP	-10.9
-111.4	**Total sources of income**	**-119.9**
278.3	**Closing capital financing requirement**	**267.4**

2020/21 £ m	Explanation of movements in the year	2021/22 £ m
-11.5	Change in underlying need to borrow	-10.9
-11.5	**Increase/decrease(-) in Capital Financing Requirement**	**-10.9**

Note 28: Critical judgements in applying accounting policies

In applying our accounting policies as set out at the start of this document, we have had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, we have determined that this uncertainty is not yet sufficient to provide an indication that our assets might be impaired as a result of a need to close facilities and reduce levels of service provision;

- We consider voluntary controlled, voluntary aided and foundation schools contribute alongside maintained schools, to meeting our service objectives both now and in the future and that therefore their expenditure, income and the assets they use in the provision of services should form part of our accounts. In accordance with the Code we include them in our single entity accounts, and we do not have to prepare separate group accounts. Details of the value and number of each type of school included in our accounts are shown at note 9;

- When a school that is held on our Balance Sheet transfers to academy status we account for this as a disposal for nil consideration on the date that the school converts to academy status rather than as an impairment on the date that approval to transfer to Academy status is agreed. See Notes 4 and 30.

- Details of our relationships with other companies and investments in companies are detailed in note 40. These are not material and we have not prepared group accounts on this basis.

- When we become aware of an expected credit loss our accounting policies require that, if material, we charge this to the CIES in the year. Our judgement, based on the advice of our external experts, is that there is no material expected credit loss at 31 March 2022 and therefore no impairment charge to the CIES has been made.

Note 29: Dedicated Schools Grant

Our spending on schools is funded primarily by a grant provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget as defined in the School Finance and Early Years (England) Regulations 2017. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Central spending includes other funding allocated as school specific contingencies and nominally held funds and allocations by the School Forum. The DSG figure is as confirmed by the Department for Education in March 2022.

We confirm that the DSG receivable in 2021/22 was £240.0 million (made under section 14 of the Education Act 2002). It has been fully distributed to support schools' budgets, as set out in the regulations made under sections 45A, 45AA, 47, 47ZA, 47A, 48, 49 and 138(7) of, and paragraph 2(B) of schedule 14 to, the Schools Standards and Framework Act 1998 and section 24(3) of the Education Act 2002.

New provisions, which came into force on 1 April 2020, under the Schools and Early Years Finance (England) Regulations 2020, mean that local authorities are required to carry forward overspends of DSG to their schools' budgets either in the year immediately following or the year after. Under Regulation 8, paragraphs (7) and (8) this also applies to a deficit from the previous year i.e. 2020/21, thus creating a comparable position to the statutory funding basis for the 2021/22 financial year. Any future funding to make good any deficit from our General Reserves can only be made upon approval from the Secretary of State. This reflects the statutory requirement that a deficit must be carried forward to be funded from future DSG income, unless the Secretary of State authorise the local authority not to do so. Furthermore, the DSG deficit has to be allocated between service categories so that a deficit from one service category cannot be offset against a surplus from another.

The early years DSG is based on data from earlier years. The final allocation will be determined and received during 2022/23 and will be shown in the table as an in-year adjustment. The £0.5m in-year adjustment shown in the table is £0.5m additional DSG income relating to the final in-year adjustment for 2020/21 and £0.04m estimated to be clawed back as the additional final early years DSG for 2021/22.

The deficit on the high needs DSG is £16.0m at the end of the 2021/22 financial year. This will be recovered through future funding growth and our recovery plan aimed at influencing the increasing level of demand in the high needs system and the push towards specialist placements. In line with new regulations which came into force on 29 November 2020, any deficit, as calculated under those regulations, must not be charged to the revenue account. That deficit should be recorded in a separate account solely for the purposes of recording deficits relating to its schools' budget. This is an unusable reserve which we have called the Dedicated School Grant Adjustment Account. These regulations apply at the moment for a period of three years. This adjustment is included as a statutory adjustment in Note 2 to ensure it does not affect the Net Cost of Services or the Total General Reserves available.

Details of the deployment of DSG receivable for 2021/22 across the different DSG blocks are shown below.

2020/21 Total		2021/22										
		Central Spending					Individual schools budget (ISB)					
		Schools Block	Early Years Block	High Needs Block	Central Block	TOTAL	Schools Block	Early Years Block	High Needs Block	Central Block	TOTAL	Total
£ m		£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m	£ m
455.9	Final DSG for the year before Academy recoupment	2.9	1.5	56.2	4.2	64.8	378.6	32.2	19.9	0.0	430.7	495.5
-222.1	Less Academy recouped for the year	0.0	0.0	0.0	0.0	0.0	-241.2	0.0	-14.3	0.0	-255.5	-255.5
233.8	**Total DSG after Academy recoupment for the year and agreed initial budget distribution in the year.**	**2.9**	**1.5**	**56.2**	**4.2**	**64.8**	**137.4**	**32.2**	**5.6**	**0.0**	**175.2**	**240.0**
-3.0	Plus DSG brought forward from the previous year	3.0	2.1	-13.8	0.5	-8.3	0.0	0.0	0.0	0.0	0.0	-8.3
230.9	**Agreed initial budgeted distribution in the year**	**5.9**	**3.6**	**42.4**	**4.7**	**56.5**	**137.4**	**32.2**	**5.6**	**0.0**	**175.2**	**231.7**
-0.6	In year Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.5	0.5
230.2	**Final budgeted DSG distribution for the year**	**5.9**	**3.6**	**42.4**	**4.7**	**56.5**	**137.4**	**32.7**	**5.6**	**0.0**	**175.7**	**232.2**
-65.9	Actual central spending for the year	-3.7	-1.5	-58.0	-4.2	-67.3	0.0	0.0	0.0	0.0	0.0	-67.3
-172.7	Actual ISB deployed to schools	0.0	0.0	0.0	0.0	0.0	-138.2	-31.8	-6.0	0.0	-176.0	-176.0
-8.3	**Under/Over(-) spend for the year (carried forward)**	**2.2**	**2.1**	**-15.6**	**0.5**	**-10.8**	**-0.8**	**0.9**	**-0.4**	**0.0**	**-0.3**	**-11.1**

Note: The above table contains casting differences of £0.1m due to the rounding applied.

Note 30: Events after the Balance Sheet date

Academisation of Schools
As a result of the Government's White Paper 'The Importance of Teaching', which allows Schools to opt out of local government control by becoming academies, 8 Warwickshire schools chose to take up the new academy status in 2021/22 and a further 13 Warwickshire schools are anticipated to also convert to academy status in 2022/23 and beyond. The significance of the conversion of these schools to academy is that the value of the land, buildings and any vehicles, plant and equipment will be removed from our Balance Sheet at the date of conversion. The value of the derecognition of the current schools looking to convert to academy status after 31 March 2022 will be in the region of £39.6 million.

Note 31: External audit costs

We expect to incur costs of £0.123 million (£0.115 million in 2020/21) in relation to the audit of the 2021/22 Statement of Accounts and £0.008 million (£0.005 million in 2020/21) in respect of certification of grant claims and other services provided by our external auditors. In addition, we acquired non-audit services from the external auditors of £0.008 million in 2021/22 (£0.010 million in 2020/21).

Note 32: Leases

Authority as lessee

- Finance leases
  We have acquired some equipment under finance leases. The assets acquired under these leases are carried as property, plant and equipment in the Balance Sheet. These amounts are not material to the financial statements.
- Operating leases
  We have acquired a number of buildings, vehicles and items of equipment by entering into operating leases. These amounts are not material to the financial statements.

Authority as lessor

- Finance leases
  We do not have any finance leases as lessor.
- Operating leases
  We lease out property under operating leases for the following purposes:
  - For the provision of community services, such as community centres, homes for the elderly and disabled nurseries;
  - For economic development purposes to provide accommodation for local businesses;
  - For the support of rural businesses to support smallholdings and farming; and
  - To individuals for personal and business use.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2021 £ m	Operating lease period	31 March 2022 £ m
1.3	Not later than 1 year	1.8
3.3	Later than 1 year and not later than 5 years	4.8
9.6	Later than 5 years	11.0
14.2	**Total**	**17.6**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. The contingent rent is not material to the financial statements.

Note 33: Contingent assets

We currently have no contingent assets.

Note 34: Contingent liabilities

A further legal ruling relating to Firefighter Additional Duties received in April 2019 charges Fire Authorities to ensure all allowances related to any regular additional duty are treated as pensionable. The appropriate changes have been made to the payroll system but backpay will be due once further advice is received concerning how far back we are required to consider recompense for. Until this advice is available, we are unable to calculate an appropriate provision amount, but our view is that for Warwickshire FRS this only relates to Training Allowance which is only paid to a small number of individuals and therefore should not be a material amount.

Note 35: Members' allowances

Elected members were paid a total of £0.775 million (£0.756 million in 2020/21) in allowances and expenses. In addition, we paid independent and co-opted members allowances and expenses of £0.013 million (£0.013 million in 2020/21). No single member was paid more than £50,000 during the year. Further details of allowances and expenses payments made to Elected Members in 2021/22 are available on our website https://www.warwickshire.gov.uk. Payments to Elected Members include expenses for the Police and Crime Panel which are reimbursed by the Home Office.

Note 36: Officers' remuneration and termination benefits

We are required to show the number of our staff who are paid more than £50,000 a year. This is shown in the table below. Pay includes salary, redundancy, taxable travel and other taxable costs. These figures do not include employer's pension contribution and exclude remuneration for senior staff who are shown separately.

2020/21		Remuneration Band	2021/22	
Number of Staff	Number Left in the Year		Number of Staff	Number Left in the Year
138	1	£50,000 - £54,999	170	7
120	0	£55,000 - £59,999	113	5
66	3	£60,000 - £64,999	83	1
50	2	£65,000 - £69,999	64	2
33	1	£70,000 - £74,999	42	4
26	3	£75,000 - £79,999	29	0
12	1	£80,000 - £84,999	21	2
8	0	£85,000 - £89,999	11	0
6	1	£90,000 - £94,999	5	0
6	0	£95,000 - £99,999	6	0
3	0	£100,000 - £104,999	5	0
0	0	£105,000 - £109,999	1	0
2	0	£115,000 - £119,999	2	0
0	0	£120,000 - £124,999	1	1
0	0	£125,000 - £129,999	0	0
0	0	£130,000 - £134,999	1	0
1	0	£135,000 - £139,999	0	0
471	**12**		**554**	**22**

We are required to disclose the remuneration of senior employees, as defined by regulation, by post for salaries under £150,000 and by name for those whose salary is over £150,000. Remuneration for senior staff includes the employer's contribution to the appropriate pension fund.

Post holder information		Salaries (including fees and Allowances) £	Taxable Expense Allowances £	Total excluding pension contributions £	Employer's Pension Contributions £	Total including pension contributions £
Chief Executive - Monica Fogarty	2020/21	190,808	0	190,808	37,587	228,395
(Head of Paid Service)	2021/22	198,948	0	198,948	39,193	238,141
Strategic Director for Resources - Rob Powell	2020/21	147,718	0	147,718	29,099	176,817
(Section 151 Officer)	2021/22	153,767	0	153,767	30,292	184,059
Strategic Director for People - Nigel Minns	2020/21	147,743	0	147,743	29,104	176,847
Note 1	2021/22	153,767	0	153,767	30,292	184,059
Strategic Director for Communities	2020/21	140,282	0	140,282	27,633	167,915
	2021/22	146,193	0	146,193	28,800	174,993
Chief Fire Officer	2020/21	133,620	0	133,620	39,892	173,512
Note 2	2021/22	69,699	0	69,699	15,973	85,672
	2021/22	88,953	0	88,953	25,618	114,571
Assistant Director - Public Health (Director of	2020/21	107,208	10,002	117,210	21,119	138,329
Public Health)	2021/22	115,553	0	115,553	22,764	138,317
Assistant Director Education Services (Chief	2020/21	115,367	0	115,367	22,726	138,093
Education Officer)	2021/22	119,743	0	119,743	23,589	143,332
Assistant Director Governance and Policy	2020/21	120,527	0	120,527	23,742	144,269
(Monitoring Officer)	2021/22	122,380	0	122,380	24,109	146,489
Total 2020/21		**1,103,273**	**10,002**	**1,113,275**	**230,902**	**1,344,177**
Total 2021/22		**1,169,003**	**0**	**1,169,003**	**240,630**	**1,409,633**

Note 1 The Strategic Director for People holds the posts of Director of Children's Services and Director of Adult Social Services.

Note 2 The role of the Chief Fire Officer was undertaken by two individuals during 2021/22. Initially from 1 April 2021 to 1 September 2021 on an annualised salary of £132,228. A new Chief Fire Officer started on 26 July 2021 on an annualised salary of £130,000. The new Chief Fire Officer was previously in the role of Assistant Chief Fire Officer.

Note 3 An interim Assistant Director for Education was also in post from November 2021 to March 2022. They were paid via an Agency. Payments for 2021/22 were £68,255.

There were no payments for compensation for loss of office or benefits in kind relating to senior staff.

A number of employees left during 2021/22, incurring costs of £1.8 million (£2.1 million in 2020/21). None of this relates to senior staff. This cost includes officers who have left as part of ongoing savings and efficiency plans. The table below provides details of total exit costs, which also includes the pensions costs funded by the authority.

Exit Package Cost Band (including Special Payments)	Number of compulsory redundancies		Number of other departures agreed		Total Number of packages by cost band		Total cost of packages in each band £ m	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	8	26	59	32	67	58	0.414	0.284
£20,001 - £40,000	4	10	8	1	12	11	0.346	0.307
£40,001 - £60,000	2	5	5	2	7	7	0.328	0.338
£60,001 - £80,000	1	4	1	0	2	4	0.129	0.260
£80,001 - £100,000	2	0	0	0	2	0	0.173	0.000
£100,001 - £150,000	1	5	1	0	2	5	0.243	0.617
£150,001 - £200,000	3	0	0	0	3	0	0.498	0.000
	21	**50**	**74**	**35**	**95**	**85**	**2.131**	**1.806**

This is staff that have left the authority in the year. In addition, we are required to account for the termination costs for staff that have signed an agreement to leave the authority which cannot be cancelled but who do not leave until after the 31 March, as a provision charged in the CIES.

Note 37: Pension schemes

As part of the terms and conditions of employment, we offer retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make payments that need to be disclosed at the time that employees earn their future entitlement.

<u>Pension Schemes operated by the Council</u>

Teachers
We operate a pension scheme for our teaching staff, under the Superannuation Act 1972. The scheme provides teachers with a defined benefit when they retire. The Teachers' Pensions Agency manages the scheme under the Teachers' Pensions Regulations 1997, as amended. The Government sets teachers' and employers' contribution rates on the basis of an assumed fund. The scheme has a large number of participating employers and so we are not able to identify our share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of our Statement of Accounts, the scheme is therefore accounted for on the same basis as a defined contribution scheme.

We may be required to make two kinds of contributions to the scheme – 'normal' and 'supplementary'. The normal contribution is the percentage of a newly recruited teacher's salary that is needed to meet the cost of the pension liability. We would pay a supplementary contribution if the Government found that future liabilities would not be met by the normal contributions. A supplementary contribution is not needed at present. Our total employer's contribution cost was £16.4 million in 2021/22 (£17.0 million in 2020/21).

We are also responsible for paying any extra added years of benefits and early retirement costs to pensioners. These extra costs are classed as defined benefits. As a result, in our accounts we show the extra cost of pensions decisions we made in the current year, no matter when we will actually pay these financial costs. There is no fund for these discretionary benefits and so there are no assets. In 2021/22 the payments relating to added pensionable years came to £3.1 million (£3.2 million in 2020/21).

Firefighters
There is a defined benefit pension scheme for our firefighters, under the Superannuation Act 1972. The Firefighters' Pension Scheme in England is an unfunded scheme where we promise to provide employees with benefits under the scheme but make no advance funding in the scheme for those benefits. Benefits are paid directly when they become due.

We pay an employer's pension contribution, based on a percentage of pay, into the pension fund. The pension fund will be balanced to nil at the end of the year by either paying over to the government any excess, or by receiving cash in the form of pension top-up grant. This grant is paid to the Firefighters' Pension Fund and not the County Council. The Government sets the employees' and employer's contribution rates by regulation.

In 2021/22, pension payments totalled £7.3 million (£7.0 million in 2020/21). Costs relating to early retirement totalled £3.2 million in 2021/22 (£0.7 million in 2020/21).

The estimated employer's contributions for Fire Fighters pension for the period to 31st March 2023 is approximately £2.8 million.

Firefighters' Injury Awards Scheme
Firefighters' injury awards are financed from our revenue account. An ongoing liability to pay injury awards is included in our Balance Sheet. This liability is subject to the same actuarial assumptions as the main firefighters' scheme, though it is not a separate pension scheme as there is a benefit paid whether the recipient of the injury award is a member of the scheme or not. However, the liability forms part of our overall pensions' liability.

National Health Service
During 2013/14 some NHS staff transferred to us. These staff have maintained their membership in the NHS Pension Scheme. The scheme provides these staff with specified benefits upon their retirement and we contribute towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, we are not able to identify our share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021/22 we paid £0.065 million (£0.070 million in 2020/21) to the NHS Pension Scheme in respect of former NHS staff retirement benefits, including employees' contributions.

Local Government Pension Scheme – all other Council employees
We operate a funded, defined benefit pension scheme for staff, under the Local Government Pensions Scheme Regulations 2013. We manage the scheme for ourselves, the five district councils and a number of other organisations. We prepare the accounts, but they are separate from our financial statements. The Council and employees pay contributions into the fund calculated at a level intended to balance pension liabilities with investment assets.

An actuarial valuation is carried out every three years to assess the difference between the fund's projected assets and liabilities and the amount employers will have to contribute for the next three years. The valuation on 31 March 2019 set the rates for 2020/21, 2021/22 and 2022/23.

In the valuation carried out as at 31 March 2019 the funding level increased from 82% to 92%. As a result, the employer's rate is expected to increase by 0.75% per annum until 2022/23. In 2021/22, we made normal employer's contributions totalling £32.3 million (£28.7 million in 2020/21).

We are also responsible for all pension payments relating to benefits we have awarded for added years, together with related increases. In 2021/22, these came to £1.1 million (£2.5 million in 2020/21). The estimated employer's contribution for the period to 31st March 2023 is £33.2 million.

In 2021/22 we agreed to take on the full pension assets and liabilities of Educaterers Ltd (our wholly owned Local Authority Trading Company), adopting an approach to achieve a stable and appropriate contributions rate under a risk sharing agreement. This is identified within the below tables with the narrative "Effect of business combinations and disposals". The net impact is an increased pension liability of £10 million. This comprises of an increase in LGPS assets of £19.2 million and an increase in LGPS liabilities of £29.1m. The liability was previously transferred from us in 2017 on the incorporation of Educaterers.

The impact of the transfer is included within Other Comprehensive Income in the CIES included within the line for "Remeasurements of the net defined benefit liability". There is no impact to our general fund reserves, with the increase in pension liability offset by an increase in the pension reserve.

The value of our LGPS assets at 31 March 2022 is based on the market value at 31 March 2022. The movement in our LGPS assets in the year is as shown below:

31 March 2021 £ m	Change in Fair Value of WCC Share of LGPS Assets	31 March 2022 £ m
1,019.2	Fair value of assets at the beginning of the year	1,278.1
-4.9	Effect of settlements	-2.7
23.3	Interest Income on plan assets	25.5
242.2	Remeasurements on assets	77.9
32.0	Employers' contributions (including receipts covering early retirements)	32.4
9.3	Member contributions	10.1
-43.0	Benefits/transfers paid	-43.3
0.0	Effect of business combinations and disposals	19.2
1,278.1	**Fair value of assets at the end of the year**	**1,397.2**

A breakdown of the nature of those assets is as follows:

31 March 2021			31 March 2022	
Quoted prices in active markets £ m	Quoted prices not in active markets £ m	LGPS Assets	Quoted prices in active markets £ m	Quoted prices not in active markets £ m
0.0	0.6	**Equity securities:**	0.0	0.6
277.0	43.1	**Debt Securities:**	180.5	41.6
0.0	65.5	**Private equity:**	0.0	99.3
		Real estate:		
116.0	0.0	UK property	137.1	0.0
0.0	0.0	Overseas property	0.5	0.0
		Investment funds and unit trusts:		
714.2	0.0	Equities	711.3	0.0
0.0	0.0	Bonds	126.2	0.0
36.9	0.0	Infrastructure	0.0	70.7
0.0	0.0	Other	0.0	0.0
24.8	0.0	**Cash and cash equivalents**	29.3	0.0
1,168.9	**109.2**	**Totals**	**1,185.0**	**212.2**

Note: The above table contains a casting difference of £0.1m due to the rounding applied.

The expected return on scheme assets does not affect the Balance Sheet position as at 31 March 2022 but will affect the reported pension cost for the following year. It is based on market expectations at the beginning of the financial period for returns over the life of the obligation. This requires the consideration of the composition of the Scheme's assets and the potential returns of different asset classes. The assumption used is the average of the assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The Impact of Pensions in our Accounts

We show the cost of retirements benefits in 'Money spent on services' in the CIES when employees earn them. We have made adjustments in the MIRS so that the charge made against the council tax reflects the actual cash we have paid relating to the year.

31 March 2021					Pension scheme accounting	31 March 2022				
LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury Award £m	Total £m		LGPS £m	Teachers £m	Fire fighters £m	Fire fighter Injury Award £m	Total £m
					Spending:					
49.6	0.0	3.3	0.4	53.3	Current service cost	81.3	0.0	5.0	0.6	86.9
0.0	0.0	0.0	0.0	0.0	Past service cost and curtailments	0.3	0.0	0.0	0.0	0.3
-3.5	0.0	0.0	0.0	-3.5	Effects of Settlement	-2.6	0.0	0.0	0.0	-2.6
34.6	1.0	5.8	0.6	42.0	Interest cost	39.3	0.9	6.2	0.6	47.0
-23.3	0.0	0.0	0.0	-23.3	Interest income on plan assets	-25.5	0.0	0.0	0.0	-25.5
57.5	**1.0**	**9.1**	**1.0**	**68.6**	**Net charge to CIES**	**92.9**	**0.9**	**11.2**	**1.2**	**106.2**
					Contribution from Pensions Reserve:					
-184.0	-3.1	-59.7	-3.4	-250.2	Movement on the Pensions Reserve	137.7	4.3	18.3	1.5	161.8
158.5	5.4	57.1	3.0	224.0	Re-measurements recognised in CIES	-207.2	-2.1	-20.4	-2.2	-231.8
0.0	0.0	0.0	0.0	0.0	Effect of business combinations and disposals	10.0	0.0	0.0	0.0	10.0
n/a	n/a	-3.7	n/a	-3.7	Funded by Government top up grant	n/a	n/a	-6.1	n/a	-6.1
-25.5	**2.3**	**-6.3**	**-0.4**	**-29.9**	**Contribution (from) Pensions Reserve**	**-59.5**	**2.2**	**-8.2**	**-0.7**	**-66.3**
					Actual amount charged against council tax:					
32.0	n/a	2.8	n/a	34.8	Employer's contributions & ill-health contributions	33.4	n/a	3.0	n/a	36.3
32.0	**0.0**	**2.8**	**0.0**	**34.8**	**Amount charged against council tax**	**33.4**	**0.0**	**3.0**	**0.0**	**36.3**
					Amount funded by government top up grant					
n/a	n/a	7.7	n/a	7.7	Retirement benefits paid and due to be paid to pensioners and transfers out	n/a	n/a	10.3	n/a	10.3
n/a	n/a	0.0	n/a	0.0	Retirement Benefits paid directly by Government Top Up Grant	n/a	n/a	0.0	n/a	0.0
n/a	n/a	-1.2	n/a	-1.2	Employee contributions	n/a	n/a	-1.2	n/a	-1.2
n/a	n/a	-2.8	n/a	-2.8	Employer's contributions & ill-health contributions	n/a	n/a	-3.0	n/a	-3.0
0.0	**0.0**	**3.7**	**0.0**	**3.7**	**Government top up grant receivable**	**0.0**	**0.0**	**6.1**	**0.0**	**6.1**
					Movement in Reserves Statement					
-57.5	-1.0	-16.8	-1.0	-76.3	Reversal of net charges made for retirement benefits	-92.9	-0.9	-21.5	-1.2	-116.5
32.0	n/a	2.8	n/a	34.8	Employer's contributions & ill-health contributions	33.4	n/a	3.0	n/a	36.3
n/a	3.2	7.7	0.6	11.5	Retirement benefits paid or due to be paid to pensioners and transfers out	n/a	3.1	10.3	0.5	13.9
-25.5	**2.3**	**-6.3**	**-0.4**	**-29.9**	**Movement in Reserves Statement**	**-59.5**	**2.2**	**-8.2**	**-0.7**	**-66.3**

Note: The above table contains casting differences of £0.1m due to the rounding applied.

The key assumptions used by our actuary to determine valuations are as laid out in the table below:

31 March 2021				Pension scheme assumptions	31 March 2022			
LGPS	Teachers	Firefighters	Firefighter Injury Award		LGPS	Teachers	New Firefighters	Firefighter and Injury Award
				Financial assumptions:				
2.9%	2.9%	2.9%	2.9%	Rate of Inflation CPI	3.2%	3.2%	3.2%	3.2%
3.1%	3.1%	3.3%	3.3%	Salary increase	4.0%	4.0%	3.7%	3.7%
2.9%	2.9%	2.9%	2.9%	Pensions increases	3.2%	3.2%	3.2%	3.2%
2.0%	2.0%	2.0%	2.0%	Rate of discount	2.7%	2.7%	2.7%	2.0%
				Life expectancy assumptions:				
21.8 (24.2)	21.8 (24.2)	26.6 (28.9)	26.6 (28.9)	A male (female) current pensioner aged 65	21.6 (24.1)	21.6 (24.1)	26.3 (28.7)	26.3 (28.7)
23.0 (26.1)	23.0 (26.1)	27.9 (30.3)	27.9 (30.3)	A male (female) future pensioner aged 65 in 20 years time	22.7 (25.9)	22.7 (25.9)	27.7 (30.1)	27.7 (30.1)
				Commutation of pension for lump sum at retirement:				
75.0%	n/a	90.0%	90.0%	~ Taking maximum cash	75.0%	n/a	90.0%	90.0%
50.0%	n/a	n/a	n/a	~ Taking 3/80th cash	50.0%	n/a	n/a	n/a

The sensitivity regarding the principal assumptions used to measure the LGPS scheme liabilities are set out below.

Change in assumptions as at 31 March 2022	Approximate increase to Employer Liability %	Approximate monetary amount £ m
0.1% decrease in real discount rate	2%	38.7
1 year increase in member life expectancy	4%	77.2
0.1% increase in the salary increase rate	0%	3.3
0.1% increase in the pension increase rate	2%	35.0

The liabilities associated with each scheme are as shown in the table below:

31 March 2021						31 March 2022				
LGPS £m	**Teachers £m**	**Firefighters £m**	**Firefighter Injury Award £m**	**All Schemes £m**	**Change in present value of pension scheme liabilities during the year**	**LGPS £m**	**Teachers £m**	**Firefighters £m**	**Firefighter Injury Award £m**	**All Schemes £m**
1,506.2	44.7	256.6	24.3	1,831.8	Benefit obligation at the beginning of the year	1,949.1	47.8	316.3	27.7	2,340.9
49.6	0.0	3.3	0.4	53.3	Current service costs	81.3	0.0	5.0	0.6	86.9
-8.4	0.0	0.0	0.0	-8.4	Effect of Settlements	-5.3	0.0	0.0	0.0	-5.3
34.6	1.0	5.8	0.6	42.0	Interest on pensions liabilities	39.3	0.9	6.2	0.6	47.0
9.3	0.0	1.2	0.0	10.5	Member contributions	10.1	0.0	1.2	0.0	11.3
0.0	0.0	0.0	0.0	0.0	Past service costs	0.3	0.0	0.0	0.0	0.3
-43.0	-3.2	-7.7	-0.6	-54.6	Benefits/transfers paid	-44.3	-3.1	-10.3	-0.5	-58.2
0.0	0.0	0.0	0.0	0.0	Effect of business combinations and disposals	29.1	0.0	0.0	0.0	29.1
400.7	5.4	57.1	3.0	466.2	Remeasurements on liabilities	-129.2	-2.1	-20.4	-2.2	-153.9
1,949.1	**47.8**	**316.3**	**27.7**	**2,340.9**	**Present value of liabilities at the end of the year**	**1,930.4**	**43.6**	**298.0**	**26.2**	**2,298.2**

Note: The above table contains casting differences of £0.1m due to the rounding applied.

This leaves each scheme with a net liability as shown below:

31 March 2021						31 March 2022				
LGPS £m	**Teachers £m**	**Fire fighters £m**	**Firefighter Injury Award £m**	**Total £m**	**Pension assets and liabilities recognised in the Balance Sheet**	**LGPS £m**	**Teachers £m**	**Fire fighters £m**	**Firefighter Injury Award £m**	**Total £m**
1,949.1	47.8	316.3	27.7	2,340.9	Present value of the defined benefit obligation	1,930.4	43.6	298.0	26.2	2,298.2
1,278.1	0.0	0.0	0.0	1,278.1	Less: Fair value of plan assets	1,397.2	0.0	0.0	0.0	1,397.2
671.0	**47.8**	**316.3**	**27.7**	**1,062.8**	**Net Liability arising from defined benefit obligation charge to CIES**	**533.2**	**43.6**	**298.0**	**26.2**	**901.1**
184.0	**3.1**	**59.7**	**3.4**	**250.2**	**Increase/decrease (-) in net liability from previous year**	**-137.7**	**-4.2**	**-18.3**	**-1.5**	**-161.8**

Note: The above table contains casting differences of £0.1m due to the rounding applied.

The liabilities show the underlying commitments that we have in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that our financial position remains healthy:

- LGPS - the deficit will be recovered by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Firefighters Pension Scheme - the deficit is paid by Central Government;
- Teachers' Pension Scheme - finance is provided by the Teachers Pensions Agency; and
- Firefighters' Injury Awards – these are financed through revenue budgets.

Note 38: Pooled budgets with health

Section 75 of the National Health Service Act 2006 allowed joint-working arrangements between NHS organisations and local authorities. Pooled funds allow these health organisations and local authorities to work together to tackle specific health issues. An important feature of the pool is that the way resources are used will depend on the needs of the clients who meet the conditions set for the pooled budget, rather than the contributions of the partners.

The table below summarises the financial transactions of the pooled budgets.

2020/21	Pooled budgets with health	2021/22			
Surplus(-)/ Deficit £ m		Our contribution £ m	Total pool £ m	Total spend £ m	Surplus(-)/ Deficit £ m
	Better Care Fund Pooled Budget - S75				
-0.4	~ Integrated community equipment service	1.7	5.8	5.5	-0.3
-1.0	~ Better Care Fund - revenue other	29.1	58.0	55.1	-2.9
-2.2	~ Disabled Facilities Capital Grant	0.0	5.1	3.7	-1.4
-3.6	**Total Better Care Fund**	**30.8**	**68.9**	**64.3**	**-4.6**
0.0	**Commissioning of Mental Health Services for Children & Young People**	0.9	4.5	4.5	0.0
0.0	**Community Dietics Service**	0.7	0.7	1.0	0.3
-3.6	**Total**	**32.4**	**74.1**	**69.8**	**-4.3**

Warwickshire County Council is the host authority for the Section 75 Pooled budget arrangement via the Better Care Fund. The strategic aims of the programme are:

- People are helped to remain healthy and independent;
- People are empowered to play an active role in managing their own care and the care they receive; and
- People get the right service at the right time and in the right place – which means services will envelop individuals close to their home.

Agreements for the financial years since 1 April 2015 have been agreed by us and the three Clinical Commissioning Groups (CCGs) in Warwickshire. Annual contributions are agreed by the Better Together Programme Board before the commencement of each financial year thereafter. The agreement sets out the basis of the governance arrangements and reporting requirements to both the Better Together Programme Board and the Health and Wellbeing Board.

The total pooled budget arrangement for 2021/22 is £68.9 million (£64.8 million in 2020/21) of which £5.1 million (£5.2 million in 2020/21) is capital funding for Disabled Facilities. Of the revenue element £33.0 million (£29.6 million in 2020/21) is held by the CCGs for them to commission services and of that £4.1 million (£3.9 million in 2020/21) has been passed back to the authority as part of a separate S75 Integrated Community Equipment Service agreement. A total of £30.8 million (£30.1 million in 2020/21) revenue funding was allocated by the council for commissioning services in accordance with the agreement.

The surplus and deficit at the end of the year on the Integrated Community Equipment Service and Better Care Fund Revenue respectively belong to the CCGs. The surplus at the end of the year on Disabled Facilities belongs to the District and Borough Councils of Warwickshire.

The S75 agreement for the Commissioning of Mental Health Services was agreed in 2018/19. The pooled resources total £4.5 million (£4.9 million in 2020/21) with any surplus or deficits remaining within the pool, to be allocated by agreement with the Partnership Board.

Note 39: Coventry and Warwickshire Business Rates Pool

The Coventry and Warwickshire Business Rates Pool was created on 1 April 2013 with seven member authorities: Warwickshire County Council, the five District and Borough Councils within Warwickshire and Coventry City Council. Warwickshire County Council is the lead authority for the pool and there is an agreed memorandum of understanding in place that determines how the Pool's resources are allocated. Under the agreement any surplus generated by the pool, will be shared between pool members. We have accounted for our share of the current surplus in the CIES and the pool surplus is held in our reserves until such times as it is distributed (note 7).

Note 40: Related parties and associated parties

Central Government
Central Government has effective control over our general duties – it is responsible for providing the legal framework within which we work, provides funding in the form of grants and sets the terms of many of the relationships that we have with other organisations. Details of the grants we receive from government departments are set out in note 24. Details of the balances with central government departments are shown in notes 15 and 17. Pooled budget arrangements with the Department of Health via Clinical Commissioning Groups are disclosed in note 38.

Elected Members
Elected Members of the council have direct control over our financial and operating policies. The total of Elected Members' allowances paid in 2021/22 is shown in note 35.

During 2021/22 £14.5 million (£26.9 million in 2020/21) was paid to entities in which elected members had an interest (this includes £13.5 million (£17.1 million in 2020/21) paid to District and Borough Councils in Warwickshire where they are also elected members).

During 2021/22 £7.0 million (£8.1 million in 2020/21) was received from entities in which elected members had an interest (this includes £5.4 million (£3.9 million in 2020/21) paid by District and Borough Councils in Warwickshire where they are also elected members.

Amounts owed to or by these councils are included in within the other public bodies figures disclosed elsewhere in this note. At 31 March 2022, no material amounts were owed to or by other entities in which elected members had an interest. Contracts were entered into in full compliance with our contract standing orders. The above figure includes any grants paid to voluntary groups in which elected members had positions on the governing body, including any made to organisations whose senior management included close members of the families of elected members. In all instances, grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussions or decisions relating to the grants. Details of all these transactions are recorded in the Register of Members' Interests, open to public inspection at Shire Hall. Details of the Members and the Committees and organisations for which they represent the authority are also available on the authority's website www.warwickshire.gov.uk.

Senior Officers

During 2021/22 payments of £0.7 million (2020/21 – £1.7 million) were made to organisations in which senior officers or members of their families had declared an interest. During 2021/22 payments of £1.6 million (2020/21 - £0) were received from organisations in which senior officers or members of their families had declared an interest. At 31 March 2022, no material amounts were owed to or by other entities in which senior officers or members of their families had declared an interest.

A number of senior officers and elected members represent us on the board of related companies (such as Warwick Technology Park Management Limited, Warwick Technology Park Management No 2 Limited, SCAPE Group Limited, and University of Warwick Science Park Innovation Centre Limited). In addition, a number of officers within the authority are directors of our three wholly owned Local Authority Trading Companies. You can see registers of members' and officers' interests at Shire Hall, Warwick or at the registered office of the company in question if this is not Shire Hall, Warwick.

Other Public Bodies

At the end of the year we owed £32.4 million (£33.5 million in 2020/21) to other local authorities, central government and public bodies including £6.8 million (£5.3 million in 2020/21) to Her Majesty's Revenue and Customs, and they owed us £46.8 million (£42.3 million in 2020/21), including £4.6 million (£3.9 million in 2020/21) from Her Majesty's Revenue and Customs. We charged the Warwickshire County Council Pension Fund £1.7 million (£1.6 million in 2020/21) for carrying out the administration work for the fund (not including payroll-processing costs).

Other Entities

We hold shares in the following companies as at 31 March 2022:

Company	WCC Share holding	Directors
Warwickshire Legal Services Trading Ltd	Wholly owned LATC - £1 ordinary share capital	Two officers appointed as directors
Educaterers Ltd	Wholly owned LATC - £1 ordinary share capital + working capital loan interest at market rate	Three officers appointed as directors
Warwickshire Property and Development Group Ltd	Wholly owned LATC - £100 ordinary share capital	One officer currently appointed as director - minimum three directors to be appointed by WCC
University of Warwick Science Park Innovation Centre Limited	19.9% of ordinary share capital. 1/6 voting rights £1,502,500 preference shares	One of six directors is appointed by us
Warwick Technology Park Management Company Limited	4.8% of called up share capital	One officer and one elected member as directors
Warwick Technology Park Management Company (No 2) Limited	0.2% of called up share capital	One officer and one elected member as directors.
Eastern Shire Purchasing Organisation (ESPO)	n/a	Two elected members from each authority on Management Committee
ESPO Trading Ltd - also owns 100% share capital in Eduzone Ltd	16.67% of called up share capital	No Directors appointed by WCC
SCAPE Group Limited	16.7% of the called up share capital	One of the six directors is appointed by us
Coventry and Warwickshire Local Enterprise Partnership Limited	No share capital and liability limited to £1.	Two type 'B' (public sector) directors to be appointed by us
Coventry and Solihull Waste Disposal Company	10,000 ordinary 'C' shares 1 representative on shareholder panel with 1% voting rights and 24% voting rights for matters relating to WCC SLA agreement	No right to appoint to board of Directors. 1% proxy vote unless WCC SLA related.
UK Municipal Bond Agency Plc	120,000 fully paid B shares of £0.01 each 180,000 ordinary shares of £0.01 each	No Directors appointed by WCC

We have two wholly owned local authority trading companies which started trading in 2017/18 and one that was incorporated in March 2021.

Warwickshire Legal Services Trading Ltd started trading on 1 October 2017. It provides legal services to other entities outside the Council and pays the authority for the services of our staff to carry out that work. This company has negligible assets.

Educaterers Ltd, providing meals services to schools, started trading on 1 September 2017. Most of the company's trading is with maintained schools in Warwickshire so that expenditure is already included in our CIES. Its accounts for the year to 30 August 2021 showed net liabilities of £8.7 million (£5.9 million for the year to 30 August 2020). This is mainly as a result of an increased pensions liability. Some authority staff transferred to the trading company and we gave a guarantee to pay any amount of employer's contributions due to the Warwickshire Pension Fund in respect of their pension liability if the company ever became insolvent and ceases trading. In 2021/22 we agreed to take on the full pension assets and liabilities of Educaterers Ltd (our wholly owned Local Authority Trading Company), adopting an approach to achieve a stable and appropriate contributions rate under a risk sharing agreement. This is shown as an impact of business combinations in our net pension scheme liability (see note 37). We have also agreed a working capital loan of up to £1.8 million as required initially up to 31 August 2022. Interest is charged at a market rate of 5.75% plus the Bank of England Base Rate per annum. At 31 March 2022 the balance on the loan was £1.6 million (£1.8 million at 31 March 2021). No dividends or profit distributions have yet been agreed for the trading periods up to 31 March 2022.

A wholly owned Local Authority Trading company was incorporated on 26 March 2021 called the Warwickshire Property and Development Group Ltd. At 31 March 2022 no assets had transferred to the company. Its accounts for the period ended 31 December 2021 showed an operating loss before tax for the year of £0.4 million. As at 31 March 2022 we had provided a working capital loan of £0.2 million. Interest is charged at a market rate of 3.44% above the UK 3-year gilt rate. In addition to the working capital loan there was an intercompany balance of £0.3 million outstanding at 31 March 2022. The reason for creating Warwickshire Property and Development Group Ltd is to deliver our policy objective of creating jobs and more homes across Warwickshire. The procurement of a joint venture partner to undertake the funding and development of assets is currently underway.

We have assessed these three companies, having due regard to the non-material external turnover of both entities and the potential effect of consolidating them into our financial statements both quantitatively and qualitatively. We have concluded there is no current need to consolidate them into our accounts. It is likely that our property company will have material assets and liabilities by 31 March 2023 and will need to be consolidated into our accounts for that year.

We are part of a purchasing partnership, Eastern Shires Purchasing Organisation (ESPO), with five other local authorities. Each authority is represented on the management committee by two elected members. There are controls in place so that none of our elected members are involved in letting our contracts. We received £0.6 million in dividends from ESPO in 2021/22 (£0.6 million in 2020/21). As part of ESPO's strategic growth plan, ESPO Trading Limited was incorporated on 27 February 2018. We own 100 of the 600 shares for which we paid £100. The company has been set up to be able to trade with organisations outside the public sector customer base. It has also purchased Eduzone Ltd in June 2018 (100 shares) since its incorporation, a company with a strong base in the providing products to the early years sector. We have not received any income in respect of these holdings in the year.

We also received dividends from the University of Warwick Science Park in the year totalling £0.1 million (£0.1 million in 2020/21) and from dividends from SCAPE in the year totalling £0.5 million (£0 in 2020/21). All dividend income received is shown as investment income in note 5.

We are part of the Coventry and Warwickshire Local Enterprise Partnership Limited (the LEP). This company is limited by guarantee and aims to co-ordinate public and private sector partners to develop the economy and increase prosperity. The LEP's four objectives are:

- To drive economic growth;
- To help remove barriers to economic growth;
- To help create high value jobs; and
- To co-ordinate local government co-operation and support.

The LEP also has a role in coordinating elements of government funding for growth, for example the Growing Places Fund.

The Gateway Alliance is a strategic partnership of primary schools in Warwickshire. It was created to provide professional development and school to school support following the reduction of Local Authority improvement services in 2011. The company is limited by guarantee and the members have confirmed that the governing documentation of the company contains the necessary provisions which are required pursuant to the School Company Regulations 2002. Under the regulations, all school companies are required to have a local authority as a supervising authority. Warwickshire is the supervising authority for the Gateway Alliance School Company.

West Midland Rail Ltd is a company limited by guarantee with a Board of Directors appointed from each of the 14 constituent member authorities and 2 affiliate member authorities for the purpose of providing local democratic strategic guidance for the specification of the new West Midlands rail franchise being let by the Department of Transport during 2017.

We are also a partner in a special company, Pride in Camp Hill Ltd. The company was set up in 2002/03 in partnership with the Homes and Communities Agency and Nuneaton and Bedworth Borough Council to carry out a redevelopment project in Camp Hill. Our initial share was £0.7 million and each partner is committed to funding the running costs of the company in equal shares until it completes its work, which is currently expected to be in 2023.

We are part of the Regional Adoption Agency via a shared service arrangement with Solihull Metropolitan Borough Council, Coventry City Council, Worcestershire County Council and Herefordshire Council. The Regional Adoption Agency is known as Adoption Central England. We have become the host authority to facilitate the operational delivery of the shared service, however governance arrangements ensure that all five authorities retain strategic responsibility for performance delivery and outcomes.

For 2021/22 our contribution was £1.1 million (£1.5 million in 2020/21) and we received £5.1 million (£4.3 million 2020/21) from the other local authorities and fees and charges. The total spend was £6.8 million (£5.7 million in 2020/21) and the overspend of £0.6 million was drawdown from earmarked ACE reserves (from prior year underspends). Therefore, the underspend belonging to the Agency for 2021/22 is £0 million (£0.1 million in 2020/21) and there remains a further £0.3 million in the reserve.

When the agency was created staff were seconded from partner authorities. On 1 October 2019 the staff were TUPEd (see glossary) across to the County Council and are now our employees.

The County Council, as administering authority on behalf of the Warwickshire Pension Fund is a shareholder in Borders to Coast Pension Partnership Limited. Borders to Coast is a wholly owned private limited company registered in England and Wales founded to carry out pension fund asset pooling obligations set out by the Government. The company provides the facility to pool the pension fund investments of eleven local authorities in order to gain the benefits of economies of scale: the concentration of expertise, improved ability to manage down investment costs and the benefits of investing on a larger scale. Each of the eleven local authorities is an equal joint owner of the company through purchase of a £1 class A ordinary share. The authority also owns £909,090 class B ordinary shares but these are not voting shares and do not give entitlement to dividends or other distributions of income.

The Firefighters’ Pension Fund

2020/21 £m	Fund account	2021/22 £m
	Income to the fund	
	Contributions receivable (funds due to us during the year):	
	- from employer: Warwickshire County Council	
-2.7	- normal contributions in relation to pensionable pay	-2.9
-0.1	- early retirements	-0.1
-1.2	- from members (firefighters' contributions)	-1.2
-4.0	**Income to the fund**	**-4.2**
	Spending by the fund	
	Benefits payable:	
7.0	- Pension payments	7.3
0.7	- Commutation of pensions and lump-sum retirement benefits	3.2
7.7	**Spending by the fund**	**10.5**
3.7	**Net amount payable for the year (before top-up grant receivable from Government)**	**6.3**
-3.7	Top-up grant payable by the Government	-6.3
0.0	**Net amount payable or receivable (-) for the year**	**0.0**

31 March 2021 £m	Firefighters' Pension Fund net assets statement	31 March 2022 £m
	Current assets:	
0.0	- Top-up grant receivable from Government	2.3
0.0	- other current assets (other than assets in the future) ~ debtor	0.0
	Current liabilities:	
0.0	- other current liabilities (other than liabilities in the future)	-2.3
0.0	**Net assets or liabilities (-) at the end of the year**	**0.0**

Notes to the Firefighters’ Pension Fund statements

Note 1: Fund operations

The Firefighters’ Pension Scheme in England is an unfunded scheme. The employer promises to provide employees with benefits under the scheme but makes no advance funding in the scheme for those benefits. Benefits are paid directly by the employer when they become due. We are required to pay an employer’s pension contribution based on a percentage of pay into the pension fund. Each Fire and Rescue authority must run a pension fund and the amounts that must be paid into and out of the pension fund are set by regulation. The legislation that controls its operation is the Firefighters’ Pension Scheme (Amendment) (England) Order 2006. The benefits payable are pensions to retired firefighters and/or widows/widowers of retired firefighters. The benefits paid and employee and employers contributions are administered through our human resources management system. The scheme has no investment assets.

The pension fund is balanced to nil at the end of the year by either paying over to the sponsoring government department the amount by which the amount receivable by (due to) the fund is more than the amount payable, or by receiving cash in the form of pension top-up grant from the sponsoring department equal to the amount by which the amount payable from (owed by) the pension fund for the year is more than the amount receivable. An amount of 80% of the estimated grant needed each year is paid to the fund by the Government during the year. The balance is only paid once the Pensions statement has been audited by our external auditors and a claim, certified by the authority’s S151 officer, is submitted to the Government.

Note 2: Accounting policies

The financial statements are accounted for on an accruals basis. We did not use any estimation techniques in preparing the statements.

For assets and liabilities in the net asset statement the fair value is deemed to be the carrying value as they are both due within one year.

Note 3: Liabilities

The statements do not take account of any liabilities to pay pensions and other benefits after the period end i.e. 31 March 2022. Details of the long-term pension obligations, employees and employer's contribution rates and actuarial assumptions used in the required disclosures in accounts for the Firefighters' Pension Fund are found in note 37 to the accounts.

Note 4: Contribution levels

Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by the Home Office (previously dealt with by the Department for Communities and Local Government) and are subject to triennial revaluation by the Actuary.

Note 5: AVCs and added years

Additional voluntary contributions are excluded from the accounts of the Pension Fund. However, where members of the scheme have brought added years within the scheme, these will be included in the Fund contributions.

Note 6: Debtors and creditors

The debtors and creditors for both years are amounts due to/from central government (balance of grant due to balance the account to nil). Other debtors and creditors for both years are the amounts due to or from Warwickshire County Council, the administering authority or tax not yet paid to HMRC. This year we have had less grant from the Home Office than we have needed, so they owe us more money. As the Firefighters' Pension Fund does not have its own separate bank account this means that this year, more money has been received by the County fund than paid out and is therefore owed by Warwickshire County Council to the Pension Fund. All amounts are due within 1 year.

Glossary

This section explains some of the more complicated terms that have been used in this document.

Accruals
Cost of goods and services received in the year but not yet paid for, or income earned but not yet received.

Actuarial gain (loss)
For pension assets, actuarial gains or losses happen when the actual return on investments in the pension fund is different from the expected return. For pension liabilities, actuarial gains and losses happen when the actual liability is different from the expected liability. For assumptions, actuarial gains or losses happen as a result of changes to the population or financial assumptions the actuary uses to work out the liability. Liabilities are valued in terms of 'today's money'.

Amortisation
The drop in value of intangible assets as they are used or become out of date.

Asset
An item which is purchased or created to be used by the Council.

Benefits we have awarded for added years
When a member of staff retires early because they are made redundant, we can give added years of scheme membership. We meet the costs of giving these added years, usually from the savings that will be made.

Budget
A statement of our spending plans for a financial year, which starts on 1 April and ends on 31 March.

Business rates (National Non-Domestic Rates)
Businesses pay these rates, set annually by government, to billing authorities instead of council tax. Business rates are shared between local authorities partly on the basis of need and partly on the basis of increased business rates generated locally. The amount each business is charged is based on multiplying the rateable value of each business property by the national rate in the pound.

Capital Adjustment Account
This account includes the value of capital charges to the Comprehensive Income and Expenditure Statement that do not directly affect the level of council tax.

Capital programme
Our plan of capital projects and future spending on buying land, buildings, vehicles and equipment.

Capital receipts
Income from selling assets that we would consider capital expenditure if we were the purchaser.

Capital spending
Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as computers or vehicles.

CIPFA
Chartered Institute of Public Finance and Accountancy

Contingent asset
A possible asset which may arise pending decisions that are not under our control.

Contingent liability
A possible liability which may arise when we know the outcome of outstanding claims made against us.

Council tax
A tax based on property which is retained by local authorities to fund their expenditure. In Warwickshire, the district or borough councils issue council tax bills and collect the council tax.

Creditors
People or organisations we owe money to for work, goods or services which have not been paid for by the end of the financial year.

Current assets
Short-term assets which constantly change in value such as stocks, debtors and bank balances.

Current liabilities
Short-term liabilities which are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

Current service cost
Officers employed during the year will have earned a year of pensionable service. The current service cost is the increase in the value of the pension scheme's liabilities arising from the employee service during the period.

Debtors
People who owe us money that is not paid by the end of the financial year.

Depreciation
The drop in the value of assets, for example, through wear and tear, age and becoming out of date.

Disclosure
Information we must show in the accounts under the Code.

Earmarked reserves
Money set aside for a specific purpose.

Fair value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

General reserves
Money set aside to be used in the future.

Historic cost
The cost of initial acquisition of an asset.

International Financial Reporting Standard (IFRS)
Standards on the way we need to treat certain items in our accounts.

Liabilities
Money we will have to pay to people or organisations in the future.

Material related-party transactions
Two or more organisations are 'related parties' if, during the year, one of them has some form of control over the other. By ‘material’ we mean of ‘significant value’.

Minimum revenue provision (MRP)
The amount we must set aside to repay loans.

Net book value
The value of an asset after depreciation.

Non-current asset
An asset which is expected to be used for more than 12 months.

Non-distributed costs
Costs which are not allocated to specific services, according to the Service Expenditure Reporting Code of Practice.

Past service costs
The past service cost is the extra liability that arises when we grant extra retirement benefits that did not exist before, such as when we agree early retirement or extra years of service.

Pensions interest cost and expected return on assets
The pensions interest cost is the increase in the value of the liabilities that arise because those liabilities are one year closer to being paid. The return on assets is the value of the return expected to be achieved on the fund's investments in the long term.

Provisions
Money set aside to meet specific service liabilities and to meet spending.

Reserves
Savings we have built up from surpluses or by not spending income which has conditions on its use.

Return on assets
The return on assets is the value of the return we expect to achieve on the Pension Fund's investments in the long term.

Revaluation Reserve
This account contains the difference between the amount paid for assets and the amount that they are currently worth.

Revenue spending
Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from council tax, business rates, government grants and fees and charges.

Revenue expenditure funded by capital under statute (REFCUS)
Spending on assets that have a lasting value, for example land and buildings, but which we do not own.

Settlement costs
Settlement costs arise when we make a lump-sum payment to a scheme member in exchange for their rights to receive certain pension benefits.

Specific grants
Payments from external bodies to cover local authority spending on a particular service or project.

TUPE - Transfer of Undertakings (Protection of Employment)
Regulations to protect employees if the business in which they are employed changes hands. Its effect is to move employees and any liabilities associated with them from the old employer to the new employer by operation of law.

Unrealised
A change in the market value which does not actually take place until an asset is sold.

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Agenda Item 4

Council

7 February 2023

Warwickshire Pension Fund Statement of Accounts 2021/22

Recommendation

That Council approves the 2021/22 Pension Fund Statement of Accounts.

1. Executive Summary

1.1 The Warwickshire Pension Fund Statement of Accounts for the financial year 2021/22 is presented at Appendix 1.

1.2 The statement of accounts comprises the following:

- Warwickshire Pension Fund Account (page 10). This statement sets out all of the revenue income and expenditure relating to the financial year.
- Net Assets Statement (page 10). This statement sets out the total assets and liabilities of the fund as at the 31 March 2022 (by its nature this statements provides a snapshot at a moment in time).
- Notes to the Accounts (pages 11-48). These statements provide further detail and explanation of the figures in the accounts.

1.3 The scheme is governed by the Public Service Pensions Act 2013 and the fund is administered in accordance with the relevant secondary legislation.

1.4 As at the 31 March 2022 the scheme had net assets of £2,782m and membership of 54,329 people.

2. Financial Implications

2.1 None.

3. Environmental Implications

3.1 None.

4. Supporting Information

4.1 Our external auditors are required to report to those charged with governance on issues arising from the audit of the financial statements of the Pension Fund before issuing their final opinion. Their report was presented to the Audit and Standards Committee on the 26 January 2023.

4.2 As part of the audit process the External Auditors require written confirmation about the fairness of various elements of the financial statements. This is known as the Letter of Representation and a draft was presented to the Audit and Standards Committee on the 26 January 2023.

4.3 The Audit and Standards Committee considered the Accounts and the Letter of Representation at their meeting on 26 January 2023 and recommended the Accounts to Council for approval and approved the wording of the draft Letter of Representation subject to any changes which may be necessary to the final draft following the usual quality assurance processes being undertaken within finance and legal services.

5. Timescales associated with the decision and next steps

5.1 The accounts will be published once approved by Council.

5.2 The accounts are also included in the published Pension Fund Annual Report. A draft version of the Annual Report containing draft accounts has already been published due to the expectation that it is published by the 1 December in the relevant year, but this will be replaced with an updated version containing the final approved accounts.

Appendices

Appendix 1 – Warwickshire Pension Fund Statement of Accounts

Background Papers

None.

	Name	Contact Information
Report Author	Chris Norton	chrisnorton@warwickshire.gov.uk
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The report was circulated to the following members prior to publication:
Local Member(s): not applicable
Other members: Cllr John Cooke, Cllr Sarah Feeney, Cllr Bill Gifford, Cllr Brian Hammersley, Cllr Christopher Kettle, Cllr Bhagwant Singh Pandher

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Warwickshire Pension Fund

Statement of Accounts

2021/22

We would welcome any comments or suggestions you have about this publication. Please send any comments or suggestions to wpfinvestments@warwickshire.gov.uk

If this information is difficult to understand, we can provide it in another format, for example, in Braille, in large print, on audiotape, in another language or by talking with you.

Contents

Note on rounding's: individual tables presented within disclosures may not sum exactly due to roundings. This does not reflect any inaccuracy or error.

Place holder (Independent auditor's report)

Statement of responsibilities for the statement of accounts

This section explains our responsibilities for our financial affairs and how we ensure we carry out these responsibilities properly in line with the Accounts and Audit (Amendment) Regulations 2021 and the Accounts and Audit Regulations 2015.

Responsibilities of the Pension Fund

We do the following:

- make sure that one of our officers is responsible for managing our financial affairs. For the Pension Fund, Warwickshire County Council's Strategic Director for Resources is responsible for this;
- manage our affairs to use our resources efficiently and effectively and to protect our assets;
- approve the statement of accounts.

Responsibilities of the Strategic Director for Resources

As the Strategic Director for Resources, I am responsible for preparing our statement of accounts. These accounts must present a true and fair view of our financial position, including our income and spending for the year.

In preparing the Pension Fund accounts, I have:

- selected suitable accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates; and
- followed the Chartered Institute of Public Finance and Accountancy's/Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

I have also:

- kept proper accounting records which are up to date; and
- taken steps to prevent and detect fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position as at the 31st March 2022 and the income and expenditure for the year ended 31st March 2022. The unaudited draft accounts were authorised for issue on 28th June 2022. These will then be audited and presented at a meeting of the Council on 13th December 2022.

Rob Powell
Strategic Director for Resources | Date: 29th June 2022

Warwickshire Pension Fund Account

2020/2021			2021/2022
£ m		Notes	£ m
	Dealings with members, employers and others directly involved in the fund		
(98.9)	Contributions	7	(86.7)
(12.7)	Transfers in from other schemes	8	(16.9)
(111.7)			(103.6)
83.5	Benefits payable	9	88.9
9.9	Payments to and on account of leavers	10	8.4
93.4			97.3
(18.3)	**Net (additions)/withdrawals from dealing with members**		**(6.3)**
14.6	Management expenses	11	**16.1**
(3.7)	**Net (additions)/withdrawals including fund management expenses**		**9.7**
	Returns on investments		
(21.0)	Investment income	13	(21.5)
(19.2)	Profit and losses on disposal of investments	23	(81.6)
(496.1)	Changes in the market value of investments	23	(113.9)
(536.3)	**Net return on investments**		**(217.1)**
(540.0)	**Net (increase)/decrease in the net assets available for benefits during the year**		**(207.4)**
(2,034.1)	**Opening net assets of the scheme**		**(2,574.1)**
(2,574.1)	**Closing net assets of the scheme**		**(2,781.5)**

Net Assets Statement

2020/2021			2021/2022
£ m		Notes	£ m
1.2	Long-term Assets	15	1.2
2,502.6	Investment assets	15/16	2,722.1
48.3	Cash deposits	15/16	35.1
2,552.1	Total net investments		2,758.4
25.4	Current assets	29	27.0
(3.4)	Current liabilities	30	(3.9)
2,574.1	**Net assets of the fund available to fund benefits at the period end**		**2,781.5**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the Actuary Statement Note 28.

Notes to the Warwickshire Pension Fund Accounts for the year ended 31 March 2022

Note 1: Description of fund

The Warwickshire Pension Fund ('the Fund') is part of the Local Government Pension Scheme and is administered by Warwickshire County Council. The County Council is the reporting entity for this pension fund.

The following description of the Fund is a summary only. For more detail, reference should be made to the Warwickshire Pension Fund Annual Report and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

a) General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

The Warwickshire Pension Fund is a defined benefit scheme administered by the Director for Resources on behalf of Warwickshire County Council (the scheme administrator), five district councils and other scheduled and admitted public service organisations and their contractors. Teachers, police officers and firefighters are not included as they come within the remit of other national pension schemes.

The administration of the Fund is carried out through Warwickshire County Council's Staff and Pensions Committee, the Pension Fund Investment Sub-Committee and the Local Pension Board. The committees are comprised of elected County Council members whilst the Board is an equal mix of representatives of scheme employers and scheme members with an independent chair. The Pension Fund Investment Sub-Committee receives advice and guidance from two independent financial advisors, its investment consultant (Hymans Robertson) and its Scheme Actuary (Hymans Robertson).

The Public Service Pensions Act 2013 included a requirement to establish a Local Pension Board, with responsibility to assist the administering authority to:

- secure compliance with: the LGPS regulations; other legislation relating to the governance and administration of the LGPS and; the requirements imposed by the Pension Regulator in relation to the LGPS; and

- perform an oversight role to ensure the effective and efficient governance and administration of the LGPS.

A Local Pension Board has been in place since February 2015.

b) Membership

Membership of the LGPS is automatic for entitled employees, but employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Warwickshire Pension Fund include:

- scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 206 employer organisations with active members within Warwickshire Pension Fund including the County Council itself, as detailed below.

Warwickshire Pension Fund	31 March 2021	31 March 2022
Number of employers with active members	189	206
Number of employees in scheme		
County Council	8,434	8,290
Other employers	9,351	9,592
Total	**17,785**	**17,882**
Number of pensioners		
County Council	8,446	8,888
Other employers	6,692	7,189
Total	**15,138**	**16,077**
Deferred pensioners		
County Council	11,477	11,676
Other employers	8,138	8,694
Total	**19,615**	**20,370**
Total	**52,538**	**54,329**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2022. Contributions are also made by employers which are set based on triennial actuarial funding valuations. The last valuation was at 31 March 2019 and a revised schedule of employer contribution rates became effective for the three years from 1 April 2020. Currently, employer contribution rates range from 0% to 58% of pensionable pay.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised in the following table.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x pension	No automatic lump sum
	In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of $1/49^{th}$. Accrued pension is updated annually in line with the Consumer Prices Index. The changes also brought in a 50/50 option allowing members the opportunity to contribute 50% for 50% of the benefit entitlement.

Contributions to the LGPS prior to 1 April 2014 were assessed on full-time equivalent pay and excluded non-contractual elements of pay such as overtime and bonus. However, contributions since 1 April 2014 are assessed on all pensionable pay received including non-contractual elements. In addition, the contribution bandings were extended with many of the higher paid seeing an increase in contributions.

There are a range of other benefits provided under the scheme including early retirement, ill health entitlements and life assurance.

Note 2: Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2021/22* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. They have been prepared on a going concern basis in accordance with IAS1.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. This is addressed by the Scheme Actuary's triennial valuation.

2.1 Accounting standards issued but not yet adopted

The code requires disclosure of any accounting standards issued but not yet adopted and their potential impact on the Fund. The new standards issued but not adopted for 2021/22 are:

• IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS;
• IAS 37 (Onerous contracts) – clarifies the intention of the standard;
• IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material;
• IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances; and
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16.

It is too early to say with any degree of certainty what the likely impact of the above issued accounting standards would be, but it is assumed they would not materially impact on the 2021/22 financial statements.

Note 3: Summary of significant accounting policies

a) Contribution income

Normal contributions, both from members and employers, are accounted for on an accruals basis at the percentage rate recommended by the Scheme Actuary in the period to which they relate.

Employer deficit, augmentation and pension strain contributions are accounted for in the period in which the liabilities arise. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations (see notes 8 and 10). This is normally when the member liability is accepted or discharged.

c) Investment income

i) Interest Income
Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is reflected within investment assets in the Net Assets Statement. Investment income arising from the underlying investments of the Pooled Investment Vehicles is either reinvested within the Pooled Investment Vehicles and reflected in the unit price or taken as dividends.

iii) Distributions from managed funds
Distributions from managed funds are recognised at the date of issue. Any amount not received by the end of the reporting period is reflected within investment assets in the Net Assets Statement.

iv) Profit and losses on disposal of investments
Profit and losses on the disposal of investments are recognised as income and comprise all realised profits/losses during the year.

v) Movement in the market value of investments
Changes in the market value of investments are recognised as income and comprise all unrealised profits/losses during the year.

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless an exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The Code does not require a breakdown of pension fund administration expenses. However, in the interests of greater transparency, the Council discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs.*

Administrative expenses
All administrative expenses are accounted for on an accrual basis. All staff costs of the pension's administration team and associated accounting, management, accommodation and other overheads are apportioned and charged as expenses to the Fund.

Oversight and governance costs
All oversight and governance expenses are accounted for on an accrual basis. All costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses
All investment management expenses are accounted for on an accrual basis.
Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Where these are deducted at source (as opposed to being charged via an invoice) the fee is identified and a journal posted to record the investment management fee and increase the investment income.

g) Investment assets

Shareholder investment in Warwickshire's LGPS asset pool, Border to Coast Pensions Partnership (the "pool"), is valued at transaction price i.e. cost. The pool's main trading company, Border to Coast Pensions Partnership Limited, became licensed to trade in July 2018 and does not have established trading results or profit forecasts available yet.

The Pension Fund's view is that the market value of investments in the Border to Coast Pension Partnership at 31 March 2022 cannot be reasonably assessed and that cost is therefore an appropriate estimate of fair value.

All other investment assets are included in the Net Assets Statement on a fair value basis as at the reporting date. An investment asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund Note 24).For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

The values of investments as shown in the Net Assets Statement have been determined as follows:

i) Market-quoted investments
The value of an investment for which there is a readily available market price is determined by the bid market price on the final day of the accounting period.

ii) Fixed interest securities
Are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or to the management agreement;

- investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager; and

- investments in private equity funds and unquoted listed partnerships are valued based on the Fund’s share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the *International Private Equity and Venture Capital Valuation Guidelines 2018.*

iv) Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v) Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; if single priced, at the closing single price.
In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income, which is reinvested in the Fund net of applicable withholding tax.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i) Cash and cash equivalents

Cash comprises cash in hand and on demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Investment Liabilities

The Fund recognises investment liabilities at fair value as at the reporting date. An investment liability is recognised on the date the Fund becomes party to the liability and these are summarised in Note 15. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Scheme Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. The last triennial valuation was carried out as at 31st March 2019. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 28).

l) Additional Voluntary Contributions

Warwickshire Pension Fund provides an additional voluntary contributions (AVCs) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Utmost Life & Pensions and Standard Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 31).

j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term, 'financial instrument' covers both financial assets and financial liabilities and includes financial assets and liabilities such as trade receivables and trade payables.

IFRS 13 Fair Value Measurement - The standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The Fund currently complies with this standard.

Note 4: Critical judgements in applying accounting policies

Pension fund liability

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to support implementation of the McCloud remedy in the public service pension schemes.

The McCloud remedy will be implemented in two phases.

Phase one involves moving all remaining active members of legacy schemes (members with protection) into the new schemes on 1 April 2022 so that, going forward, all accrual will be in the new schemes (and so all active members will be treated equally).

Phase two is implementation of the deferred choice underpin. That is, giving eligible members a choice between legacy scheme and new scheme benefits for service between 1 April 2015 and 31 March 2022.

The regulations to implement phase one of the remedy have been made and will come into force on 1 April 2022. Consultations on draft regulations to implement phase two of the remedy will follow, with the aim that they will come into force by 1 October 2023 at the latest. No allowance had been made within the accounts, however the fund actuary has included an allowance for the impact of McCloud in Note 28 within the fund liabilities.

Further legal judgements in force include Goodwin, Walker and O'Brien. Current analysis estimates this to be very small for a typical fund.

Investment in Border to Coast Pensions Partnership

This investment has been valued at cost on the basis that fair value as at 31 March 2021/22 cannot be reasonably assessed as:

- No market or comparable market exists;
- The shares will not be traded externally; and
- Border to Coast Pensions Partnership operates on a not-for-profit basis.

War in Ukraine

We have instructed our fund managers, including the local government pension pool, Border to Coast, of which we are one member, to cease investment into Russia and Warwickshire Pension Fund's wish to dissociate itself from all Russian-owned and Russian-controlled investments. Due to the nature of the Russian regime, we do not make a distinction between state and non-state owned assets.

We will work with our fund managers to ensure that there should be no further investment into Russian owned or controlled assets and that the Fund's investment activity follows all current and future government requirements.

Working closely with our fund managers, we will review the timing of disinvestment carefully, having regard to the practical barriers and options available to divest given that some financial markets are closed or operating with less liquidity, balancing the desire we have to completely disassociate the Fund from supporting Russian investments with the fiduciary responsibility the fund has for managing its investments, and having regard to the fact that the Fund's investments are in pooled funds that the Fund cannot unilaterally control and direct.

The Warwickshire Pension Fund's current assessment of Russian holdings is that they make up approximately £5m or 0.2% of the total fund value. No special amendment or adjustment is necessary for the valuation of assets due to the ongoing conflict. Valuations are correctly catered for naturally with all assets valued as at the 31st March 2022 position

Note 5: Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the Balance Sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts as at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance: a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £75m, a 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £7m, and a one-year increase in assumed life expectancy would increase the liability by approximately £149m.
Private equity, Infrastructure and Private Debt	Private equity investments are valued at fair value in accordance with *International Private Equity and Venture Capital Valuation Guidelines* 2018 and the IPEV Board's Special Valuation Guidance (March 2020). These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total value of Level 3 investments stands at £420.8m. There is a risk that this investment may be under- or over-stated in the accounts. The custodian reports a tolerance of +/- 2% around the net asset values on which the valuation is based. This equates to a tolerance of +/- £8.4m.

Note 6: Events after the reporting date

Events from the balance sheet date to the date of authorisation for issue would be reflected as an adjustment to the Statement of Accounts whether favourable or adverse. This would occur where there was provision of evidence that these conditions were in place by the end of the reporting period and that these events were significant to the fair value of the Fund’s net assets. Those events taking place after the date of authorisation for issue will not be reflected in the statement of accounts.

There has been significant volatility in markets since the 31st of March 2022. The total Fund asset valuation as at 30th of June 2022 having fallen to £2,636m due to net losses on investments since 31st March 2022.

Note 7: Contributions receivable

By category

2020/2021		2021/2022
£ m		**£ m**
19.3	Employees' contributions	20.0
	Employers' contributions:	
74.8	Normal contributions	61.1
4.8	Deficit Recovery contributions	5.6
79.6	**Total Employers' contributions**	**66.7**
98.9	**Total**	**86.7**

By authority

2020/2021		2021/2022
£ m		**£ m**
41.7	Administering authority	43.8
55.4	Scheduled bodies	41.4
1.8	Admitted bodies	1.5
0.0	Bodies no longer contributing	0.0
98.9	**Total**	**86.7**

Note 8: Transfers in from other pension funds

2020/2021		2021/2022
£ m		**£ m**
0.7	Group transfers	0.0
12.0	Individual transfers	16.9
12.7	**Total**	**16.9**

Note 9: Benefits payable

By category

2020/2021		2021/2022
£ m		**£ m**
68.0	Pensions	70.5
14.1	Commutation and lump sum retirement benefits	16.0
1.5	Lump sum death benefits	2.4
83.5	**Total**	**88.9**

By authority

2020/2021		2021/2022
£ m		**£ m**
44.6	Administering authority	46.8
34.0	Scheduled bodies	36.7
4.1	Admitted bodies	4.4
0.9	Bodies no longer contributing	0.9
83.5	**Total**	**88.9**

Note 10: Payments to and on account of leavers

2020/2021		2021/2022
£ m		**£ m**
0.3	Refunds	0.4
9.5	Individual transfers	8.0
9.9	**Total**	**8.4**

Note 11: Management expenses

2020/2021		2021/2022
£ m		**£ m**
1.9	Administration costs	1.9
11.6	Investment management expenses	12.9
1.1	Oversight and governance costs	1.3
14.6	**Total**	**16.1**

This analysis of the costs of managing the Warwickshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

Indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sale of investments (Note 16 and Note 25).

Note 12: Investment management expenses

20/21 Total		Management Fees	Performance Fees	21/22 Total
£ m	**£ m**	**£ m**	**£ m**	**£ m**
2.6	Pooled Investments	3.2	0.0	3.2
1.7	Pooled Property	1.9	0.0	1.9
3.2	Private Equity	2.7	0.6	3.3
2.6	Infrastructure	2.5	0.7	3.2
1.5	Private Debt	1.1	0.2	1.3
0.0	Custody Fees	0.1	0.0	0.1
11.6		**11.4**	**1.5**	**12.9**

Note 13: Investment income

2020/2021		2021/2022
£ 000		**£ 000**
0.0	Equity dividends	0.1
6.5	Pooled Property	5.2
2.4	Infrastructure	3.0
1.8	Pooled Equity	1.9
1.2	Private Debt	0.9
8.3	Pooled Fixed Income	9.4
0.9	Private Equity	1.2
21.1	Managed funds	21.6
21.1		**21.6**

Note 14: Other fund account disclosures: external audit costs

The external audit fee for 2021/22 was £31,060 excluding VAT. The fee for 2020/21 was £30,647. Non-audit fees in respect of IAS19 assurance for 2021/22 are £8,000 (2020/21: £7,000).

Note 15: Investments

2020/2021		2021/2022
£ m		£ m
	Long term investments	
1.2	Equities	1.2
	Investment Assets	
2,496.3	Pooled Funds ***	2,716.8
979.8	Global Equity*	971.0
420.2	UK Equity*	442.4
72.3	Infrastructure	140.4
84.5	Private Debt	83.0
175.0	Private Equity	197.3
221.5	Pooled Property	273.4
543.1	Fixed Income	609.2
48.3	Cash deposits	35.1
6.2	Investment Current Assets	5.4
2,550.9	**Total Investment Assets**	**2,757.2**
	Investment Liabilities	
0.0	Investment current liabilities	0.0
0.0	**Total Investment Liabilities**	**0.0**
2,552.1	**Net Investment Assets**	**2,758.4**

*20/21 Pooled Global Equity restated to exclude LGIM UK sleeve and included within Pooled UK Equity

*** This refers to the management structure of the Funds, where the Warwickshire Pension Fund does not directly own the underlying assets.

Note 16: Reconciliation of movements in investments

	Market value 31 March 2021	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2022
	£ m	£ m	£ m	£ m	£ m
Investment Assets					
Equities	1.2	0.0	0.0	0.0	1.2
Pooled Investments	2,496.3	702.4	-672.3	190.3	2,716.8
Private Equity	175.0	25.3	-47.1	44.1	197.3
Pooled Property	221.5	19.3	-13.6	46.1	273.4
Pooled funds, Unit Trusts & Other Managed Funds	1,943.0	572.5	-578.1	85.2	2022.6
Infrastructure	72.3	65.0	-8.7	11.9	140.4
Private Debt	84.5	20.3	-24.8	3.0	83.0
Other Investment Balances					
Cash	48.3	89.3	-102.6	0.0	35.1
Net investment current assets	6.2	0.0	-0.7	-0.1	5.4
Net Investment Assets	**2,552.1**	**791.8**	**-775.6**	**190.1**	**2,758.4**

	Market value 31 March 2020	Purchases during the year	Sales during the year	Change in market value during the year	Market value 31 March 2021
	£ m	£ m	£ m	£ m	£ m
Investment Assets					
Equities	0.8	0.3	0.0	0.0	1.2
Pooled Investments	1,997.3	119.2	-132.2	512.0	2,496.3
Private Equity	120.7	18.6	-22.8	58.5	175.0
Pooled Property	217.4	3.8	-0.5	0.8	221.5
Pooled funds, Unit Trusts & Other Managed Funds	1,508.2	61.0	-79.1	453.0	1,943.0
Infrastructure	67.9	17.6	-11.8	-1.4	72.3
Private Debt	83.1	18.3	-18.0	1.1	84.5
Other Investment Balances					
Cash deposits	20.9	63.3	-35.7	-0.1	48.3
Net investment current assets	6.4	1.2	-1.0	-0.4	6.2
Net Investment Assets	**2,025.3**	**184.1**	**-168.9**	**464.9**	**2,552.1**

Note 17: Derivatives

The Fund does not engage in any direct derivative activity however fund managers may make use of these to achieve investment objectives.

Note 18: Investments analysed by fund manager

Market value 31 March 2021 £ m	Market value 31 March 2021 %		Market value 31 March 2022 £ m	Market value 31 March 2022 %
Investments managed by BCPP asset pool				
2.7	0.1%	Private Equity	14.8	0.5%
12.8	0.5%	Infrastructure	61.1	2.2%
2.4	0.1%	Private Debt	17.8	0.6%
370.5	14.5%	Global Equity Alpha Fund	378.0	13.7%
286.2	11.2%	UK Equity Alpha Fund	295.7	10.7%
184.0	7.2%	BCPP Investment Grade Credit	171.7	6.2%
0.0	0.0%	BCPP Multi-Asset Credit	250.8	9.1%
858.6	**33.6%**		**1189.8**	**43.1%**
Investments managed outside of BCPP asset pool				
0.8	0.0%	MFS Investment Management (Global Equities)	0.6	0.0%
743.4	29.1%	Legal and General Investment Management (Index Tracker - Global Equities)	740.0	26.8%
184.7	7.2%	Legal and General Investment Management (Index Tracker - Fixed Income)	186.9	6.8%
116.9	4.6%	Columbia Threadneedle Investments (Property)	145.8	5.3%
110.9	4.3%	Schroder Investment Management (Property)	132.3	4.8%
172.3	6.8%	HarbourVest (Private Equity)	182.5	6.6%
114.6	4.5%	JP Morgan (Strategic Bond)	0.0	0.0%
22.9	0.9%	Standard Life Capital (Infrastructure)	23.8	0.9%
36.5	1.4%	Partners Group (Infrastructure)	55.6	2.0%
40.6	1.6%	Alcentra (Private Debt)	39.1	1.4%
41.5	1.6%	Partners (Private Debt)	25.9	0.9%
60.4	2.4%	PIMCO (Diversified Income Fund)	0.0	0.0%
46.9	1.8%	BNY Mellon (Global Custodian)	35.0	1.3%
1.2	0.0%	BCPP Shareholding	1.2	0.0%
1,693.5	66.4%		1568.6	57%
2,552.1	**100.0%**		**2,758.4**	**100.0%**

Note 19: Investments representing more than 5% net assets of the scheme

Security	Market value 31 March 2022	% of total fund as at 31.03.22
	£ m	
Border to Coast Global Alpha Equity Fund	378.0	13.7%
L&G Fundamental Indexation	302.8	11.0%
Border to Coast Alpha Equity Fund	295.7	10.8%
Border to Coast Multi-Asset Credit	250.8	9.1%
Harbourvest (Private Equity)	182.5	6.6%
Border to Coast Investment Grade Credit	171.7	6.2%
L&G UK Equity Index	146.7	5.3%

Security	Market value 31 March 2021	% of total fund as at 31.03.21
	£ m	
Border to Coast Global Equity Alpha Fund	370.5	14.8%
Border to Coast UK Listed Equity Alpha Fund	286.2	11.4%
LGIM Fundamental Indexation	264.3	10.6%
Border to Coast Sterling Investment Grade Credit Fund	184.0	7.3%
LGIM Europe (Exc UK) Equity Index	175.4	7.0%
Harbourvest (Private Equity)	172.3	6.8%
LGIM UK Equity Index	133.9	5.3%

Note 20: Stock lending

The Fund does not currently engage in any direct stock lending.

Note 21: Property holdings

The Fund does not hold property directly. Property is held in the form of pooled funds.

Note 22: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and Net Assets Statement heading. No financial assets were reclassified during the accounting period.

Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost		Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost
31 March 2021				31 March 2022		
£ m	£ m	£ m		£ m	£ m	£ m
			Investment Assets			
0.0			Index linked bonds	0.0		
1.2			Equities	1.2		
2,496.3			Pooled Investments	2,716.8		
979.8			Global Equity	971.0		
420.2			UK Equity	442.4		
72.3			Infrastructure	140.4		
84.5			Private Debt	83.0		
175.0			Private Equity	197.3		
221.5			Pooled Property	273.4		
543.1			Fixed Income	609.2		
	48.3		Cash deposits		35.1	
	6.2		Investment Current Assets		5.4	
	8.4		Debtors		9.2	
	17.0		Cash balances		17.8	
2,497.5	**80.0**	**0.0**		**2,717.9**	**67.5**	**0.0**
			Liabilities			
		0.0	Investment current liabilities			0.0
		-3.4	Creditors			-3.9
0.0	**0.0**	**-3.4**		**0.0**	**0.0**	**-3.9**
2,497.5	**80.0**	**-3.4**		**2,717.9**	**67.5**	**-3.9**

Note 23: Net gains and losses on financial instruments

31 March 2021		31 March 2022
£ m		**£ m**
	Financial Assets	
515.3	Fair value through profit and loss	195.6
0.0	Loans and receivables	0.0
515.3	**Total**	**195.6**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 24: Valuation of financial instruments carried at fair value

The unquoted equities holding in Border to Coast Pensions Partnership is valued at cost (i.e. transaction price), as an appropriate estimate of fair value. A fair value cannot be otherwise established for these assets as at 31 March 2022 because the main trading vehicle of Border to Coast Pensions Partnership only became licenced to trade in July 2018 and the reliability of any observable or unobservable inputs used to calculate fair value cannot as yet be assessed with certainty.

All other investments are held at fair value in accordance with the requirements of the Code and IFRS13. The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year.

All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value, these inputs are observable. Products classified as level 2 include unquoted bonds and overseas unit trusts and property funds.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity and debt investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investments in private equity, infrastructure and private debt are based on valuations provided by the general partners to the funds in which Warwickshire Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Pooled investments – overseas unit trusts & property funds Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Other unquoted and private equities (inc. alternatives, infrastructure and private equity). Level 3	These investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 special rules 2020 and US GAAP.	EBITDA multiple; Revenue multiple; Discount for lack of marketability; Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	Cost	NA	NA

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£ m	**£ m**	**£ m**	**£ m**
Equities	0.0		1.2	1.2
Pooled Investments (note 1)	0.0	2,022.6		2,022.6
Infrastructure			140.4	140.4
Private Debt			83.0	83.0
Private Equity			197.3	197.3
Pooled Property		273.4		273.4
Financial assets at fair value through profit and loss	0.0	2,296.0	421.9	2,717.9
Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0
Financial liabilities				
Net financial assets	0.0	2,296.0	421.9	2,717.9

Note 1: The significant reduction in Level 1 investments from £114.6m to £0 reflects the sale of the JPM Unconstrained Bond Fund during 2021/22, which was reinvested into the Border to Coast Multi Asset Credit Fund

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Valuation at 31 March 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	£ m	**£ m**	**£ m**	**£ m**
Equities*			1.2	1.2
Pooled Investments	114.6	1,828.5		1,943.0
Infrastructure			72.3	72.3
Private Debt			84.5	84.5
Private Equity			175.0	175.0
Pooled Property		221.5		221.5
Financial assets at fair value through profit and loss	114.6	2,050.0	333.0	2,497.5
Financial liabilities at fair value through profit and loss	0.0	0.0	0.0	0
Financial liabilities				
Net financial assets	114.6	2,050.0	333.0	2,497.5

*Equities which represent Border to Coast shareholding restated to L3

The following assets have been carried at cost:

Valuation at 31 March 2022	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£ m	£ m	£ m	£ m
Investment in Border to Coast Pensions Partnership			1.2	1.2
Investments held at cost				

Note 25 Reconciliation of fair value measurements within Level 3

	Market value 31 March 2021	Purchases during the year	Sales during the year	Change in market value during the year	Realised profit or loss (-) during the year	Market value 31 March 2022
	£ m	£ m	£ m	£ m	£ m	£ m
Private Debt	84.5	20.3	-24.8	0.4	2.6	83.0
Private Equity	175.0	25.3	-47.1	11.1	33.0	197.3
Infrastructure	72.3	65.0	-8.7	3.3	8.6	140.5
	331.8	**110.6**	**-80.6**	**14.7**	**44.3**	**420.8**

Note 26: Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund’s primary long-term risk is that the Fund’s assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund’s forecast cash flows. The Council manages these investment risks as part of its overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Investment Sub-Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- the exposure of the Fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels; and
- specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument, or its issuer, or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored to ensure price risk is within limits specified in the Fund's investment strategy.

Following analysis of historical data and expected investment return movement, the Fund has determined that the following movements in market price risk were reasonably possible for the 2021/22 reporting period. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	**2021/22 Potential market movement**
	%
UK Pooled Funds	20%
Overseas Pooled Funds	19%
Bonds	8%
Cash	0%
Property	15%
Alternatives	8%

The potential price changes disclosed above are broadly consistent with a one-year dispersion in the value of the assets and are based on observed historical volatility of the returns of the asset class.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown in the following table):

Asset Type	**Value as at 31 March 2022**	**Potential market movement**	**Value on increase**	**Value on decrease**
	£ m	**£ m**	**£ m**	**£ m**
UK Pooled Funds	443.6	88.7	532.3	354.8
Overseas Pooled Funds	971.0	182.6	1153.6	788.5
Total Bonds	609.2	48.7	658.0	560.5
Cash	40.5	0.0	40.5	40.5
Alternatives	420.7	33.7	454.4	387.1
Property	273.4	41.0	314.4	232.4
Total	**2,785.4**	**394.7**	**3,153.1**	**2,363.7**

Asset Type	Value as at 31 March 2021	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
UK Pooled Funds	421.3	48.9	336.3	238.6
Overseas Pooled Funds	979.8	189.3	1303.1	924.4
Total Bonds	428.5	34.3	462.8	394.2
Cash	54.6	0.0	54.6	54.6
Alternatives	446.4	44.6	491.0	401.7
Property	221.5	31.0	252.5	190.5
Total	**2,552.1**	**348.1**	**2,900.2**	**2,204.0**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is monitored as part of asset allocation decisions. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Asset Type	Duration	Value as at 31 March 2022	Value on 1% increase	Value on 1% decrease
	Years	£ m	£ m	£ m
LGIM UK Corporate Bonds	7.2	56.4	52.4	60.5
LGIM UK Index Linked	20.3	130.4	103.9	156.8
BCPP Multi-Asset Credit	4.36	250.8	239.8	261.7
BCPP Investment Grade Credit	7.7	171.7	158.4	184.9
Cash balances	0.0	52.8	52.8	52.8
Total		**662.1**	**607.3**	**716.8**

Asset Type	Duration	Value as at 31 March 2021	Value on 1% increase	Value on 1% decrease
	Years	£ m	£ m	£ m
LGIM UK Corporate Bonds	7.7	60.3	55.6	64.9
LGIM UK Index Linked	21.4	124.3	97.7	150.9
JPM Absolute Return Bonds	3.1	114.6	111.0	118.1
BCPP Investment Grade Credit	8.2	184.0	170.0	197.9
Total		**483.2**	**434.4**	**531.9**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

A strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows. This analysis assumes that all other variables, in particular interest rates, remain constant. The prior year comparator is shown below and based on the Fund's segregated overseas mandate which has now transitioned to the BCPP pool:

	Value as at 31 March 2022	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
Overseas Pooled Funds	971.0	194.2	1165.2	776.8
Total	**971.0**	**194.2**	**1165.2**	**776.8**

	Value as at 31 March 2021	Potential market movement	Value on increase	Value on decrease
	£ m	£ m	£ m	£ m
Overseas Pooled Funds	1,113.7	109.1	1,222.9	1,004.6
Total	**1,113.7**	**109.1**	**1,222.9**	**1,004.6**

Credit risk

Credit risk represents the risk that the counterparty to a transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund’s financial assets and liabilities.

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2021 where received by the Fund in April 2022. The Fund's current policy for all new employers into the scheme is to obtain a guarantee that will ensure all pension obligations are covered in the event of that employer facing financial difficulties.

The Pension Fund's bank account is held at Lloyds, which holds an 'A+' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. In addition, Lloyds has a 0.000% historic risk of default. As at 31st March 2022 the balance at Lloyds stood at £17.8m.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Pension Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments, particularly cash to meet pensioner payroll and other benefit costs, and cash to meet investment commitments.

The Pension Fund has immediate access to its cash holdings and has had a long-term positive cash flow. Cash flow surpluses are invested with fund managers. The Pension Fund is authorised to borrow on a short-term basis to fund cash flow deficits.

The actuary to the Pension Fund produces regular cash flow forecasts which are presented to the Investment Sub-Committee.

All financial liabilities as at 31 March 2022 are due within one year.**Note 27: Funding arrangements**

In line with The Local Government Pension Scheme Regulations 2013, the Fund’s actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and set contribution rates for the three years commencing 1 April 2020.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 19 years and to provide stability in contribution rates by spreading any increases in rates over a period of time. Normally this is three years but, in some cases, an extended period can be granted. Solvency is achieved when the funds held, plus future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level falls significantly short of the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation, the Fund was assessed as 92% funded. This corresponded to a deficit of £180m.

Contribution increases were phased in over the three-year period ending 31 March 2023. The common contribution rate (i.e. the rate which all employers in the Fund pay) is as follows.

Valuation Date	**31-Mar-19**
Total contribution rate	
Primary Rate (% of pay)	20.1%
2020/21 Secondary Rate £000	60.71
2021/22 Secondary Rate £000	62.51
2022/23 Secondary Rate £000	64.36

Individual employer rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the Fund's website.

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions are as follows:

Financial assumptions

Financial assumptions	31 March 2019
	%
Post Retirement Discount Rate	3.7%
Salary Increases	3.1%
Price Inflation/Pension Increases	2.3%

Demographic assumptions
Assumed life expectancy from age 65 is as follows.

Demographic assumptions	31 March 2019	
Assumed life expectancy at age 65	Male	Female
Pensioners	21.6	23.8
Non-pensioners	22.5	25.4

Commutation assumptions
It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 Option

1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

Note 28: Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 27). The following is the full Pension Fund Accounts Reporting Requirement provided by the Scheme Actuary.

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2021/22 requires Administering Authorities of LGPS funds that prepare pension fund accounts to

disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Warwickshire Pension Fund (“the Fund”).
The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund’s funding assumptions.

31 March 2021		31 March 2022
£m		£m
1,774	Active members	1,790
905	Deferred pensioners	840
1,180	Pensioners	1,095
(3,859)	Present value of promised retirement benefits (£m)	(3,725)
2,552	Fair Value of scheme assets (bid value) (£m)	2,776
(1307)	Net Liability	(949)

The fair value of scheme assets (bid value) figure as at 31 March 2022 has been provided by the Administering Authority and is as disclosed in the Fund’s 2021/22 accounts.

The promised retirement benefits at 31 March 2022 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are different as at 31 March 2022 and 31 March 2021. I estimate that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £295m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £20m.

Financial assumptions

Year ended (% p.a.)	31 March 22	31 March 21
	%	%
Inflation/pensions increase rate	3.20%	2.85%
Salary increase rate	4.00%	3.65%
Discount rate	2.70%	2.00%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.6 years	24.1 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	22.7 years	25.9 years

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2022	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	68
1 year increase in member life expectancy	4%	149
0.1% p.a. increase in the Salary Increase Rate	0%	7
0.1% p.a. decrease in the Real Discount Rate	2%	75

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2022' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Robert Bilton
17 May 2022
For and on behalf of Hymans Robertson LLP

Note 29: Current assets

31 March 2021		31 March 2022
£m		**£m**
	Debtors:	
1.4	Contributions due: Employees	1.8
6.0	Contributions due: Employers	6.1
0.8	Invoiced debtors	1.3
0.2	Sundry debtors	0.1
17.0	Cash balances	17.8
25.4	**Total**	**27.0**

Note 30: Current liabilities

31 March 2021		31 March 2022
£m		**£m**
	Liabilities:	
0.6	Owed to administering authority	1.8
2.4	Sundry Creditors	1.3
0.4	Benefits Payable	0.7
3.4	**Total**	**3.9**

Note 31: Additional Voluntary Contributions

Contributions Paid 2020/21	Market Value 31 March 2021		Contributions Paid 2020/21	Market Value 31 March 2022
£000's	**£m**		**£000's**	**£m**
342.7	2.8	Standard Life	468.5	3.3
1.4	0.2	Utmost Life and Pensions	1.16	0.21
344.1	**3.0**	**Total**	**469.7**	**3.5**

Note 32: Related Party Transactions

Warwickshire County Council

The Warwickshire Pension Fund is administered by Warwickshire County Council. Consequently, there is a strong relationship between the Council and the pension fund.

During the reporting period, the Council incurred costs of £1.9m (2020/21: £1.9m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The Council is also the single largest employer of members of the pension fund. Employee and employer contributions from the Council amounted to £43.8m in 2021/22 (£41.7m in 2020/21).

Border to Coast Pensions Partnership

The Warwickshire Pension Fund, through Warwickshire County Council as the Administering Authority, is a shareholder in Border to Coast Pensions Partnership Limited. The Partnership is a wholly owned private limited company registered in England and Wales founded to carry out pension fund asset pooling obligations set out by the Government. The company provides the facility to pool the pension fund investments of 11 local authorities in order to gain the benefits of economies of scale, concentration of expertise and improved ability to reduce investment costs. The company was incorporated in 2017/18 and the first transfers of investment assets into the pool occurred in 2018/19. As at the balance sheet date all 11 partners own an equal 1/11th share of the company.

The Border to Coast Pensions Partnership is a joint venture that brings risks as well as benefits. The partnership has grown significantly, for example in terms of the value of assets under management and the number of personnel employed. At Fund level the pool manages 43.1% of total assets under management. Pooling and membership of the Border to Coast Pensions Partnership is a regular and high-profile feature of reporting to the Pension Fund Investment Sub-Committee and the Fund's risk register has regard to key pooling risks.

Governance

There was one member of the Pension Fund Investment Sub-Committee who was in receipt of pension benefits from the Warwickshire Pension Fund.

Each member of the Pension Fund Investment Sub-Committee is required to declare their interests at each meeting.

There are two member of the Local Pension Board who are active members of the Warwickshire Pension Fund and two pensioners.

Key management personnel

Several employees of Warwickshire County Council hold key positions in the financial management of the Warwickshire Pension Fund, alongside responsibilities for Warwickshire County Council directly. The following percentages represent the time each post has spent on pension fund activities during the financial year. The posts of Strategic Director for Resources (2%), Assistant Director Finance (16%), Strategy and Commissioning Manager (50%), Finance Service Manager Transformation (30%), Technical Specialist Pensions* (100%), Lead Commissioner Pensions and Investment (100%), and Pensions Administration Delivery Lead (100%) are considered to be key management personnel. These employees and their financial relationship with the Fund are set out below.

	2021/22	2020/21
	£000's	£000's
Short-term benefits	251.1	256.7
Post-employment benefits	-241.0*	630.6

*Technical Specialist pension data outstanding as started with fund March 22. Figure will be updated once data is received into the fund.

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Note 33: Contingent Liabilities

A contingent liability arises where an event prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise when it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes.

Outstanding capital commitments at 31 March 2022 totalled £359.4m. Of this, £116.3m related to Private Equity, £151.3m related to Infrastructure, and £91.8m related to Private Debt.

Note 34: Going Concern

Going concern is assessed by management using four key factors as follows:

- Investment returns and Net Asset Values;
- Cashflow forecast and liquidity;
- Membership trends; and
- Funding level and delivery of agreed recovery plans.

Each is considered in turn below:

- Investment returns have improved in 2021/22 and at 31st March 2022 assets were valued at £2,758.4m an increase of 8.1% on the March 21 position.
- Cashflow forecasts confirm that the Fund can meet its obligations to pay pensions until March 2025 without the need to sell investments.
- In the three financial years to 31 March 2022, the number of employing bodies increased from 192 to 206 and current membership increased from 48,542 to 54,329.
- The fund was assessed as 92% funded as at 31 March 19, an improvement on the funding level of 82% at 31 March 2016. It is important to remember that the Fund does not need to be 100% funded to be a going concern, it simply needs to be able to meet benefit obligations each month as the fall due.

For the reason set out above, management are satisfied that the Warwickshire County Council Pension Fund is a going concern and the financial statement for 2021/22 have been prepared on this basis accordingly.

Glossary

A

Actuarial valuation
A review of the assets and *liabilities* of a pension fund to determine the surplus or deficit, and the future rate of contributions required.

Alternative investments
Investments other than the mainstream *asset classes* of *equities* and *bonds*. Alternatives include *hedge funds*, *private equity*, private debt, *infrastructure* and *commodities*. Property is also sometimes described as an alternative.

Asset allocation
The apportionment of a fund's assets between different *asset classes*.

B

Benchmark
A yardstick against which the investment policy or performance of a fund manager can be compared.

C

Currency risk
Investing in any securities not denominated in the investor's own base currency introduces currency risk due to the *volatility* of foreign exchange rates.

D

Defined benefit scheme
A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promised. Compare with *defined contribution scheme*.

Deferred Pensioners
Members of the Pension Fund who are no longer active employees making contributions to the Fund but who are not yet receiving their pension (may also be referred to as Deferred Members).

Diversification
The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce *risk*.

H

Hedge Funds
A hedge fund is a capital pool that has the ability to use *leverage* and to take both *long* and *short* positions with the aim of achieving an *absolute return*. A large variety of hedge fund strategies exist, and the level of *risk* taken will vary. Investors looking for a diversified

exposure to hedge funds will normally opt for a fund of hedge funds – a fund with underlying investments in several hedge funds covering different strategies and geographical areas.

I

IAS19 (International Accounting Standards)
An accounting standard which requires organisations to incorporate their pension funds into their balance sheets and specifically that all pension fund *liabilities* should be valued using an AA corporate bond yield. Any mismatch between assets and liabilities is effectively brought on to the organisation's balance sheet.

IAS1
An accounting standard that sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

P

Private equity
Funds put up by investors to finance new and growing businesses. Also known as venture capital

Pooled funds
Pooled funds are where the Fund does not directly own underlying assets.

Private Debt
Private debt comprises mezzanine and other forms of debt financing that comes mainly from institutional investors such as funds and insurance companies – but not from banks.

R

Risk
In its simplest sense, risk is the variability of *returns*. Investments with greater inherent *risk* must promise higher expected returns if investors are to invest in them. Risk management is an important aspect of portfolio management and involves the use of complex statistical models.

S

Stock lending
The lending of a *security* by the registered owner, to an authorised third party, for a fixed or open period of time, for an agreed consideration secured by *collateral*. The demand to borrow *securities* comes mainly from *market makers* to cover *short positions* or take *arbitrage* opportunities.

T

Transaction costs
Those costs associated with trading on a portfolio, notably *stamp duty* and *commissions*.

Agenda Item 5

Council

7 February 2023

2021/22 Annual Governance Statement

Recommendation

That Council approves the 2021/22 Annual Governance Statement.

1. Executive Summary

1.1 This report presents the 2021/22 Annual Governance Statement (AGS) for approval at Appendix 1.

1.2 The Accounts and Audit Regulations 2015 require the authority to conduct a review, at least once in a year, of the effectiveness of its system of internal control and to prepare an AGS.

1.3 It has been assessed, as a result of the AGS evaluation and assurance gathering process, which includes consideration by the Audit and Standards Committee, external auditors, and public consultation, that there are no significant governance issues or governance failures to report. The Council's key areas of strategic risk are presented as governance challenges in Section 5, along with planned and proposed mitigations.

2. Financial Implications

2.1 None.

3. Environmental Implications

3.1 None.

4. Supporting Information

4.1 None.

5. Timescales associated with the decision and next steps

5.1 None.

Appendices
Appendix 1 – 2021/22 Annual Governance Statement

Background Papers
None.

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

Local Member(s):
Other members:

Annual Governance Statement

Year ended 31 March 2022

Warwickshire County Council

Working for Warwickshire

Annual Governance Statement 2021/22

Contents

1 Executive Summary

Warwickshire County Council's ambition is to make Warwickshire the best it can be, sustainable now and for future generations. We want Warwickshire to be a brilliant County in which to grow up, work and prosper and grow older.

Our new Council Plan https://api.warwickshire.gov.uk/documents/WCCC-1980322935-2012 describes how the council will meet the challenges ahead and make the most of opportunities. To be successful the council must have a solid foundation of good governance and sound financial management. This new Plan builds on our previous Council Plan https://api.warwickshire.gov.uk/documents/WCCC-708-483 and Recovery Plan https://api.warwickshire.gov.uk/documents/WCCC-1980322935-1740 which have been in place for the whole of the 2021/22 financial year.

Warwickshire's Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. A copy of the Council's Code is available on our website at http://www.warwickshire.gov.uk/corporategovernance. Each year the council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements set out in the Code of Governance have been working. This Statement gives assurances on compliance for the year ending 31 March 2022 and up to the date of approval of the Statement of Accounts.

The Leader of the Council and Chief Executive recognise the importance of having a solid foundation of good governance and sound financial management and commit to continue to further enhance our governance arrangements to enable delivery of our Council Plan.

2 The Governance Framework

We are responsible for delivering public services for the benefit of the people of Warwickshire, operating in line with the law and proper accounting standards, and for using public money economically, efficiently and effectively. We also have a duty under the Local Government Act 1999 to continually review and improve the way we work, while at the same time offering value for money services.

To meet our responsibility, we have put in place proper governance arrangements for overseeing what we do. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in a timely, open and accountable manner. These arrangements consist of all the systems, processes, culture and values which direct and control the way in which we work and through which we account to, engage with and lead our communities.

We have approved and adopted **a Code of Corporate Governance**, which sets out the principles of the *CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016)*

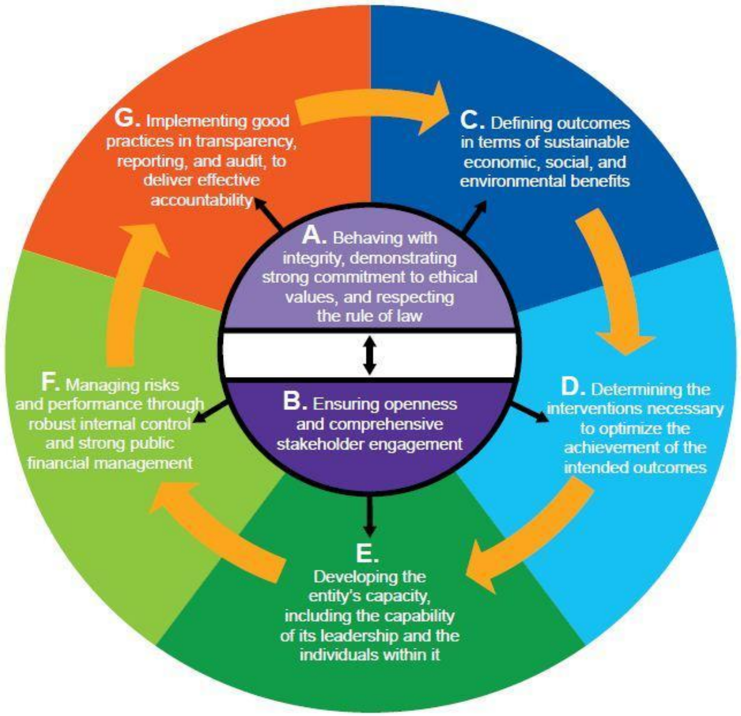

Figure 1: CIPFA's Principles of Good Governance

The Council's Code of Corporate Governance was updated in 2021 and approved by Cabinet in April 2021, to present how our governance arrangements support each core governance principle and reflect organisational structures and processes. The full details of our current code and how we meet the seven Principles of Good Governance can be found on our website here: http://www.warwickshire.gov.uk/corporategovernance

In February 2022, our new Council Plan was agreed by Council. The new plan is effective from 1st April 2022 and our Code of Governance will be reviewed against the new Council Plan to ensure that we continue to align the governance principles to our strategic priorities and areas of focus. The new Council Plan also takes forward and expands on the actions previously outlined in our COVID -19 Recovery Plan, which was launched in September 2021. This recognises that many of the actions introduced in response to the COVID pandemic have become part of the way in which we now do business. Our 2021/22 review of compliance against the Code of Governance recognised this and consequently we have not separately entered specific COVID related actions in the review.

We continue to monitor external factors that may have an impact on the Council's governance arrangements and will take appropriate action where necessary. The Russian invasion of Ukraine is one such area. At its meeting in March 2022 the Council expressed its support for Ukraine, and on the 7th of March the Pension Fund Investment Sub Committee condemned the invasion of Ukraine by Russia and confirmed that it was instructing fund managers, including the local government pension pool, Border to Coast, of which we are one member, to cease investment into Russia, and we will work with our fund managers to ensure that there should be no further investment into Russian owned or controlled assets and that the Fund's investment activity follows all current and future government requirements. The Warwickshire Pension Fund's assessment of Russian holdings at the time was that they made up approximately 0.2% of the total fund value. We continue to review our governance arrangements and will amend if appropriate.

The Code of Governance will be reviewed at least every 4 years, and more frequently if needed. Consequently, governance arrangements in the Code are not repeated in the AGS, which will focus on compliance, effectiveness and improvements to the Framework.

The aim of the governance framework

Our framework allows us to direct resources in accordance with our priorities, monitor how we are achieving our strategic aims and ambitions, and to consider whether they have helped us to deliver appropriate services. The Framework also aims to assure we deliver value for money, by applying governance processes aligned to:

- Principle C: defining outcomes that have impact.
- Principle D: optimising achievement of outcomes that are effective.
- Principle E: strong financial management that delivers economic and efficient solutions.

Figure 2: The Council's Core Purpose and Priority Outcomes

The Annual Governance Statement provides assurances that these processes are working in practice and provide services in line with our priorities by delivering on our supporting priority of Making the Best Use of Resources.

Financial Management Code of Practice

Our Code of Corporate Governance was enhanced by adopting CIPFA's Financial Management Code of Practice in 2021-22 and compliance with the Code is reviewed on an annual basis. The annual refresh of the self-assessment was reported to the Audit and Standards Committee in March 2022. This reiterated that the Council complies with the standard. The Committee also considered progress on the delivery of the action plan approved in June 2021 and approved a new action plan for 2022/23.

We are alert to ensuring our governance arrangements support the Council as a whole and individual services to deliver value for money across all our activity and at all levels of accountability, and we continue to seek to adapt and improve our governance arrangements in that regard.

Commercial activity

During the year the Council has continued to progress the development and establishment of the Warwickshire Property Development Group (WPDG) and the Warwickshire Recovery and Investment Fund (WRIF). Governance arrangements are in place for these bodies and the Council has approved and monitors the business plans. Regular update reports are submitted to appropriate committees and a specific Member Oversight Group for both.

3 Review of compliance with the Code of Corporate Governance

Our review and update of the Code of Corporate Governance http://www.warwickshire.gov.uk/corporategovernance has confirmed that arrangements under each of seven governance principles continue to be applied. The COVID pandemic made 2020-21 a year of significant change which required the Council, wherever required, to adapt existing governance arrangements as part of our response to the pandemic and plans for recovery. Many of these changes have now become established as part of the Council's governance arrangements as we adapt to a new way of working. We have set out below, for each governance principle, our self-assessment of compliance in the year.

Table1: Summary of Compliance against the Code of Corporate Governance

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	
Compliance Overview	The key policies, procedures and practices set out in the Code of Corporate Governance remained in place and were applied throughout the year. Our key behaviours and supporting values which underpin our governance arrangements are at the heart of all we do and continued to be central to how we appraise our performance.
	We have continued to meet the Public Sector Duty, as set out in the Equality Act 2010 and do not consider that we have unlawfully discriminated in the provision of services whether delivered by us or commissioned externally. Equality impact assessments have also continued to be produced to inform all appropriate decisions during the financial year.
	Integrity is embedded in our behaviours and the supporting values of being accountable and trustworthy. To ensure our behaviours are upheld we have codes of conduct for officers and members, registers of gifts and hospitality, registers of financial interests, and policies on anti-fraud and whistleblowing. We reviewed our Member Code of Conduct against the LGA Model Code, and a new updated Code of Conduct was agreed at Council in July 2021. https://democracy.warwickshire.gov.uk/documents/s14878/Revised%20Member%20Code%20of%20Conduct.pdf We include ethical values in policies and procedures for all areas including procurement and partnership working. We have a Complaints Policy and a corporate complaints and feedback procedure to ensure that all complaints are investigated properly and are responded to as quickly as possible (http://www.warwickshire.gov.uk/complaints). We appreciate the diversity of our customers, workforce and the wider Warwickshire community and are committed to Equality, Diversity and

Inclusion and fulfilling our Public Sector Equality Duty. This is integral to everything we do including policy development, service delivery and partnership working to ensure that we do not unlawfully discriminate in the services we deliver or commission (http://www.warwickshire.gov.uk/equality).

Our Constitution, including Contract Standing Orders and Financial Regulations were reviewed and updated during the financial year to ensure that they remained legislatively compliant and reflect the organisation's operating arrangements. Changes were approved by Council at its meeting in December 2021. (https://www.warwickshire.gov.uk/constitution).

The Constitution sets out the decision-making framework to ensure that all officers, key post holders and Members can fulfil their responsibilities in accordance with legislative requirements. All our reports to member bodies receive financial and legal checks prior to submission to ensure they comply with regulatory requirements. Our Monitoring Officer receives weekly reports to alert her to any legal issues which she shares with the S.151 / Deputy S151 Officers and the Head of Paid Service. The Head of Paid Service, Section 151 / Deputy S151 Officers and Monitoring Officer meet regularly to ensure any regulatory requirements are addressed and any regulatory risks are discussed and visible.

An independent review of scrutiny arrangements was undertaken, with conclusions and recommendations considered by the four Overview and Scrutiny Committees in February, March and June 2021, and the final recommendations endorsed by Cabinet and approved by Council in September 2021.

Formal Council, Cabinet and Committee meetings, including those related to the Warwickshire Pension Fund, continued to be held virtually up to the end of April 2021, after which face to face meetings were re-instated to ensure legal compliance and which were compliant with access to information and public access requirements.

We prepared for and delivered, with our district and borough council partners, Covid secure elections in May 2021

A formal induction programme for members is undertaken following each quadrennial election which covers the legal principles governing decision making and the code of conduct. The induction programme incorporates commercial awareness to ensure that members understand their responsibilities in relation to governance of commercial activity. Member induction and training also covers a broader understanding of Council finances and the key Committee and Officer roles responsible for governing our finances as well as the wider responsibilities of the Council and the services it provides.

All officers with budget responsibilities receive training on general financial management and specifics around financial policies, procedures, systems and propriety.

The Joint Consultative Committee meets on a quarterly basis providing the opportunity for elected employee representatives to meet with senior management and discuss issues affecting the whole workforce including Health & Safety. Teacher Trade Unions meet separately with the Assistant Director of Education to discuss Education and Schools specific items. We have

	a positive working relationship with the Trade Unions, and they are proactively involved at a Directorate level in relation to change management and individual casework. We are registered as a data controller under the Data Protection Act as we collect, and process personal information and we have a named Data Protection officer, a role shared by the Corporate Records Manager and the Information Rights Manager. We have General Data Protection Regulation (GDPR) compliant procedures that explain how we use and share information and arrangements for members of the public to access information. We have adopted the model publication scheme produced by the Information Commissioner's Office (ICO), in accordance with the Freedom of Information Act 2000. https://www.warwickshire.gov.uk/publicationschemeguide We have consistent governance arrangements for our trading companies and wholly owned companies including the newly established Warwickshire Property and Development Group (WPDG) and Warwickshire Recovery and Investment Fund (WRIF): We have a shareholder agreement with each company which governs our relationship with the company and sets out which decisions require shareholder approval: Annual General Meetings are held to ensure the Council is fully informed of the company's performance; and Directors of each company have received "conflict of interest" awareness training and we actively monitor the risk of potential conflicts. Where appropriate, we also support new WCC appointed Directors with training on how to perform their role as Directors effectively. Investments are governed by appropriate documents, for example loan agreements. The Council operates an anti-money laundering policy, and the Assistant Director Finance (Deputy Section 151 Officer) is the Council's Anti-Money Laundering Responsible Officer (AMLRO). We continue to apply Public Health England and government guidelines in respect of COVID secure working and reflecting Government advice during this period, our offices and buildings have remained open throughout but with limited use, and we have encouraged many of our staff to continue to work from home wherever possible. A thorough review of our premises has been undertaken to ensure that we provide safe working arrangements at all locations as more staff return to office working. We continue to monitor office usage and ensure suitable safeguards are in place to maintain a safe working environment. In reviewing the changing working arrangements, we continue to monitor risks to information security, including cybercrime, that may arise, and we continue to maintain prevention, control, testing and response regimes to mitigate these risks

Principle B: Ensuring openness and comprehensive stakeholder engagement	
Compliance Overview	The key policies, procedures and practices set out in the Code of Corporate Governance remained in place and were applied throughout the year.

	Council and Committee meetings are available as webcasts (https://warwickshire.public-I.tv/core/portal/webcasts), and decisions are recorded and published. Meetings are now being held face to face. We have launched a new residents' panel, 'Voice of Warwickshire', and we are improving our consultation and engagement platform 'Ask Warwickshire' to include more interactive, discussion-based activity. The Warwickshire Youth Council represents the voice of young people in Warwickshire. Each year, young people across Warwickshire vote for self-nominated young people to represent them. Those elected meet monthly at Shire Hall and have the responsibility of campaigning and liaising with bodies of power on behalf of young people. Each area of Warwickshire also has a youth forum which represents young people at a more local level. We have an Employee Engagement Strategy to ensure employees have a voice, managers and leaders are focusing on, coaching and developing their people and there is clear communication about the direction of our authority. This is supported by staff forums and regular staff surveys, check in surveys which measure employee engagement and our direction of travel against staff related measures. Regular Corporate Board and Strategic Director live stream broadcasts, supported by Assistant Director and Team briefings and broadcasts which were introduced as a response to COVID are now embedded as a way to engage with our people irrespective of working arrangements (home, remote or office based). Regular feedback is provided to staff through various mechanisms, for example through briefings, Working 4 Warwickshire, staff intranet pages etc. Staff continue to participate in short 'Check-in' surveys focused on health and wellbeing as well as broader performance themes. Results for key indicators of well-being were analysed, followed up by Corporate Board and shared with all staff via broadcasts and dedicated areas of the intranet with links to results dashboards. WCC, as "Corporate Parents", have high aspiration for our children in care and care experienced young people. We are committed to hearing the voice of children in care through engagement with the Children in Care Council who seek to improve services for children. https://www.warwickshire.gov.uk/childrenincare The Warwickshire Pension Fund engages with its employers and members through the LGPS Local Pension Board which has representatives from employers and members, and through direct communications for example directly sharing new policies such as the Funding Strategy Statement for comment.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits	
Compliance Overview	We had a clear set of priority outcomes in our Council Plan throughout 2021/22 and we have now launched our new Council Plan which covers the next 5 years with effect from April 2022. The new Council Plan has three priorities which cover each of the three dimensions, i.e., economic, social and environmental. The Medium-Term Financial Strategy (MTFS) supports the delivery of the Council Plan and is based on clear assumptions; resources align to priorities and ensure a balanced budget to sustain services and the longer-term financial health of the Council. The MTFS process, which includes scenario planning, assists with forward planning and responding to variations in financial forecasts and changes to assumptions. All Committee decisions have to identify any environmental impacts linked to the decisions in the reports.
	The Council Plan which was in place throughout 2021/22, and the Covid-19 Recovery Plan, which was closed out in December 2021, were developed with members and in consultation with our stakeholders and communities and defined priority outcomes and key strategic objectives. The Council Plan was supported by specific Strategies, Strategic Plans and programmes, all geared to delivering our Council Plan/Covid Recovery plan outcomes. A new Council Plan has been approved and is effective from 1 April 2022. The new Plan incorporates any ongoing themes from the Covid Recovery Plan and actions requiring a continued focus at Council level are included in the Integrated Delivery Plan which accompanies the Council Plan, as agreed at Cabinet in December 2021. Strategies are supported by Business Plans, key change projects and investments to develop the actions needed to deliver the outcomes. Projects and investments are scrutinised to ensure they deliver required outcomes. The Council has a rolling five-year Medium-Term Financial Strategy which is established on sound assumptions to deliver a sustainable balanced budget in the short and medium term. The Council's Capital Programme is directed by our Integrated Capital Strategy, aligned to the Council Plan and approved by Council in February 2022 as part of the MTFS. A review has been undertaken to improve processes around capital programme management and reporting and revised processes will be introduced in 2022. Priorities and a programme of actions for addressing the climate emergency are included in the Council Plan and all Council reports identify financial and environmental implications. Warwickshire is committed to reducing emissions from areas that the council has direct control over including own transport, gas and bought electricity to net zero by 2030 and has pledged to doing everything within our power to get our communities across Warwickshire to Net Zero by 2050 or sooner. The Council hosted a Climate Change Conference in March 2022 along with Coventry City Council, Beyond COP26 brought together key public, private and community organisations to respond to the COP26 outcomes within Coventry and Warwickshire. https://www.warwickshireclimateemergency.org.uk/

	We are producing, with public sector, business and voluntary sector partners and Government, a costed plan and trajectory for the County to be net zero no later than 2050, that is clear with Government about resources and support necessary to deliver national and local aspirations on net zero. Warwickshire Pension Fund has begun a review of investment strategy which will have regard to climate risk in the scope, and the Council's own Investment Strategy for non-treasury investments now has a dedicated ethical investing policy. Warwickshire Property & Development Group (WPDG), which has been set up to deliver new affordable and market priced homes and a range of commercial, mixed use and renewable energy opportunities across the county, has been launched by the Council, which will re-invest profits back into the Council's priority activities. WPDG will play an important role in shaping Warwickshire as a place to invest, live and thrive following the COVID-19 pandemic, as part of the County Council's Warwickshire Recovery Plan. It will help the county's economic recovery, creating jobs and shaping the county as an attractive and desirable place to live and do business, while also providing a financial return for the Council that will enable it to support its priorities through re-investment. Warwickshire Property & Development Group is part of a broader £300m package of investment alongside the Warwickshire Recovery and Investment Fund (WRIF) which the County Council has launched to revitalise the local economy. The Council has set up a Warwickshire Recovery and Investment Fund (WRIF) which is intended to: • Support the delivery of the Council's strategic goals and priorities as set out in the Warwickshire Council Plan 2025 and the new Council Plan effective from April 2022, COVID 19 Recovery Plan, Economic Strategy, Commercial Strategy and Place Shaping Programme; • Support economic recovery across the region; • Support existing businesses and bring in new businesses; • Create and protect jobs in Warwickshire; • Provide loans and some equity to business in a prudent way; • Provide access to finance that helps businesses start, grow, and scale up; and • Leverage additional resources or funding for the county through the investment and support of key growth businesses. https://www.warwickshire.gov.uk/wrif

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	
Compliance Overview	The key arrangements for managing performance and delivery, to inform interventions, continued to operate throughout the year.
	Arrangements are in place to report critical management information on the key aspects of the delivery of the Council Plan, including finance (monthly), risk and performance (quarterly) to Corporate Board and quarterly to Cabinet and Overview & Scrutiny Committees. Our Performance Framework supports the delivery of the Council Plan, and includes mechanisms to assess progress, inform actions and interventions to achieve intended outcomes. Outcome Delivery Groups, supported by the Programme Management Office, monitor and scrutinise project delivery against plans and flag actions needed to manage escalated risks and deliver project objectives. As part of the development of the new Council Plan (effective from April 2022), we are introducing an integrated delivery plan approach which will incorporate risk and performance management. Business Intelligence dashboards and reporting will build on the extensive performance dashboards already in place and will enable effective response and decision making. Increased emphasis will be placed on benefit identification and realisation. Each Directorate has escalation arrangements in place to its Directorate Leadership Team. Our Service Business Continuity Plans and procedures set out mitigating actions and contingency plans in response to business interruption events. We work in partnership with Coventry and Solihull Councils as part of the CSW Resilience Team, linking with the Warwickshire Local Resilience Forum to actively manage Civil Contingency requirements and responses. https://cswprepared.org.uk/ Delivery of our Council Plan outcomes is achieved through our business plans, strategies and programmes/projects and our Strategy and Commissioning and performance management frameworks. This is supported by our business insight and corporate policy functions. We have an appraisal system which links the Council objectives to the personal objectives and personal development plans of individuals. All proposed and active projects, funded through our investment funds, are managed in the VERTO system, which includes change control and reporting functionality to track the delivery of realisable benefits and outcomes. Our Strategies and programmes address specific challenges and opportunities as they arise

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Compliance Overview	The key arrangements for building our capacity and capability continued to operate throughout the year. Leadership forums, including Senior Leadership Forum were maintained and enhanced with strategy & commissioning network meetings.
	A member induction and development programme is delivered each year to ensure the core development needs of members, aligned to their respective roles, are met and to take account of new and emerging issues. Ensuring that capacity is maximised during the last 12 months has been critical to our success, and specific decisions have been made to enable this, such as system changes in Children's and Families to secure social workers. We have also committed to the National Graduate Trainee Scheme as well as reviewing our approach to apprenticeships, including increasing the starting salary to bring it in line with the national living wage Our People Strategy ensures our workforce can deliver the Council Plan and that they remain aligned with our vision and behaviours. Direction and progress continue to be governed and monitored by the How We Work Delivery Group. The Staff and Pensions Committee provides overall oversight on the direction in relation to the development of our people and approves the Our People Strategy and annual delivery plan. Our How We Work programme invests in and delivers the right resources and tools to work as efficiently and effectively as possible. It promotes and encourages the behaviours that help to define our culture. Our Agile Working Principles set out how employees can work as efficiently and productively as possible, whilst maintaining a priority focus on service needs. Our People Strategy recognises our staff as being our primary asset to enable the delivery of exceptional services to our communities. It is aimed at delivering our vision for the Council to be a great place to work where diverse and talented people are enabled to be their best. The Strategy is our mechanism to have an effective approach to workforce planning, reward and recognition, embedding our values, behaviours and a high-performance culture, leadership and talent development and supporting our organisational design. We have a corporate process for annual appraisals and Personal Development Plans supported by regular 1:1 conversations. This provides the necessary clarity of expectations and behaviour, direction, support and opportunities for growth and development and allows employees and managers to have constructive discussions on performance, progress against outcomes, wellbeing and development. Our corporate appraisal process is aligned to the Behaviours Framework and our recruitment process for senior managers applies a behavioural assessment process, which included leadership capability and identifies personal development areas.

	We have a Senior Leadership Forum (SLF) of our top three management tiers for sharing, shaping and developing our strategic direction, change plans and to support the delivery of those plans. The SLF has continued to meet regularly and effectively online when meeting in person has not been appropriate. We invest in the health and wellbeing of our employees with a Workplace Wellness Strategy and supporting processes including those to manage sickness absence and return to work. The health & wellbeing of our employees remains a top priority and as well as ensuring we engage with staff as stakeholders, we have focused on building a resilient and high performing workforce: • maintaining wellbeing and HR policy information on dedicated staff intranet sites (Keeping You Well and Working, Working4Warwickshire) with links to active internal and external support networks, resources and staff well-being check in surveys; and actions arising from those surveys; and • regular live broadcast to staff from Corporate Board and Strategic Directors, to communicate key well-being messages, updates and Q&A. The Council has been officially recognised by the West Midlands Combined Authority (WMCA) and received a bronze level accreditation for its work in actively promoting the health and wellbeing of its staff under the Thrive at Work scheme. The Council's move to the Cloud-based Microsoft 365 environment has secured communication and data security and has also enhanced our ability to work remotely and collaboratively. Our How We Work programme, designed to invest in and deliver the right technology and tools to work as efficiently and effectively as possible, has also supported staff with bite - size MS training sessions that could be accessed at any time.

Principle F: Managing risks and performance through robust internal control and strong public financial management	
Compliance Overview	The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been fully applied thought the year for the Council and for Warwickshire Pension Fund.
	The Council adopted a new Strategic Risk Management Framework in April 2021 and continue to apply the CIPFA Code of Practice for Managing the Risk of fraud and corruption and this is reflected in our anti-fraud policy. http://www.warwickshire.gov.uk/antifraud

	Strong financial management is achieved through a robust Medium-Term Financial Strategy process which includes comprehensive involvement of our Members and Corporate Board to enable the delivery of the outcomes and objectives we set out in our Council Plan and achieving a balance between robustness of financial management and achieving our ambitions. Our budget is set as part of a 5-year Medium Term Financial Strategy and reviewed annually to ensure we remain prudent, robust and ambitious, whilst being flexible and responsive to emerging situations. Our robust and integrated approach to achieving strong financial management includes: • Agreed strategies and approaches to Treasury Management, Investment, Capital resources, the effective use of Reserves and Council taxation to ensure an appropriate balance in delivering our medium-term goals and long-term sustainability. • Attracting inward investment to the County and maximising social value for our communities through our Commercial Strategy. • Achieving the best use of both capital and revenue investment funding by ensuring all investment proposals are supported by robust business cases and realisable benefits to enable decisions on funding. • Continuing our drive to achieve efficiencies and savings and deliver services in more cost-effective ways through our plans to change and transform services, utilise technology, agile working and innovative ways of doing things. Specific policies, processes and practices support this. • Regular budget monitoring and variance reporting at service and corporate level, ensuring the Council is alert to and managing emerging financial risks. • Continually looking to review and improve our budget monitoring arrangements, having also received a substantial Internal Audit opinion for budgetary control and a full assurance opinion for Covid related financial controls and decisions. • Corporate Board undertaking deep dive analysis of problematic budget areas alongside the plans to manage these to inform further actions. • Financial Regulations and our financial management framework guide adherence to policies, procedures and propriety. They outline the financial roles and responsibilities of staff and Members and provide a framework for financial decision-making. Where there are specific statutory powers and duties the Financial Regulations seek to ensure these are complied with, as well as reflecting best professional practice and decision-making. https://www.warwickshire.gov.uk/standingorders • Contract Standing Orders (CSOs) promote good procurement practice and public accountability. We reviewed our CSOs in 2021/22 and these were approved by Council in December 2021. • Our S48 Scheme of Delegation for maintained schools, enables assurance of school's management of delegated budgets.

	• Robust management of Pension Fund Investment through our Investment Strategy Statement and our Responsible Investment and Climate Risk Policy, approved at the June 2021 Investment Sub-committee. The Pension Fund Investments Sub Committee is supported by external financial advisers and additional independent financial advisers. We constantly strive to improve and have conducted a robust review of our Constitution, contract standing orders and financial regulations. Improvements were identified and have been agreed by Council. Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. Improvements to our risk management and performance monitoring processes have been identified and incorporated into our new integrated delivery plan approach. Our approach to managing risk is explained in the Risk Management Framework. http://www.warwickshire.gov.uk/riskmanagementstrategy Our Performance Framework supports the delivery of the Council Plan, and includes the following mechanisms to assess progress, inform actions and interventions to achieve intended outcomes: • progress against the Council Plan and the MTFS is assessed through Key Business Measures (KBMs) to assess the delivery of outcomes for reporting to Overview & Scrutiny Committees and Cabinet on a quarterly basis; and • a suite of reports and dashboards provides HR, finance and performance data to Strategic Directors, Assistant Directors and third tier managers for their areas of responsibility. This enables managers to interrogate information quickly and efficiently and identify any interventions needed. Programme and Project performance is monitored by Delivery Groups. Action plans arising from peer reviews and inspections are owned and monitored by Directorate Leadership Teams. There are a range of specific project and programme boards with appropriate service, corporate and senior representation to oversee our major transformation and change e.g. SEND Programme Board, WPDG Governance Group, WRIF Investment Panel, Children's Change Board, Commercial Delivery Group, Adults Programme Board, Agresso Development Programme Group, Capital Review Board, Gateway Group, etc. The 5 Delivery Groups then represent the organisational themes overarching groups that monitor delivery, with the Corporate Change Board having ultimate oversight at an officer level of what feeds through from the Gateway Group and Delivery Groups. We have an effective system of internal audit delivered in line with the Public Sector Internal Auditing Standards and effective counter-fraud and corruption arrangements and whistleblowing policies and procedures. Internal audit provide advice to service areas and change projects to ensure the control environment remains strong. We have adopted the CIPFA Code of Practice for Managing the Risk of Fraud & Corruption, and this is reflected in our anti-fraud policy. http://www.warwickshire.gov.uk/antifraud. Regular reporting on audit assurance outcomes to Audit & Standards Committee.

	We gain assurances on internal control from: • Assistant Director annual assurance statements; • Social care quality assurance policy and procedures; • The Internal audit work programme reports; and • External sources of assurance including external audit opinions, statutory inspections and whole council or service specific peer reviews. We actively promote safeguarding to prevent harm and reduce the risk of abuse or neglect, working with partners as Warwickshire Safeguarding https://www.safeguardingwarwickshire.co.uk/ The Council has reviewed its procurement arrangements to ensure that activity across the council demonstrates good practice, compliance with legislation, realises social value and delivers value for money and public accountability. The resourcing of activity in respect of WPDG and WRIF includes the procurement of external specialist expertise and advice to support the robust delivery of both initiatives.
Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
Compliance Overview	We endeavour always to be open and transparent. The regulations, policies and governance arrangements set out in the Code of Corporate Governance have been applied throughout the year for the Council and for the Warwickshire Pension Fund and can be accessed here: https://www.warwickshirepensionfund.org.uk
	Each year we publish information on our website outlining how we spend Council Tax income. http://www.warwickshire.gov.uk/counciltaxspending
	We have a forward plan which provides information about the key decisions that the Council has scheduled. Formal agendas, reports and minutes for all committee meetings are published on our website which ensures that people know what decisions the Council is planning to take, and the decisions taken. Live and recorded Webcasts of formal public meetings are available. http://www.warwickshire.gov.uk/democracy

Our Corporate Board, supported by Directorate Leadership Teams, take responsibility for providing overall leadership and setting the strategic direction and specifically, for ensuring that the Council meets its statutory obligations and exercises sound corporate governance and effective resource management, and that the performance of the Authority is managed effectively, including the delivery of key aspects of our change programs.

Overview and Scrutiny Committees act as a critical friend and hold Cabinet to account for its decisions. The terms of reference for all Overview and Scrutiny Committees are defined in the Constitution. http://www.warwickshire.gov.uk/scrutiny The Audit and Standards Committee has oversight of internal and external audit matters, the Council's arrangements for corporate governance and risk management and any other arrangements for the maintenance of probity. The Committee is chaired by an independent member and the Council has appointed a second independent member to sit on the Committee.

All reports that go to Members through a formal committee, or for leader / deputy leader / portfolio decisions, have to have a legal and finance sign-off as the final stage before being released by democratic services.

The Internal Audit Manager is designated as the Head of Internal Audit. There is an Internal Audit Board, and the internal audit service is subject to Public Sector Internal Audit Standards (PSIAS) external quality assessments. Sufficient audits have been conducted to provide an annual audit opinion for the year. http://www.warwickshire.gov.uk/audit

Local Government Corporate Peer Challenge - March 2022

A team of six external peers visited Warwickshire County Council for three days. During that time, they looked at several key areas including financial capability, partnership work, culture, and readiness to deliver our new Council Plan. Initial feedback was received verbally from the team whilst on site. Several areas of best practice were recognised, and key actions identified will form part of a delivery plan which is currently under development.

Joint local area SEND inspection in Warwickshire

Between 12 July and 16 July 2021, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection of the local area of Warwickshire to judge the effectiveness of the area in implementing the disability and special educational needs and/or disabilities (SEND) reforms as set out in the Children and Families Act 2014.

Conclusions:

As a result of the findings of this inspection and in accordance with the Children Act 2004 (Joint Area Reviews) Regulations 2015, Her Majesty's Chief Inspector of Schools has determined that a Written Statement of Action is required because of significant areas of weakness in the area's practice. Her Majesty's Chief Inspector has also

	determined that the local authority and the area's clinical commissioning group (CCG) are responsible for submitting the written statement to Ofsted. (Note: Under the Health and Care Act, CCGs have been absorbed into Integrated Care Systems (ICSs) – specifically into their Integrated Care Boards (ICB). Each ICB has taken on the commissioning and funding responsibilities that previously sat with their local CCGs. **Key strengths:** • Area leaders are committed to improving children and young people's outcomes. Leaders' action plans are firmly focused on the needs and ambitions of children and young people. The current area leaders have the expertise, drive, determination, and commitment to improving health, education and care outcomes for all children and young people with SEND. • Area leaders understand the strengths and weaknesses of the area because of their accurate, well-informed and detailed self-evaluation. They commissioned two independent reviews of all SEND services to help them identify what works well and what does not across the local area. Leaders have developed and started to implement an ambitious Change Programme in response to the findings of the reviews. • The Change Programme identifies what needs to change and why. It has prioritised and focused on key areas, with further actions appropriately planned out in the right order. This is enabling area leaders to drive the necessary improvements across the local area. However, some plans are still developing, such as those to improve neurodevelopmental pathways. • Area leaders' rapid implementation of the Change Programme has already led to some improvements. For example, the area leaders now issue a higher than national proportion of new education, health and care (EHC) plans within statutory timescales. The number of fixed-term exclusions of children and young people with SEND has also been significantly reduced. • Children and young people with SEND achieve positive educational outcomes. A high proportion of them remain in education, training and employment and a high proportion also go on to achieve paid employment. Attendance rates for children and young people with SEND are very positive and fixed-term exclusions have reduced dramatically. **Areas for improvement:** The local area is required to produce and submit a Written Statement of Action to Ofsted that explains how the local area will tackle the following areas of significant weakness: • The waiting times for ASD assessments, and weaknesses in the support for children and young people awaiting assessment and following diagnosis of ASD; • The fractured relationships with parents and carers and lack of clear communication and co-production at a strategic level;

- The incorrect placement of some children and young people with EHC plans in specialist settings, and mainstream school leaders' understanding of why this needs to be addressed;
- The lack of uptake of staff training for mainstream primary and secondary school staff to help them understand and meet the needs of children and young people with SEND; and
- The quality of the online local offer.

Inspection of Local Authority Children's Services (ILACS)
Inspection took place between 15 November and 3 December 2021, and the judgement was published on 1st February 2022. The full report can be found here: https://reports.ofsted.gov.uk/provider/44/80576

Key findings and Ofsted ratings
- The impact of leaders on social work practice with children and families - Good
- The experiences and progress of children who need help and protection - Good
- The experiences and progress of children in care and care leavers - Good
- Overall effectiveness - Good

Areas of best practice identified
Summary of strengths: Within the report the inspectors highlighted the service improvement journey since 2017 and the role leaders have played in working with partners and children and young people to support development. The report noted that Social Workers listen to the views of children and ensure they are involved in decisions that impact them and highlighted how the service builds trusting relationships with children, young people and families to ensure families stay together where possible (including when children come into care placing them with their wider family if appropriate). The report found that children in care are supported to live stable lives and make good progress and that care experienced young people are supported when they leave care with opportunities to strengthen their independence

HMICFRS Inspection
Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service Inspected Warwickshire Fire and Rescue Service in the Spring of 2021. This was an 8-week virtual inspection. A significant programme of work is ongoing to address the points raised in the inspection report ahead of HMIFRCS conducting their follow-up reinspection.

Key findings / conclusions
Warwickshire Fire and Rescue Service was issued with 3 Causes of Concern and 41 Areas for Improvement against the three inspection areas of Efficiency, Effectiveness and People.

Areas of best practice identified
Warwickshire Fire and Rescue Service was deemed as being effective at responding to major incidents and emergencies.

Independent Inquiry Child Sexual Abuse: Child Sexual Exploitation by Organised Networks
On 6 March 2019 the Independent Inquiry Child Sexual Abuse (the 'IICSA') published an Update Note in relation to their investigation into Child Sexual Exploitation by Organised Networks ('CSEON'). In that note the IICSA identified its intention to consider 6 geographical areas through which it would explore its eight identified themes. Warwickshire was one of the geographical areas. The report was published on 1st February 2022.

The Council was pleased to be chosen as a case study area for this inquiry. We were able to share elements of our practice to support national improvements which will help protect children across the country. We recognise the bravery of all the victims who have taken part in this inquiry. Sharing their experience will help improve the support offered to other victims of abuse.

As an organisation we are focused on learning and improvement and are pleased to see this noted in the report which highlights our progressive approach to risk-assessment, our well-established audit and review processes, our empathy for victims and our strong partnership approach to raise awareness about, identify and tackle child sexual exploitation.

We recognise the issues young people face in accessing mental health support as identified in the report and acknowledge shortcomings around a case in 2017. We have made significant changes to our practice since this time.

In addition to our direct work with children and families, our multi-agency partnership allows us to share information and learning and to work together to do everything we can to continue to confront this issue to keep young people safe. Our work in this area has been recognised in an Ofsted report, also published today, which found that 'children who are at high risk of exploitation are identified well and supported to enable risks to reduce'.

We will not be complacent in our work and our awareness raising. We will consider the findings of the report carefully and continue to pay them attention so that they are embedded as improvements to our practice.

In addition to our powerful 'Something's not Right' campaign we will continue to work with regional and national partners to ensure our approach has greatest impact on our communities and further afield.

4 Review of effectiveness and improvements to governance arrangements

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment and by the Head of Internal Audit's annual report.

The review of effectiveness was co-ordinated by an evaluation panel consisting of representatives from Legal, Finance and each Directorate (Resources, Communities and People), Internal Audit and chaired by the Strategy & Commissioning Manager (Treasury, Pensions, Audit, Insurance and Risk). In carrying out its review, the evaluation panel:

- considered the approach of the Authority to establishing its principal statutory obligations and organisational objectives;
- considered the approach of the Authority to identifying principal risks to the achievement of those obligations and objectives;
- identified the key control frameworks that the Authority has in place to manage its principal risks;
- obtained assurance from managers on the operation of key control frameworks and on the results of relevant external or internal inspections;
- reviewed progress against the 2021-22 Governance Action Plan (Appendix 1); and
- evaluated the assurances provided and identified any gaps.

The evaluation panel also considered the strategic risks updated and agreed with Corporate Board in January 2022.
In addition, Assistant Directors have confirmed that they have complied with the risk management framework throughout the year and have provided assurances at year end.

Consideration was also given to the results of reviews carried out by external regulators and agencies during the year including the external audit of the accounts. The work of the evaluation panel was scrutinised by the Assistant Director Governance and Policy (Monitoring Officer), the Assistant Director Finance (Deputy Section 151 Officer), Strategic Director for Resources (Section 151 Officer) and Strategic Director for People before being submitted to the Audit and Standards Committee in May 2022 for further scrutiny.

The results of Internal Audit work were reported to the Audit and Standards Committee throughout the year. The individual reviews feed into the overall Internal Audit Annual Report. The Committee has also considered in greater detail areas where limited assurance opinions have been provided including Supported Accommodation (16–17-year-olds). This report concludes that the Authority's control environment provides substantial assurance that the significant risks facing the Authority are addressed. The internal audit findings, including those with a limited assurance opinion, were duly considered in the preparation of this statement.

The 2021-22 Governance Action Plan (Appendix 1) presents, on an exception basis, additional actions that are already planned or being considered to inform future Council planning and strengthen governance.

The process of review has also captured governance improvements in Table 2, that we have made during the year.

Table2: Summary of improvements to governance arrangements in 2021-22

Activities and Assurances	Governance Principle (s)
Led by the Resources Directorate, including cross cutting actions	
An independent review of scrutiny arrangements was undertaken, with conclusions and recommendations considered by the four Overview and Scrutiny Committees in February, March and June 2021, and the final recommendations endorsed by Cabinet and approved by Council in September 2021.	Transparency and effective accountability
Continued LEXCEL accreditation of Legal Services provided ongoing assurance about the standards of legal services provided to internal and external clients. Accreditation was received in August 2021 and included feedback 'As a business and a team everyone has pulled together, enabling maintenance of your high professional standards and the delivery of an excellent service to clients.'	
Risk management is an integral part of good management and corporate governance and is therefore at the heart of what we do. Improvements to our risk management and performance monitoring processes have been identified and incorporated into our new integrated delivery plan approach.	Risk and Performance
Our new council plan will be supported by a single integrated delivery programme which we will refresh each year on a rolling basis, alongside the annual Medium Term Financial Strategy. We will publish the delivery plan and progress updates on a quarterly basis. We have reviewed all our key business frameworks to ensure they support delivery of our Council Plan.	Determining interventions
Corporate Policy Team conducted an assessment of current strategies for the new Council Plan and produced a new Strategy Framework. The framework covers recommendations on the critical aspects such as: Guide for Strategies, delivery plans/links to business plans, performance measures, monitoring & reporting and the governance/review of strategies.	Defining outcomes
Pension Fund Administration compliance and efficiency improvements have been achieved through implementation of the I-Connect system. This has resulted in improved data quality and a reduced number of pension regulation breaches.	Transparency and effective accountability

Activities and Assurances	Governance Principle (s)
Cabinet continues to be informed of the activity of the Warwickshire Property and Development Group. The Council has now appointed the non-executive Chair of the Group and Board Members.	Strong public financial management / internal control
The Finance Training Board continue to invite finance staff to undertake professional training including for example, CIPFA, AAT, and other specialist qualifications in areas such as pensions administration, welfare benefits and tax.	Strong public financial management/ Building capacity and capability
Our strategic Equality Diversity and Inclusion (EDI) agenda is guided by Corporate Board and the Council's EDI group will ensure this agenda is translated into practice. The Council EDI group is chaired by the Strategy and Commissioning Manager for Human Resources and Organisational Development (HR&OD) and is comprised of diverse employees from across the Council, advised by the EDI team.	Ethical Values/ building capacity and capability
The introduction of an Anti-Money Laundering Policy to support the expansion of the Council's activities into non-treasury investments.	Ethical Values/ building capacity and capability
The wellbeing of our people has continued to have a strong focus throughout the year. Unsurprisingly we have seen a slight increase in our sickness absence rates, as we have returned to more normal working arrangements and social distancing measures have been lifted, however, we have remained within our target range. We have continued to check in with our people in terms of their wellbeing and have found that around 80% of our people have been doing ok and 83% of our people saying that wellbeing is promoted at work. With our new approach to engagement, we will be reporting a new wellbeing measure next year.	Building capacity and capability/ Engagement
Led by the Communities Directorate – service specific	
Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service inspected Warwickshire Fire and Rescue Service in the Spring of 2021. Following this inspection and the subsequent report, the WFRS improvement plan has been reviewed to incorporate actions needed as a result of the inspection. This is now being monitored and updated on a regular basis and a recent internal audit has given substantial assurance over the adequacy and effectiveness of the Action Plan.	Managing risk and performance

Activities and Assurances	Governance Principle (s)
The investment funds in respect of the WPDG and WRIF are both governed by arrangements approved directly by Members, and a Member Oversight Group has been established to provide additional scrutiny and support to these initiatives. Investments are controlled by policies including limits on the amount that can be invested each financial year, which are set out in the Council's Investment Strategy which is approved by Council.	Managing risk and performance
The new Council Plan reaffirms our commitment to adapt to and mitigate climate change and meet net zero requirements.	Defining outcomes
The Warwickshire Minerals Plan has been subjected to independent examination and the Inspector's report is awaited. When adopted, the Plan will set out policies and allocate sites to guide minerals extraction in support of sustainable development until 2032.	Defining outcomes
Led by the People Directorate – service specific	
We launched the Children and Young People Strategy 2021 - 2030 which has the Child Friendly Warwickshire programme at its heart. Approved by Cabinet in October 2021, the Strategy outlines the council's commitment to ensuring children and young people have a voice and are supported to be the best they can be. The strategy's goals and ambitions were shaped by feedback from a survey completed by over a thousand young people across Warwickshire and will be the council's approach to working with partners, families and communities between now and 2030 to help youngsters reach their potential.	Defining outcomes
We continue to work with our partners to deliver an integrated health and social care system and a presentation to the Adult Social Care and Health Overview and Scrutiny Committee on 10th February 2022. The presentation by Danielle Oum (Chair) and Phil Johns (Chef Executive Designate) of the Warwickshire Integrated Care System (ICS) included the next steps for health and social care in Coventry and Warwickshire.	Managing risk and performance
On 15th March 2022, Council considered the latest proposal on Children's Services Residential provision. The Council approved additional funding to deliver phase two of the Internal Children's Homes Project.	Defining outcomes Managing risk and performance

Activities and Assurances	Governance Principle (s)
On 1st December 2021, the Government published People at the Heart of Care: adult social care reform white paper which sets out a 10-year vision for adult social care and provides information on funded proposals to be implemented over the next three years. Following the joint local area SEND inspection in Warwickshire - Her Majesty's Chief Inspector of Schools determined that a Written Statement of Action was required because of significant areas of weakness in the area's practice. Her Majesty's Chief Inspector also determined that the local authority and the area's clinical commissioning group are responsible for submitting the written statement to Ofsted. This written statement was submitted on 24th December 2021 by SEND and inclusion services on behalf of the Strategic Director (People).	Managing risk and performance

5 Governance issues and challenges

We have not experienced any significant governance failures during the last year and our arrangements remain fit for purpose in accordance with the governance framework.

A primary purpose of the governance framework is to manage strategic risks proactively and to ensure that risks that cannot be tolerated are appropriately mitigated.

The areas of challenge listed below have been identified as major challenges for the Council (strategic risks assessed as having the highest risk scores – residual risk score greater than 12) as reported to Corporate Board in January 2022. We are satisfied that the challenges identified here are addressed by the Council Plan/Covid-19 Recovery Plan and supporting strategies, with key mitigation strategies signposted below.

Risk of Post Pandemic widening of social and health inequalities and inability to catch up, compounded by challenges in healthcare catch up, increased waiting lists for treatments and the emergence of long covid, resulting in worsening outcomes for our communities.

We have had focused campaigns and public comms to support County vaccination and booster programme. The Public Health Covid Containment and Outbreak Control Plan are well tested and effective. Our Health & Well Being Strategy has a focus on tackling inequality.

People Strategy & Commissioning Plans 2020-22 – Health, Well Being and Self Care, Integrated and Targeted Support. ICS - WCC influence in the design and implementation of new care systems to optimise outcomes for Community Health & Well Being.

Risk of continued and increasing levels of disruption to care markets and impacts on the supply of core provision and costs pressures from inflation, demand and legislative changes.

Our Integrated Commissioning approach provides some flexibility to respond to pressure points; Market viability framework; market intelligence and engagement will inform market analysis and future plans to address pressures (fee levels, provider support).

Risk of not achieving County net zero by 2050, biodiversity and climate adaptation targets, if unable to mobilise Warwickshire businesses, residents, communities and other key partners (e.g., council's developers) where there are critical dependencies.

We have placed a spotlight on WCC led climate change action via a dedicated website, open communication channels and community engagement opportunities.

A Warwickshire and Coventry climate change conference was held in March 2022, bringing people together from public, private and community organisations to combat climate change. We have commissioned work on sustainable futures 2050 costed action plan for delivery later in 2022.

A “Green Shoots Community Climate Change Fund” was introduced in 2021 to provide local funding to increase resilience to and reduce the impact of climate change.

Risk our SEND and Inclusion ambitions are not delivered to improve outcomes for children and young people. Insufficient resources to match the increasing demand for SEND provision and not achieving critical improvements highlighted by the recent Ofsted inspection

SEND & Inclusion Change Programme Board monitor key action delivery and post Ofsted action commitments. MTFS – indicators of increasing demand, DSG overspends and trajectory of increasing spend factored in to budget proposals

Risk of continued uncertainty about key policy, economy and funding forecasts; impacting on financial planning assumptions and our ability to address the ongoing structural gap in available resources and reduced tax revenues, leaving WCC with insufficient resources to deliver Council Plan priorities and respond effectively to unplanned events

Our MTFS update process includes scenario planning and sensitivity analysis of assumptions. Shorter-term volatility is managed through reserves and availability of unallocated funds.

An Integrated Planning approach allows refreshed Council priorities to inform resource planning and allocation decisions, including scaling back or withdrawing from activity.

Risk of negative results (financial and social) from our commercial and investment activities.

The Council has a Commercial Strategy with Commercial Delivery Group oversight, and the Commercial Team supports traded services. WRIF and WPDG investment is guided by approved investment strategies, governance and regulatory compliance arrangements, and oversight and assurance on managing financial risk.

Risks identified by the Independent Inquiry into Child Sexual Abuse

The report from the Independent Inquiry into Child Sexual Abuse (IICSA) published on 1st February 2022 was welcomed by the Council. We note the findings and welcome the positive comments made; however, we will not be complacent in our work and our awareness raising. We will consider the findings of the report carefully and look to embed them in order to continue to make improvements to our practice.

In addition to our powerful ‘Something’s not Right’ campaign we will continue to work with regional and national partners to ensure our approach has greatest impact on our communities and further afield.

Recruitment and Retention

As with many organisations, we are experiencing challenges in recruitment and retention which has been heightened by the pandemic. The Quarter 3 strategic risk update considered by Corporate Board in January noted this and it is recognised as an increasing risk for the Council. At the January review, staff retention (and staff absences) was still on target but being closely monitored.

We will continue to monitor, and act based on our People Strategy supported by the How We Work programme with Delivery Group oversight.

6 Certification

We will continue to manage the risks detailed above and further enhance our governance arrangements over the coming year as set out in the 2022-23 Governance Action Plan at Appendix 1. We are satisfied that the risks we have identified are addressed in our Council Plan, Medium Term Financial Strategy and other key strategies. We are satisfied that the actions identified will address the improvements that were highlighted in our review of effectiveness. These are monitored and reported to members and Corporate Board as part of the corporate performance management framework. We will monitor their implementation and operation as part of our next annual review.

……………………………………..
Councillor Izzi Seccombe OBE
Leader of the Council

……………………………………
Monica Fogarty
Chief Executive/Head of Paid Service

Appendix 1 – Rolling Governance Action Plan

Governance Improvement Actions for 2020-21 b/f	Actions Completed	This year we are:
To implement a **Three Line of Defence model** as part of a council wide assurance framework to manage risks and deliver ongoing internal control assurances to Corporate Board and members throughout the year.	The three Lines of Defence model is instrumental in the Council's Risk Management Framework. Functional Operating Models have been informed by the Three Lines model.	Assurance mapping will be developed as part of the system of internal control, and as part of Internal Audit planning.
Governance Improvement Actions for 2021-22	**Actions Completed**	**This year we are:**
How we govern our partnership arrangements: We will review and refresh our partnership governance arrangements, which were last updated in 2014. We will seek a risk based and proportionate approach to managing our partnerships.	We have spent considerable time working with stakeholders in the Health and Care sectors with a particular focus on progressing the integrated care agenda.	We will continue to review and refresh these and other partnership governance arrangements as the need arises. We will seek a risk based and proportionate approach to managing our partnerships.
How we manage our capital programme activity We will complete an end-to-end process review of our approach to capital project management with the aim of reducing the likelihood of significant budget overspends and impactful delays.	Process review completed and recommendations made to Change Portfolio Board – approved March 2022.	Phase 2 of the project – implementation will commence. Some elements will be implemented early in the year, others such as systems development are likely to take longer.

How we manage our third-party suppliers and contracts We will take forward actions identified from a review of Supplier Management by PwC. This includes establishing a Contract Management and Procurement Delivery Group, implementing a new Contract Management System, and setting up cross directorate boards to oversee supplier relationships that hold the greatest risk (i.e., those where a supplier failure would risk delivery at a Council wide level).	• Procurement and Contract Management Board (previously Delivery Group) has been set up and meets regularly. It is currently chaired by a Strategic Director with Assistant Directors representing CSU, Finance and each directorate. It is governed by a Terms of Reference (ToR) which ensures it remains focussed on the relevant issues. • Cross directorate working groups for high-risk contracts. So far there is only one Supplier which meets the criteria for requiring this level of monitoring. Draft ToR have been written and work is about to commence to identify the relevant membership. Work has already happened with this supplier to increase the cross directorate working to ensure quality, delivery and to manage risks.	• About to commence soft market testing for a Supplier Management Tool – with the objective of beginning full procurement in the Autumn. • A procurement pipeline is currently under development which will further help ensure a structured strategic approach is taken across procurement, contract management and quality assurance.

Governance Improvement Actions 2022-23	Action Owner	By when?
HMICFRS Action Plan – the actions from the Action Plan have been transferred into delivery and team plans following the HMICFRS inspection. A new WFRS Delivery Plan 2022-24 has been developed and will be used to monitor progress against the HMICFRS causes of concern to ensure that agreed actions are implemented.	Ben Brook	March 2023
Joint local area SEND inspection in Warwickshire - Her Majesty's Chief Inspector of Schools determined that a Written Statement of Action is required because of significant areas of weakness in the area's practice. Her Majesty's Chief Inspector also determined that the local	Nigel Minns	December 2022

authority and the area's clinical commissioning group were responsible for submitting the written statement to Ofsted. Our response was submitted on 24th December 2021 on behalf of the Strategic Director (People). Following this, Warwickshire has been selected as one of the local areas across the UK to take part in a pilot to support Ofsted and CQC to develop a new area SEND inspection framework. Learning on the inspection methodology and key themes will be shared as we go through the pilot, but there will be no final report or judgement as this is not an inspection of Warwickshire. However, any learning to help us to improve the delivery of our services will feed into our Written Statement of Action programme of work.		
Review of code of corporate governance against new Council Plan	Gereint Stoneman / Sarah Duxbury	December 2022
Undertake a governance health check using the Centre for Governance & Scrutiny Governance, Risk and Resilience Framework	Sarah Cowen / Sioned Harper	December 2022
Undertake a review of our officer delegations to ensure up to date following organisational changes	Nichola Vine	December 2022
Undertake a wide-ranging commissioning / governance review to refine our Target Operating Model. This will include a review of the governance of projects and programmes to align it with commissioning activity, and will include additional reviews, led by Governance and Policy for organisational-level governance, and Finance for monitoring of capital programmes. In line with the Council's new Delivery and Performance Plans, the review will continue throughout 2022/23 and will provide recommendations on governance to Corporate Board in Q2.	Craig Cusack / Sarah Duxbury / Andy Felton	September 2022
Develop an action plan to address issues arising from the Local Government Corporate Peer Challenge which took place in March 2022. The report will be published in June 2022.	Sarah Duxbury	March 2023

Producing, with public sector, business and voluntary sector partners and Government, a costed plan and trajectory for the County to be net zero no later than 2050, that is clear with Government about resources and support necessary to deliver national and local aspirations on net zero.	Steve Smith	September 2022

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Council

7 February 2023

2023/24 Budget and 2023-28 Medium Term Financial Strategy

Recommendation

That Council agrees the 2023/24 Budget and authorises work to continue on ensuring the 2023-28 Medium Term Financial Strategy is aligned with and supports the delivery of the Council's ambitions as set out in the Council Plan.

1. Key issues

1.1. Cabinet received reports on the options for the 2023/24 budget at their meeting on 15 December 2022 and a further update at their meeting on 27 January 2023. Cabinet was requested to use this information to issue their 2023/24 revenue and capital budget proposals. These form part of the agenda papers for this meeting and the statement from the Strategic Director for Resources that accompanies the resolutions comments on the robustness of the proposals.

1.2. At the time of publication, information from the district/borough councils on the County Council's share of business rates income for 2023/24 is still outstanding. The statutory deadline for the receipt of this information is 31 January 2023. However, it is recommended that the Council use the current estimates of business rates income for the purposes of budget setting. Specific Taxbase Volatility Reserves are held to manage this risk and therefore the Strategic Director for Resources is able to reassure Members that this approach does not impact on the robustness of the budget or the adequacy of financial reserves.

1.3. Members are reminded when making decisions of the need to take into account their statutory public sector equality duty under the Equality Act (2010) and consider any relevant Equality Impact Assessments (EqIAs) when formulating proposals. The EqIAs in relation to the budget proposals are therefore drawn to Members' attention for consideration alongside the budget information provided with this report.

2. Timescales associated with the decision/next steps

2.1. Following this meeting the formal 2023/24 precept notifications will be sent, under seal, to the District/Borough Councils to allow them to prepare consolidated council tax bills for households across Warwickshire.

2.2. Services will complete their work on how they intend to use the resources allocated in the budget resolution to deliver the core purpose and priorities in the Council Plan. The information will be reported to Cabinet in April 2023, seeking their agreement to the detail of the proposed use of resources. The agreed use of resources will then form the basis of budget monitoring reports to Members during 2023/24.

3. Financial Implications

3.1. The 2023/24 revenue and capital budget resolutions that are part of the agenda papers for this Council meeting will, once approved, form part of the Council's budget and policy framework for 2023/24. All financial decisions made during 2023/24 will be in accordance with these resolutions, unless otherwise agreed by a subsequent Council meeting.

3.2. As outlined above final figures for the 2023/24 business rates income are still outstanding. Any material variation between the final figures and the estimates included as part of the resolutions will be reported to Cabinet as part of the Service Estimates report in April 2023.

4. Environmental Implications

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

5. Background Information

5.1. The EqIAs can be found as exempt "Background Papers" for the Cabinet meeting on 27 January 2027 on modern.gov. The EQIAs and their content are exempt documents and must be kept confidential as they contain a number of commercially sensitive and confidential matters.

5.2. A number of the specific projects that form part of the 2023/24 Capital Budget Resolution have previously been considered by Cabinet. Additional background information can be found in these reports.

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

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2023/24 Revenue Budget Resolution

Recommendations to County Council

The County Council is recommended to plan its budget framework for 2023/24 on the following basis:

1. Financial Direction of Travel

1.1. We plan our budgets over the medium term, ensuring we have a clear financial strategy that underpins the delivery of the outcomes we set out in our Council Plan. The decisions we make will ensure Warwickshire's finances are robust and sustainable whilst being ambitious in our plans to make Warwickshire the best it can be, now and for future generations.

1.2. We will sustainably tackle the major financial and demand challenges we face as we continue to be faced with demand for services rising much more quickly than our resources. We will respond to the demographic growth in adult social care, the increasing numbers of children and families needing support and delivering on the challenges of climate change and commitment to strive to have net zero carbon emissions by 2030. We will do this by resourcing the additional costs we face now whilst retaining sufficient capacity to invest to be more efficient and effective in the future. We will drive cost reductions through investment in digital, data and automation technologies, reducing demand through targeted prevention work, adopting more commercial approaches setting financial returns and payback periods for our investments and continuing to support investment that provides for a buoyant taxbase.

1.3. The way we do this will recognise that we need to retain flexibility in what is a changing economic and political environment. We are faced with a continuing inflationary risk, interest rate increases and uncertain timing and impacts of key national policy choices around adult social care reform, integrated care systems and the fair funding review of central government support for local authorities. We continue to see the emergence of long term and societal impacts of the global Pandemic.

1.4. We are confident our approach of ensuring our financial resilience and medium-term financial sustainability, has placed the Authority in a strong position to respond to the uncertainty and challenges ahead.

1.5. We will remain robust, ambitious and sustainable in setting both next year's budget and our medium-term financial strategy (MTFS), with a focus on outcomes and social value. Given that current economic uncertainties remain we will continue to look for efficiencies to drive better value for money for our taxpayers. We will invest our resources to ensure:

- Warwickshire is a county where all people can live their best lives; where communities and individuals are supported to live safely, healthily, happily and independently;
- Warwickshire has a thriving economy and places that have the right jobs, training, skills and infrastructure; and
- Warwickshire is a county with a sustainable future so our generation ensures future generations can live well and reap the benefits of a sustainable and thriving Warwickshire.

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

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

- Directly invest £5.4 million in our children's social care services, including investment of £3.3 million for additional staffing to improve outcomes for young people with the added financial benefit of reducing the costs of care and in particular placement costs;
- Invest £24.8 million to protect our elderly citizens and vulnerable adults to fund additional demand and manage the cost of placements whilst continuing to make progress on our vision of greater integration between health and social care and the adult social care reform agenda;
- Invest £1.8 million to continue to support children and young people with disabilities placements and to ensure they can access appropriate support within their communities;
- Invest £1.5 million to increase capacity in the Special Educational Needs and Disabilities (SEND) assessment and review service, and the admissions and attendance services;
- Invest £8.2 million in home to school transport to ensure we continue to provide services in line with our policy whilst being able to respond to the increasing

demand and cost of the service, which has been particularly impacted by inflation;

- Invest £0.3 million in support for apprenticeships and reskilling across the county, with an emphasis on reskilling for the changing economy and consistent with the countywide levelling up approach, with proposals to be brought back to Cabinet for approval in April 2023;
- Invest £0.8 million in the Fire and Rescue Service to review current strategies and processes for prevention activity and identification of high-risk premises as well as the promotion of equality, diversity and inclusion in the workplace;
- Invest £1.2 million to meet the current levels of business and customer support needed in response to the demand pressures in children and families, education and adult social care; and
- Invest £1.2 million in the Waste Management service to meet the increased demand and cost as a result of housing growth and the increased domestic waste generated due to the shift to hybrid/homeworking.

1.8. We will continue to support the delivery of the 2023 business plans of the Warwickshire Property and Development Group and the Warwickshire Recovery and Investment Fund. We will meet the short-term cost of ensuring there is sufficient and effective capacity to manage the financial and commercial risks from these initiatives through the Commercial Risk Reserve in the first instance.

1.9. We intend to continue the approach adopted over recent years to invest our short-term resources to support the priorities of the Council Plan and to invest in Warwickshire's future.

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

1.11. Our Investment Funds contain over £10 million revenue funding which will be topped up during the five-year period as our finances allow. These allocations are deliberately flexible and may be varied as bids emerge and are prioritised, although we expect a minimum of £2 million to be allocated against each of the Best Lives, Sustainable Futures and Thriving Economy and Places blocks. We expect those bids brought forward for approval, to deliver measurable benefits and clarity about the material contribution to the delivery of the areas of focus in the Council Plan. We are particularly keen that bids for this investment specifically address our levelling up priorities, both specific priority places and groups of people across the County.

1.12. As a priority, officers are asked to bring forward proposals for a Social Fabric Fund, linked to the countywide approach to Levelling Up and with potential to build more resilient communities and better protect against the cost of living.

1.13. Through the use of the Budget Reductions Revolving Fund and the Systems Replacement Fund we expect the Chief Executive to continue to drive forward our internal organisational change programme, investing in ways to be more efficient and effective in maximising outcomes from local and national taxpayers' money, by driving savings/headcount reduction through digital, data and automation, setting financial return and pay-back periods for invest-to-save proposals and rationalising the County's estate, to meet the changing needs of our communities and the cost-effective delivery of services.

1.14. We will deliver £15.2 million of budget reductions in 2023/24, increasing to £67.7 million by 2028, through better procurement, improvements in efficiency, increased income and delivering reductions in demand. We all use the services the County Council provides and will ensure they deliver value for money for the taxpayers of Warwickshire.

1.15. We acknowledge the need for an increase in local council tax. In the absence of other funding options, we will use the opportunity provided by the Government to levy additional council tax (up to a maximum of 2.99% core council tax plus up to 2% adult social care levy, overall 2% more than previously permitted), to provide resources to fund rising costs and demand for our services. We will take 0.94% of this additional flexibility in 2023/24. In total, this means a 3.94% council tax increase for 2023/24, a 1% increase from the adult social care levy and a 2.94% core council tax increase for all services, but 1.06% below the maximum increase permitted by Government. This is equivalent to an increase of £1.20p per week for a Band D dwelling.

2. Adult Social Care

2.1. Adult social care is our highest spending service. In November 2022 the Government increased the amount that local authorities could levy on top of their normal council tax in each of the next two years to 2% in each year, with this additional funding to be ring-fenced for use in adult social care. We planned to take the maximum 1% flexibility then permitted when we set the 2022-27 MTFS in February 2022.

2.2. We intend to maintain this position and take a 1% levy for adult social care in 2023/24 and 2024/25, as planned last year. We know that, both locally and nationally, adult social care is a top priority for citizens, but we also recognise that taking the maximum 2% levy would be an additional financial burden given the financial challenges for households across Warwickshire as a result of the rising cost of living.

2.3. We will increase the resources available to deliver adult social care by at least the amount raised from the levy. The allocations we are making in 2023/24 and the indicative allocations for next year deliver on this commitment. We expect the Service to manage within the funding allocated in this resolution, including the additional funding provided by the Government through the Social Care Grant, Market Sustainability and Improvement Fund and Better Care Fund to continue to work with partners to progress health and social care integration, promote healthier more independent lives for adults receiving care and support, and manage the extent of any emerging demand-led spending pressure, thereby reducing the level of savings needed.

2.4. We believe this approach provides the flexibility needed by the Service to continue to manage its resources in the most efficient and effective way. Our focus is the transformation of adult social care pathways, the enhancement of information and advice to enable people to shape their own solutions, the use of digital technology and automation to support the well-being and independence of those in receipt of adult social care and support, working with communities to build capacity to manage demand. This decision will protect Warwickshire adult services at a time of long life-expectancies, and severe pressures on the wider system of health and social care.

3. Dedicated Schools Grant

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

3.2. We recognise that meeting our policy aspirations in relation to high needs services and support can only be achieved over the medium term; given the nationally growing demand for services and the lack of capacity in the system. We have an ambitious and substantial transformation programme to tackle the significant pressures on the DSG budget, which largely relate to Special Educational Needs and Disabilities (SEND). These substantial pressures reflect the national position and systemic issues relating to special needs education.

3.3. We will continue to work with schools and the Schools' Forum to identify and implement solutions to help bring the high needs budget back into balance. We will continue to invest in building capacity locally as part of our wider transformation programme.

3.4. However, with the Government requiring all schools and early years services to be provided within the level of DSG allocated we recognise more still needs to be done to ensure the budget for these services is robust and sustainable. We require that a further report is brought to Cabinet, for approval, by September 2023 that sets out the next stage of our plans for how the DSG can be brought back into balance following consultation with partners across the sector, alongside an update on the benefits being delivered from the SEND and Inclusion Change Plan.

3.5. The magnitude of the numbers means that the impact of the SEND forecast deficit on the overall financial sustainability of the Council's finances continues to be integral to our budget proposals. Whilst our improvement plan is implemented and further plans developed, or the until Government brings forward proposals for funding DSG deficits at a national level before the statutory override ceases at the end of 2025/26 we will ensure the Authority's overall financial resilience is maintained. We will set aside sufficient funding in reserves to create an equal and opposite position to offset the projected deficit until a sustainable solution is in place.

4. Revenue Allocations

4.1. To reflect the significant pressures on communities and the increasing demand for services we are responsible for, whilst ensuring we continue to develop so we can deliver the public services expected for the future, we are making allocations totalling £67.363 million.

4.2. We will provide £32.489 million for the estimated cost of pay and price inflation in 2023/24, allocated between Services as shown in **Appendix A**. In making this allocation it is acknowledged that the allocation to Services for inflation is an approximate cost, recognising that costs will increase at different rates. Once the overall allocation has been agreed, a Service will have the opportunity to allocate the funding provided to reflect where inflation will impact at a local level.

4.3. In addition to meeting the estimated cost of inflation we will also provide £34.874 million to meet additional spending need, of which £12.175 million is time-limited. Details of the allocations and how we expect the funding to be used are also detailed in **Appendix A** for permanent allocations and **Appendix B** for time-limited allocations.

4.4. Allocations for future years, as listed in Appendices A and B, are indicative at this stage. They are detailed as part of ensuring that our budget proposals are robust and sustainable over the medium-term. We require the need for, and level of, all these allocations to be reviewed as part of the 2024/25 MTFS refresh.

4.5. In addition, we will allocate £5.000 million to increase the Council's transformation funding specifically to support the implementation of the Digital Road Map over the next three years, where our investment in digital technology and automation will drive future cost reductions as a result of the investment made, and to continue with the SEND and Inclusion Change Plan to deliver cost and demand reductions across both the sector and in home to school transport.

4.6. We expect Services to manage all other issues in 2023/24 from within existing financial resource levels and support the net planned use of £0.178 million of earmarked reserves to provide capacity to invest in service change and to allow space to effectively implement service redesign/reprioritisation.

5. Funding Sources

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

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

5.3. We will provide sufficient resources to ensure the level of General Reserves is at least consistent with that stated by the Strategic Director for Resources as the minimum level of general reserves given the financial risks facing the authority. We will retain our Revenue Investment Funds to deliver our investment proposals over the period of the Medium Term Financial Strategy and to develop the pipeline of further budget reductions.

5.4. Our plan for budget reductions will generate savings of £15.158 million in 2023/24 and a further £52.513 million over the period of the Medium Term Financial Strategy. Approval is given to the plans for the delivery of these savings detailed in **Appendix D**. If during 2023/24 any of the budget reductions do not materialise to the degree shown, the Assistant Director in conjunction with their Strategic Director and Portfolio Holder should identify alternative proposals to ensure the required levels of reduced spend are delivered and report this as part of quarterly monitoring.

5.5. We will use the £0.221 million surplus on previous years' council tax collection as part of the funding for the time-limited allocations in Appendix B.

5.6. We will use the £93.629 million of government grants to support the budget. Included within the roll-forward budgets are a number of other grants we receive from the Government for specific purposes. Any variations to the levels of funding received will be matched by an equivalent adjustment in the budget for the respective service.

5.7. We will use business rates funding of £80.799 million to support the overall budget of the County Council. We recognise that the level of income we will receive from business rates remains a material financial risk. In the event of business rates funding being above or below this level the Strategic Director for Resources is authorised to make an adjustment to the Business Rates Volatility Reserve during 2023/24.

5.8. We will use £22.692 million of reserves in 2023/24 to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax taxbases.

5.9. **The council tax will increase by 3.94% in 2023/24**. With the other funding resources identified, this will fund the proposals contained within this resolution.

6. Medium Term Financial Strategy

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

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

6.3. Our Council Plan sets out our ambitions and our operating model provides the framework to deliver them. Our Integrated Delivery Plan for 2023, which we will approve in April 2023 will set out our rolling two-year programme of deliverables against the strategic ambitions set out in the Council Plan and consistent with the available resources of the authority as set out in this resolution and the accompanying capital resolution.

6.4. The indicative future spending allocations and planned reductions we have set out deliver a balanced MTFS over the period of the Council Plan through to 2028. After 2023/24 this requires a 1.99% annual increase in the council tax and taking 1% of the flexibility allowed through the adult social care levy in 2024/25. We accept that if future spending needs exceed the indicative levels, further budget reductions will need to be identified and delivered or further increases in council tax agreed to ensure our finances remain sustainable.

6.5. We expect the focus of change to be on invest-to-save projects that will release the resources needed to invest in our ambitions and ask Corporate Board to proactively consider how the Future Budget Reductions Revolving Fund can be most effectively used to support this. We require services to focus on the preventative agenda to manage demand downwards, so we can further improve the Council's value for money. Investment decisions should be based on a more commercial approach with greater clarity about the measurable benefits to be delivered and how these make a material contribution to the delivery of the areas of focus in the Council Plan. This work should drive the options for further budget reductions over the period of the MTFS.

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

- Economic growth affecting business, key sectors and town centre viability;
- Delivering or achieving on our area-based regeneration and place priorities;

- Education and skills gaps and the ability to catch-up and gain pre-pandemic levels of attainment;
- Post-pandemic social and health inequalities and the ability to catch up;
- The protection of vulnerable children in our communities;
- The protection of vulnerable adults in our communities;
- Continued and increasing levels of disruption to both the supply and cost of care markets;
- Achieving our climate change target of net zero by 2030 and County net zero by 2050;
- Sustained inflationary pressures and cost of living increases putting pressure on staff costs, recruitment and retention and impacting on service resilience;
- The results (financial and social) from our commercial and investment activities;
- The resources needed to match the increasing demand for SEND provision and to deliver the post Ofsted Written Statement of Action;
- Continued uncertainty about external influences on local government and factors such as Government policies and economic outlook that inform longer term plans;
- Legal, regulatory, information security compliance requirements;
- Staff health and wellbeing due to post-pandemic new ways of working;
- Continuing covid-19 transmissions and infections;
- Sustaining and progressing change to modernise, innovate and take advantage of technology-driven solutions; and
- Our reputation, including our financial reputation from commercial activities locally, nationally and with partners and our community.

6.7. We recognise our MTFS means significant challenges for the organisation, including the changing way in which people want to access services. Our proposals recognise that this will take time and investment and a broad engagement with all those affected, both inside and outside the organisation. Our MTFS requires the use of £33.735 million of reserves, including £22.692 million in 2023/24, to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax taxbases. The availability of this level of reserves is consistent with our Reserves Strategy, attached at Appendix C.

6.8. Whilst we have an excellent track record of delivering savings, we acknowledge that this needs to continue if our 2023/24 budget is to remain balanced and be sustainable over time. We will set up a Member Working Group, with the terms of reference to be approved by Cabinet by March 2023, to enhance focus on the demand and cost management of home to school transport and the delivery of the home to school budget reductions included in this resolution. We expect the initial outcomes from this work to form part of the 2024/25 MTFS refresh. We ask Corporate Board to continue its oversight of the delivery of the savings plan to ensure there is clarity about delivery and, where there are areas of concern, any necessary corrective action is put in place at the earliest opportunity.

6.9. We ask that during 2023/24 the Chief Fire Officer develops viable proposals to improve value for money, with any resultant savings options to be considered for inclusion in the budget in future years.

6.10. A summary of our MTFS, demonstrating how we plan to balance our spending needs and resources over the medium term is shown in **Appendix E**.

7. Strategic Director for Resources: Statement

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

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

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

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

Risk 1 – Delivery of the Planned Budget Reductions

The planned budget reductions need to be fully implemented to ensure the Council's 2023/24 budget remains balanced and sustainable into the future. In an environment of high inflation, high and rapidly increasing demand pressures, and severe workforce challenges, delivery of the savings will be more challenging than ever. To mitigate this risk:

- *Key policy changes associated with major savings proposals in 2023/24 have been identified;*
- *Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders have been charged with ensuring that processes are in place to ensure that the planned budget reductions are delivered to the required timetable;*
- *If the planned budget reductions are not delivered, Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders are required to identify alternative ways of balancing the Service and/or Directorate budgets; and*
- *Monitoring of the delivery of the planned budget reductions has been extended to include the monitoring of project delivery milestones to ensure decisions are taken in a timely manner and implementation timescales are met.*

Risk 2 – Inflationary Risk

The Authority continues to face significant inflationary risk as a result of supply/labour shortages and the general economic uncertainty. The direct and indirect impacts on the County Council are uncertain. The inflation provisions in this resolution are based on the Chancellor of the Exchequer's forecast that inflation will return to the long-term objective of a 2% annual uplift by 2024. If this forecast fall in the rate of inflation does not happen and inflation remains higher for longer there is a risk as to whether it will lead to additional budget pressures in future years.

The Authority, along with the wider public sector is also facing growing difficulties with recruitment and retention as well as demands for higher pay uplifts to keep pace with inflation. The provisions for pay inflation in this resolution are based on a 4% uplift for the next two years and 2% thereafter. If nationally agreed pay settlements are higher than this then there is a risk of additional budget pressures in the future.

In addition, the planned budget reductions include contract management savings, reductions in third party spend and the delivery of small-scale efficiencies to absorb the impact of inflation on budgets that increase the risk of inflationary cost increases on financial sustainability over the medium-term.

There needs to be an awareness of additional inflationary costs as part of decision-making and potential additional costs need to be managed to ensure the Council's 2023/24 budget remains balanced and sustainable into the future. The risk has been mitigated through the allocations in this resolution, but the risk cannot be completely removed. To mitigate this risk:

- *The minimum general reserves provision includes a specific £7.5 million provision for the risk of inflation, in addition to the £32.5m inflationary allocations to service budgets;*
- *Capital maintenance allocations are no longer strictly cash limited but have been uprated for inflation on an annual basis; and*

- *Enhanced budget monitoring arrangements have been introduced to require corrective action to be put in place as soon as any areas of overspending begin to emerge.*

Risk 3 – Cost-of-Living Risk

The UK is experiencing a period of significant economic challenge, with living costs steadily rising nationally since early 2021. The magnitude of cost-of-living pressures will have significant impacts on the residents, communities and businesses of Warwickshire and are likely to be fluid and changeable in what is a fast-moving environment. The Government has recently made announcements which introduce a package of measures intended to mitigate the impacts of cost-of-living increases. At a local level we are working with partners, as far as we reasonably can within available financial resources, to alleviate the impact of the cost-of-living increases on Warwickshire households and businesses.

At the same time there is a risk that the demand for our services from the most vulnerable in our communities will be greater than the provisions included as part of these budget proposals.

Working with partners, there will be a need to target resource in a way which delivers greatest impact for local residents and businesses and mitigates the risk of increased demand for our services, recognising that we are unlikely to be able to mitigate the impact completely.

To mitigate this risk:

- *The Government's Household Support Fund will be used to provide direct support to vulnerable households as part of an overall package of £4.5m support;*
- *The cost-of-living microsite will signpost people to the support available;*
- *The cost-of-living actions will be embedded into the refresh of the Integrated Delivery Plan; and*
- *Addressing long-term (existing and new) inequality through the Levelling Up and longer-term strategies with the benefits delivered being a key assessment criterion in the allocation of the Authority's revenue and capital investment funds.*

Risk 4 – Repayment of Overspends

Arrangements will need to be put in place, as part of the financial outturn report to Cabinet and this budget resolution, to stabilise the financial position of those services that are overspending. If overspends occur in future years, services will need to deliver additional budget reductions to repay overspends as well as delivering the planned budget reductions in 2023/24. The flexibility to manage this through reserves is reduced as a result of the use of reserves proposed in this resolution.

By the end of 2022/23 directorate risk reserves, equivalent to a maximum of 3% of their net budget (2% for Resources), will be below these maximum levels once the forecast *overspend has been resourced. The flexibility to use these reserves to enable services to manage any in-year overspends without impacting on service delivery is reduced.*

The minimum general reserves risk provision includes £4.2m of specific provisions to mitigate the risk of overspending and unforeseen budget pressures impacting on the Authority's financial sustainability, but this risk cannot be removed.

Risk 5 – Dedicated Schools Grant Deficits

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

Risk 6 - Treasury Management

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

The capital programme, setting up of the Warwickshire Property and Development Group and the creation of the Warwickshire Recovery and Investment Fund have created additional financial risk for the Council from the associated treasury management and investment activity. These risks have been mitigated as far as possible through the governance arrangements that have been put in place, but the risk cannot be completely removed. Collectively the proposals will see a material increase in the Council's borrowing and, alongside the significant use of reserves proposed in the Medium Term Financial Strategy, this will increase the requirement to ensure we have sufficient liquid cash balances to manage our day-to-day activity. A specific commercial risk reserve has been set up to mitigate these risks. The current balance is £8.7m.

One of the savings options included in this resolution is to generate £0.5m a year from the discount from paying the Council's contribution to the Warwickshire Pension Fund early or from investing over the longer term. This will use over £100m of our surplus cash balances earlier than planned, reducing our short-term liquidity.

Collectively these approaches will mean decision-making will need to take a broader range of financial risk criteria into account than has previously been necessary.

Risk 7 – Uncertainty of the National Funding Position

There is uncertainty around the national funding position for local government as a result of the lack of a three-year Comprehensive Spending Review, wider economic uncertainty given the need to agree and work within new EU and international trade agreements. Government had promised a two-year settlement but, understandably, opted for a single year settlement in recognition of the volatile and uncertain financial landscape, both at national and local level. This lack of long-term certainty and risk of reduced funding from Government This means we need to have a higher level of general reserves and may face more significant revenue pressures until a multi-year spending review is received.

Risk 8 – Local Government Funding Reform

The 2023/24 provisional Local Government Finance Settlement deferred the commitment to consult on changes to how the relative need to spend and the level of Government support needed by authorities is calculated until after the next general election, known generally as the 'Fair Funding Review'. This review may result in the level of our government funding increasing or decreasing compared to 2023/24 levels. This places greater importance on the need to maintain reserves to manage any volatility and there may be a need to identify additional budget reductions in future years.

The 2023/24 provisional Local Government Finance Settlement did include significant levels of additional grant funding for social care. In allocating this funding between authorities the Government took into account the differing capacity of authorities to generate additional council tax income. There is a risk to the Authority's financial sustainability if this approach to allocating funding is extended to other new and existing funding streams.

Risk 9 – On-going Impact of the Covid-19 Pandemic

The Council is still in the midst of the response phase to the additional demand for services from residents and communities as a result of the Pandemic and there is a level of uncertainty as to how the Pandemic will have changed the social and economic environment of Warwickshire over the longer term. The potential additional costs and loss of income need to be managed to ensure the Council's 2023/24 budget remains balanced and sustainable into the future.

Risk 10 – Impact on the Medium Term Financial Strategy

The Medium Term Financial Strategy (MTFS) outlines the significant additional financial challenge to the authority in future years. The indicative future spending allocations and planned reductions deliver a balanced MTFS over the period of the Council Plan with a 2.94% increase in council tax plus 1% of the available adult social care levy in 2023/24 and a 1.99% annual increase in the council tax in future years plus the additional 1% adult social care levy in 2024/25. Without this level of increase in council tax, or if future spending needs exceeds the indicative levels, further budget reductions will need to be identified and delivered to ensure the budget remains sustainable. Given this challenge Members are advised it is important that decisions taken in agreeing the 2023/24 budget do not increase *this financial risk. The commitment of Members to meet the financial challenges ahead and take the decisions needed to ensure the finances of the authority remain robust into the future is welcomed.*

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

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

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

I have also undertaken a risk analysis of the adequacy of financial reserves, taking account of the financial risks above. This highlighted the need to retain a minimum of £26.0 million in general reserves in 2023/24. This resolution makes provision for this level of reserves. I am therefore of the view that this budget does provide for an adequate level of reserves."

8. Summary of Service Estimates

8.1. Approval be given to the individual service net revenue estimates shown below, which will be finalised for the service estimates to be presented to Cabinet in April 2023 of:

	Base Budget £	Additional Investment £	Funding Sources £	Total £
Environment Services	49,359,191	12,256,000	(1,119,000)	60,496,191
Fire and Rescue Service	22,031,435	1,016,000	(50,000)	22,997,435
Strategic Commissioning - Communities	23,419,058	2,017,000	(1,294,000)	24,142,058
Children and Families	78,997,700	5,376,000	(2,814,000)	81,559,700
Education Services	122,581,784	1,386,000	(209,000)	123,758,784
Strategic Commissioning – People	35,486,051	759,000	(551,000)	35,694,051
Social Care and Support	185,966,131	26,098,000	(6,269,000)	205,795,131
Business and Customer Services	19,046,382	1,719,000	(546,000)	20,219,382
Commissioning Support Unit	5,486,800	366,000	(234,000)	5,618,800
Enabling Services	23,818,163	1,408,000	(666,000)	24,560,163
Finance	5,683,072	448,000	(121,000)	6,010,072
Governance and Policy	3,175,913	53,000	(325,000)	2,903,913
Other Services – spending	43,187,293	14,461,000	(960,000)	56,688,293
Other Services - schools and funding	(115,289,971)	0	(174,428,000)	(289,717,971)
	502,949,002	**67,363,000**	**(189,586,000)**	**380,726,002**
Contributions to/(from) reserves:				
- Service Reserves	(178,000)	5,000,000	0	4,822,000
- General Reserves	0	0	(22,691,834)	(22,691,854)
Budget Requirement	**502,771,002**	**72,363,000**	**(212,277,834)**	**362,856,168**

9. Council Tax Requirement

9.1. Approval is given to a council tax requirement and a Band D Council Tax for the County Council for the year ending 31 March 2024 as follows:

	£
Budget Requirement	362,856,168.37
Less Council Tax Surplus on Collection	(221,305.84)
Council Tax Requirement for the year ended 31 March 2023	**362,634,862.53**
Divided by aggregate Council Tax Base for the County Area	219,304.21
Basic Amount of Council Tax (Band D)	**1,653.57**

10. Council Tax

10.1. The council tax for 2023/24 is increasing by 3.94%. Therefore, approval is given to Council Tax amounts for each category of property as follows:

	£
Band A	1,102.3800
Band B	1,286.1100
Band C	1,469.8400
Band D	1,653.5700
Band E	2,021.0300
Band F	2,388.4900
Band G	2,755.9500
Band H	3,307.1400

11. Precepts

11.1. The Chief Executive is authorised to issue the 2023/24 precepts on the Warwickshire billing authorities, as follows:

	£
North Warwickshire Borough Council	36,026,048.48
Nuneaton and Bedworth Borough Council	64,861,117.89
Rugby Borough Council	66,861,524.20
Stratford-on-Avon District Council	99,525,418.41
Warwick District Council	95,360,753.55

12. Budget Management

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

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

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

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

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

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

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

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

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

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

13. Pay Policy

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

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

13.3. Our pay policy statement that meets these statutory requirements is set out in **Appendix F**. The County Council agrees the application of these remuneration policies for the financial year 2023/24 and authorises the Chief Executive to amend the Pay Policy 2023/24 to reflect the remaining 2022/23 pay awards, when agreed.

Permanent Revenue Allocations 2023/24 to 2027/28

Description		Indicative Future Allocations			
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Environment Services					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	826	843	860	877	894
Street lighting energy inflation - An allocation to fund the extra cost of energy inflation.	1,853	-	-	-	-
Highways maintenance contract inflation - An allocation to meet the impact of inflation on the highways maintenance contract over and above the corporate inflation provision.	1,200	-	-	-	-
SEND home to school transport inflation - An allocation to meet the impact of inflation on the cost of SEND home to school transport over and above the corporate inflation provision.	1,829	-	-	-	-
Mainstream education transport inflation - An allocation to meet the impact of inflation on the cost of mainstream school transport over and above the corporate inflation provision.	1,438	-	-	-	-
Forestry - An allocation to fund the full year effect of the allocation approved in February 2022 to provide for an increase in capacity in the Forestry Team to meet the increase in demand and provide resilience to support emerging climate change initiatives (tree planting schemes).	90	-	-	-	-
Domestic homicide reviews - An allocation to meet the statutory requirement to undertake increased numbers of domestic homicide reviews.	25	-	-	-	-
Transport delivery - An allocation to implement the recommendation of the SEND Transport Review including a enhanced focus on vehicle inspections, safeguarding, quality assurance and contract management. This investment provides the capacity to deliver the reduced SEND and home to school transport costs.	75	-	-	-	-
SEND transport administration - An allocation to cover the additional management and supervision resources required to deliver the SEND and Home to School Transport teams.	214	-	-	-	-
SEND home to school transport demand - An allocation to meet the demand for home to school transport for pupils and students.	2,165	658	660	706	756
Mainstream education transport demand - An allocation to meet the demand for home to school transport for pupils and students.	2,441	185	101	62	0
Environment Services sub-total	**12,156**	**1,686**	**1,621**	**1,645**	**1,650**

Permanent Revenue Allocations 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Allocations 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Fire and Rescue					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	71	72	74	75	77
Fire Specific ICT Maintenance - An allocation to deliver the required upgrades to the ICT specific systems operated by the Service.	70	-	-	-	-
Fire and Rescue sub-total	**141**	**72**	**74**	**75**	**77**
Strategic Commissioner for Communities					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	414	422	431	440	448
Waste management inflation - An allocation to fund the extra cost of inflation on the waste disposal costs faced by the Authority.	200	-	-	-	-
Waste management - An allocation to address the increased waste management costs being incurred as a result of housing and population growth within the county and as set out in the District and Borough Council Local Plans.	300	300	300	-	-
Apprenticeships and reskilling - An allocation to invest in the expansion of apprenticeships across the county, with an emphasis on reskilling for the changing economy consistent with the countywide levelling up approach, with proposals to be brought back to Cabinet for approval by April 2023.	300	-	-	-	-
Strategic Commissioner for Communities sub-total	**1,214**	**722**	**731**	**440**	**448**
Communities Directorate	**13,511**	**2,480**	**2,426**	**2,160**	**2,175**

Permanent Revenue Allocations 2023/24 to 2027/28

Description		Indicative Future Allocations			
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Children and Families					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	1,066	1,086	1,108	1,130	1,153
Child allowances - An allocation to meet the costs of increased demand for Special Guardianship Orders, Residential Orders and Child Arrangements Orders to support children to leave or avoid care through allowances for extended family members caring for children.	264	128	187	193	147
Children leaving care supported accommodation - An allocation to fund the increased cost of supported accommodation for those aged 16 plus, particularly care leavers, due to continued increases in the complexity of placements driving cost increases.	700	108	114	120	84
Staffing - An allocation to fund the step change in the Service's staffing capacity required to deliver the Sustainability Plan that will see investment in staffing to improve outcomes for young people with the added financial benefit of reducing the costs of care and in particular placement costs.	3,346	-	-	-	-
Children's placements (exc. children with disabilities) - An allocation to meet the impact of fostering/placements framework contracts and changes to the placement mix on costs.	-	585	624	666	710
Children and Families sub-total	**5,376**	**1,907**	**2,033**	**2,109**	**2,094**
Education Service					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	33	34	34	34	36
SEND service review - An allocation to meet the cost of changes to SEND Assessment and Review Service following SEND Ofsted inspection and implementation of the SEND functional operating model.	586	-	-	-	-
Attendance service - An allocation to offset the loss of traded income and increase in Education Attendance Case workers to meet increased demand.	335	54	-	-	-
Education sub-total	**954**	**88**	**34**	**34**	**36**

Permanent Revenue Allocations 2023/24 to 2027/28

Description		Indicative Future Allocations			
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Strategic Commissioner for People					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	549	560	571	582	594
Public health contract management - An allocation to meet the on-going cost of the new system for the management of public health contracts.	60	-	-	-	-
Mental health interventions for school children framework - An allocation to replace DSG funding that is no longer available to fund the framework.	150	-	-	-	-
Strategic Commissioner for People sub-total	**759**	**560**	**571**	**582**	**594**
Social Care and Support					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	3,145	3,208	3,272	3,337	3,404
Provider inflation - An allocation to meet the additional cost of provider inflation above the corporate general provision.	12,098	1,707	1,700	1,693	1,799
Adult Social Care reform - An allocation to provide additional capacity to support the adult social care reform agenda.	605	-	-	-	-
Better Care Fund - An allocation to match the increased ring-fenced Better Care Fund grant pending agreement with Health as to how the funding will be used.	2,122	-	-	-	-
Care demand - An allocation to meet the cost of increase in demand for adult social care due to population growth, the increased length of support and intensity of care need as a result of increased life expectancy and the estimated reduction in people who can fund their own care over time.	4,000	4,000	3,800	3,800	4,000
Children with disabilities care demand - An allocation to continue to support current placements, to meet the expected demand for future placements and to reflect increases in unit costs.	1,752	323	354	378	450
Children with disabilities direct payments - An allocation to meet the growing demand to support the children and young people with disabilities who already receive a direct payment.	76	33	35	38	-
Social Care and Support sub-total	**23,798**	**9,271**	**9,161**	**9,246**	**9,653**
People Directorate	**30,887**	**11,826**	**11,799**	**11,971**	**12,377**

Permanent Revenue Allocations 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Allocations 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Business and Customer Support					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	49	50	51	52	52
SEND service review - An allocation to meet the cost of changes to SEND Assessment and Review Service following SEND Ofsted inspection and implementation of the SEND functional operating model.	83	-	-	-	-
Adult Social Care demand and reform - An allocation to provide additional capacity to support the adult social care transformation and reform agenda.	232	-	-	-	-
Business and Customer Support sub-total	**364**	**50**	**51**	**52**	**52**
Commissioning Support Unit					
Climate change programme – An allocation to fund the full year effect of the allocation approved in February 2022 to provide for an increase in capacity to drive forward the development and implementation of the Council's ambition to reach net zero carbon emissions by 2030.	100	-	-	-	-
Consultation and engagement - An allocation to fund the full year effect of the allocation approved in February 2022 to enhance the current consultation and engagement offer.	60	-	-	-	-
Adult Social Care demand and reform - An allocation to provide additional capacity to support the adult social care transformation and reform agenda.	100	-	-	-	-
Commissioning Support Unit sub-total	**260**	**0**	**0**	**0**	**0**
Enabling Services					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	250	255	260	265	270
Data and analytics platform - An allocation to meet the operating cost of implementing the data & analytics platform.	100	28	32	4	63
ICT support costs - An allocation to enable the provision of the additional ICT support needed as a result of the headcount increase in Children and Families.	15	-	-	-	-
HR licence cost - An allocation to meet the increased cost of licences when the current licence expires in March 2023.	100	-	-	-	-
Enabling Services sub-total	**465**	**283**	**292**	**269**	**333**

Permanent Revenue Allocations 2023/24 to 2027/28

Description		Indicative Future Allocations			
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Finance					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	34	34	35	36	36
Education Finance - An allocation to offset the reduced net surplus for Schools Finance traded team due to academisation and limitations on price rises with schools compared to inflation pressures.	56	-	-	-	-
Adult Social Care demand and reform - An allocation to provide additional capacity to support the adult social care transformation and reform agenda.	160	-	-	-	-
Financial systems licence costs - An allocation to meet the increased licence costs from the move to a supported cloud solution for the Council's financial systems.	98	-	-	-	-
Finance sub-total	**348**	**34**	**35**	**36**	**36**
Governance and Policy					
Graduate scheme - An allocation to extend the graduate scheme to provide capacity and capability across all priority outcomes.	53	-	-	-	-
Governance and Policy sub-total	**53**	**0**	**0**	**0**	**0**
Resources Directorate	**1,490**	**367**	**378**	**357**	**421**

Appendix A

Permanent Revenue Allocations 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Allocations 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Corporate Services					
Price inflation - An allocation to meet the cost of net price inflation across the Service.	90	92	94	96	98
Provision for pay inflation - A provision for the cost of pay uplift for all Services pending final decisions on any pay award for 2023/24 and beyond.	7,344	7,666	4,232	4,325	4,426
Coroner - An allocation to meet the increase in post mortem and area coroner costs (shared with Coventry) and to resource the phased transfer of staff into the Council from Warwickshire Police to align service provision with national norm.	50	95	75	50	-
Audit Fees - An allocation to meet the 150% increase in fees based on the outcome of the national procurement of audit services.	216	-	-	-	-
DSG deficit offset funding - An allocation to ensure that the Authority's overall financial position is sustainable over the medium term by setting aside sufficient resources to fund the structural deficit in the DSG High Needs budget.	-	-	1,394	-	-
Capital financing costs - An allocation to meet the additional capital financing costs of the Authority based on planned borrowing requirement of the capital programme.	-	-	1,724	3,754	1,361
Provision for future indicative spending pressures - A provision for future unknown and unquantified spending need to mitigate future potential costs as part of ensuring the Council's services are sustainable over the medium term.	1,600	7,000	7,000	7,000	7,000
Corporate Services sub-total	**9,300**	**14,853**	**14,519**	**15,225**	**12,885**
Corporate Services	**9,300**	**14,853**	**14,519**	**15,225**	**12,885**
Total Annual Additional Permanent Allocations	**55,188**	**29,526**	**29,122**	**29,713**	**27,858**
Total Cumulative Additional Permanent Allocations	**55,188**	**84,714**	**113,836**	**143,549**	**171,407**

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Time Limited Revenue Allocations 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Allocations 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Environment Services					
Gypsy and Traveller sites - A three year allocation to fund current levels of maintenance activity while the capital project to improve the sites is completed.	100	70	30	-	-
Environment Services sub-total	**100**	**70**	**30**	**0**	**0**
Fire and Rescue					
Implementation of the HMICFRS Action Plan - Final year of a two year allocation to review current strategies and processes for prevention activity and identification of high risk premises as well as the promotion of equality, diversity and inclusion in the workplace.	775	-	-	-	-
WFRS training - A one year allocation to purchase more costly external training provision due to delays in the capital investment to develop in-house training facilities.	100	-	-	-	-
Fire and Rescue sub-total	**875**	**0**	**0**	**0**	**0**
Strategic Commissioner for Communities					
Waste management - Years two and three of a three year allocation to reflect the increased domestic waste generated due to the shift to hybrid/homeworking following the pandemic.	700	450	-	-	-
HS2 - Remaining three years of a four year allocation to continue work to mitigate the impacts of HS2 on Warwickshire residents and communities, maximising contributions from HS2.	103	103	103	-	-
Strategic Commissioner for Communities sub-total	**803**	**553**	**103**	**0**	**0**
Communities Directorate	**1,778**	**623**	**133**	**0**	**0**

Time Limited Revenue Allocations 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Allocations 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Education					
Outdoor Education capacity building - Second year and extended for a third year of an allocation to support the development, implementation and embedding of the Outdoor Education and Learning Strategy.	50	50	-	-	-
Synergy Maintenance delivery team - Final year of a two year allocation to support the ongoing delivery of education management information system for a further two financial years.	151	-	-	-	-
SENDAR - An allocation to fund the cost of approved mediators and tribunals where the Council's decisions regarding children and young people with SEND are challenged. There is a project already underway to address this issue but the impact will not be felt until 2024.	231	-	-	-	-
Education sub-total	**432**	**50**	**0**	**0**	**0**
Social Care and Support					
Winter pressures - A provision, at the level of the grant funding, to support adult social care activities over the winter period.	2,300	-	-	-	-
Social Care and Support sub-total	**2,300**	**0**	**0**	**0**	**0**
People Directorate	**2,732**	**50**	**0**	**0**	**0**

Time Limited Revenue Allocations 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Allocations 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Business and Customer Support					
Complaints management - Final year of a two-year allocation to temporarily increase capacity to work with services, aiming to improve how complaints are managed in the early stages to avoid escalation to more formal processes.	74	-	-	-	-
Customer Service Centre - Final year of a two year allocation to increase capacity to meet increased demand as a result of the pandemic.	77	-	-	-	-
Business support capacity - Final year of a two-year allocation to reflect the current levels of business support needed in response to the demand pressures in children and families, education and adult social care support.	625	-	-	-	-
Food Strategy - A one-year allocation to support the development and implementation of the Council's food strategy.	120	-	-	-	-
Customer and Partnership FOM - Funding to allow for an 18 month delay in the delivery of the Customer and Partnership FOM where demand and activity has yet to settle down post Covid.	290	145	-	-	-
Resource to support corporate and adult social care projects - A two year allocation to provide capacity to support projects, outside of business-as-usual activity, including the new contact centre telephony system, the replacement customer records management system, automation, adults and children's transformation programmes and the Council's response to the cost-of-living crisis.	169	169	-	-	-
Business and Customer Support sub-total	**1,355**	**314**	**0**	**0**	**0**
Commissioning Support Unit					
Paper storage - Final year of a two year allocation to meet the cost of additional paper storage costs from the rationalisation of Warwick-based office accommodation whilst the review of the long term need for paper-based storage is determined.	50	-	-	-	-
Vehicle management strategic approach - Second and third years of a three year allocation to deliver savings from the consolidation of spares, parts and tyres spend, changes to delivery models and reducing demand on fuel.	56	56	-	-	-
Commissioning Support Unit sub-total	**106**	**56**	**0**	**0**	**0**

Time Limited Revenue Allocations 2023/24 to 2027/28

Description		Indicative Future Allocations			
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Enabling Services					
Recruitment - Second and third years of a three year allocation to provide increased capacity to manage the complexity and growth in demand for recruitment support.	141	141	-	-	-
Utilities - A three year allocation to resource the increase in wholesale utility cost on the assumption that gas, electricity and water prices will fall back to the underlying trend over the medium term.	802	1,054	800	-	-
Enabling Services sub-total	**943**	**1,195**	**800**	**0**	**0**
Finance					
Invest to save for redesign - Second and third years of a three-year allocation to provide additional capacity for process redesign and to implement new digital and automation technologies, including IT systems investment costs. This investment is required to support the delivery of the Finance Service savings proposals.	100	100	-	-	-
Finance sub-total	**100**	**100**	**0**	**0**	**0**
Resources Directorate	**2,504**	**1,665**	**800**	**0**	**0**

Time Limited Revenue Allocations 2023/24 to 2027/28

Description		Indicative Future Allocations			
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Corporate Services					
DSG deficit offset funding - A further three year allocation to ensure that the Authority's overall financial position is sustainable over the medium term by setting aside resources on an annual basis to meet the forecast DSG deficit until a sustainable solution is put in place.	4,855	5,992	1,000	-	-
Admissions Service - A one year allocation to provide additional temporary capacity to support the transformation of the DSG funded Admissions Service.	266	-	-	-	-
Coroner - Final year of a time-limited allocation to fund additional post mortem costs due to all post mortems remaining high risk (and higher cost) due to pandemic.	40	-	-	-	-
Corporate Services sub-total	5,161	5,992	1,000	0	0
Corporate Services	5,161	5,992	1,000	0	0
Total Annual Time Limited Allocations	12,175	8,330	1,933	0	0
Total Cumulative Time Limited Allocations					22,438

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Appendix C

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 C

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.

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).

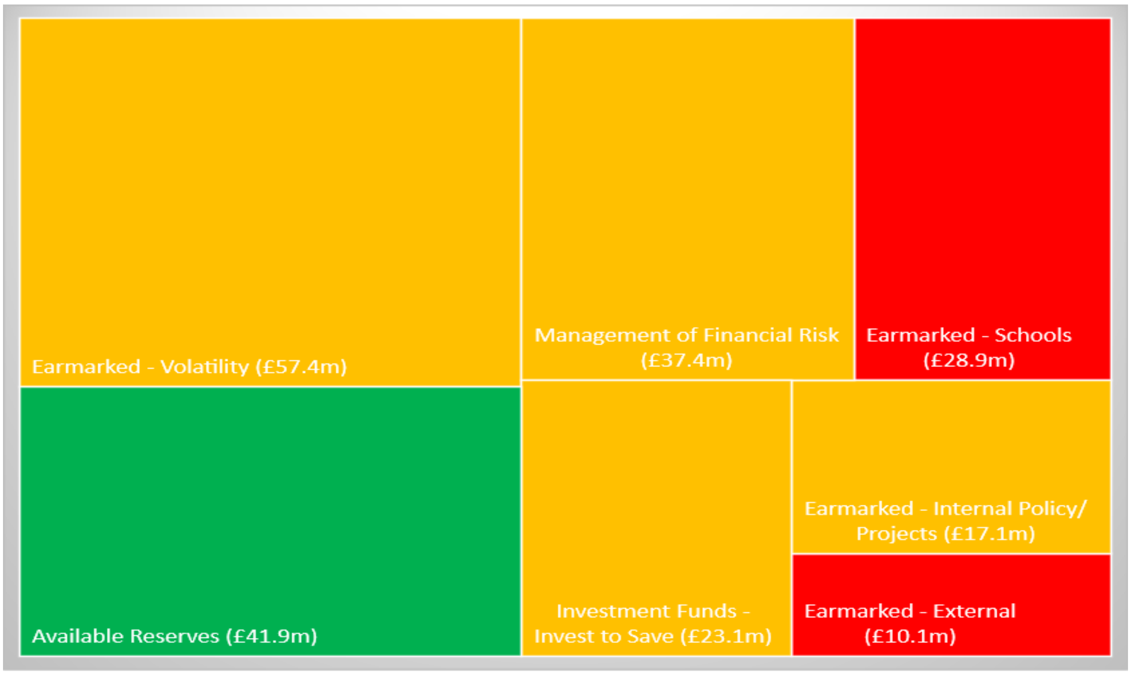
Our reserves are forecast to be £216.0million at the end of 2022/23. We are holding the £216.0m for the following reasons:

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	

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 C

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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Budget Reductions 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Additional Reduction 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Environment Services					
Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied.	(326)	-	-	-	-
Traded income - An expansion of traded income including improving efficiencies and increasing income from external contracts, new external contracts and MOT sales to public, enforcement income from network management, ecology surveys and the forestry service.	(285)	(80)	(80)	(40)	-
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(63)	(29)	-	-	-
Network management - Additional enforcement income from carrying out inspections.	(400)	-	-	-	-
Trading standards - Delivery of efficiencies in trading standards community safety provision.	(45)	-	-	-	-
Winter gritting service - Review of the operation of the winter gritting service to reduce expenditure through more efficient delivery of services. This saving does not change the network coverage of the service.	-	(250)	-	-	-
SEND Home to school transport - A 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.	-	(1,024)	(546)	-	-
Home to school transport - Applying the learning from the SEND transport project to make efficiencies in home to school mainstream operations.	-	-	(500)	-	(116)
Environment Services sub-total	**(1,119)**	**(1,383)**	**(1,126)**	**(40)**	**(116)**
Fire and Rescue					
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(50)	(71)	-	-	-
Fire Training - Income generation from taking advantage of commercial training opportunities linked to completion of new training facilities.	-	-	(50)	(50)	(50)
Fleet transport savings - Revenue savings from purchase of Fire transport vehicles, ending lease agreements.	-	-	(60)	-	-
Fire and Rescue sub-total	**(50)**	**(71)**	**(110)**	**(50)**	**(50)**

Budget Reductions 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Additional Reduction 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Strategic Commissioning for Communities					
Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied.	(165)	-	-	-	-
Country parks income review - Apply commercial approach to Country Parks income streams.	(45)	(25)	(25)	(50)	-
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(90)	(59)	-	-	-
Income from S106 - Ensure S106 contributions are efficiently and effectively generated and collected.	(25)	-	-	-	-
Further service redesign - A restructuring of teams across Communities (Strategy & Commissioning) enabling resources to be better focussed on key priority areas and to exploit opportunities to lever in external funding.	(285)	-	-	-	-
Road safety advice - Maximising income opportunities from the provision of road safety advice.	(100)	-	-	-	-
Waste management - Reduction in residual waste and an increase in recycling as a result of the waste collection changes in Stratford and Warwick District.	(334)	-	-	-	-
Reduction in Transport Development Fund - Reduction in activity based on the capacity in the capital programme and the earlier capitalisation of design costs on priority schemes.	(200)	-	-	-	-
Inward Investment - Reduction in the cost of promoting inward investment in Warwickshire.	(50)	-	-	-	-
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 and additional income from Holly Walk.	-	(50)	(75)	-	-
HS2 - removal of non-funded activity.	-	(48)	-	-	-
Waste strategy - Estimated reduction in cost as a result of the implementation of the Government's resource and waste strategy.	-	-	(1,000)	(2,000)	-
Strategic Commissioner for Communities sub-total	**(1,294)**	**(182)**	**(1,100)**	**(2,050)**	**0**
Communities Directorate	**(2,463)**	**(1,636)**	**(2,336)**	**(2,140)**	**(166)**

Budget Reductions 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Additional Reduction 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Children and Families					
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(118)	(52)	-	-	-
New ways of working - Expected reductions in staff travel, room hire, client travel and expenses from hybrid working.	(92)	-	-	-	-
Rightsized Children's and Families budgets - Remove contingency budget for Early Help and replace boarding school budget with existing budget in Children's Services.	(264)	-	-	-	-
Reduce spend on Residential Care - Reduce the cost of care/services including the increased use of WCC homes, boarding schools and residential schools.	(1,400)	(1,900)	(1,500)	(1,790)	-
Legal Services - Reduce the cost of legal services through risk-based decision-making as to when legal advice is sought.	(100)	-	-	-	-
Training - Reduction in the cost and amount of training we commission externally.	(100)	-	-	-	-
Youth and Community Centres - Increase income from third party use of centres.	(50)	-	-	(20)	-
Section 17 payments - Reduce section 17 payments and seek alternative funding routes.	(30)	-	-	-	-
Grant income - Increase in the level of grant income and its more effective use to support the core activity of the service and contribute to the service overheads.	(560)	(100)	(100)	-	-
Custody - Reduce the custody budget to better align with activity levels.	(100)	-	-	-	-
External foster care - Reduce the cost of care/services by reducing spend on external foster care through increasing number of WCC foster carers.	-	(200)	-	(200)	-
House project - Reduce the cost of 16 plus supported accommodation through the expansion of the House project.	-	(100)	-	(100)	-
Third-party contributions - Maximise contributions from other agencies for care packages for children in care.	-	(250)	(300)	(200)	-
Reduction in staff costs - Reduction in staffing costs flowing from the successful implementation of the Sustainability Plan	-	-	(502)	(580)	(674)
Children and Families sub-total	**(2,814)**	**(2,602)**	**(2,402)**	**(2,890)**	**(674)**

Budget Reductions 2023/24 to 2027/28

Description		Indicative Future Additional Reduction			
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Education					
Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied.	(98)	-	-	-	-
NEETs contract - An efficiency through the more effective contracting of the service to support those not in employment, education of training.	(35)	(10)	(10)	-	-
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(11)	(5)	-	-	-
Traded income - Increase traded income from Governor and Attendance service as well as review and modernise music services.	(15)	(5)	-	-	-
Early Years - Reduce core budget spend by re-coding early years activity to Early Years DSG.	(50)	(30)	-	-	-
Education sub-total	**(209)**	**(50)**	**(10)**	**0**	**0**
Strategic Commissioning for People					
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.	(163)	(73)	(50)	(335)	-
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.	(50)	-	-	-	-
Management of Strategic Commissioning for People costs - Rationalise budgets across a range of areas including staffing, travel and conference budgets, central recharges and contributions.	(338)	(75)	-	-	-
Community meals service - Decommissioning of the community meals service following the withdrawal from the market of the current provider.	-	(160)	-	-	-
Housing related prevention and early intervention - Replace the current service offer with appropriate care delivery consistent with standard council provision, reducing the £3.6m cost of provision by £1m by 2025/26.	-	-	(1,000)	-	-
Co-production - Reduction in operating costs once the co-production framework is embedded.	-	-	-	(40)	-
Strategic Commissioner for People sub-total	**(551)**	**(308)**	**(1,050)**	**(375)**	**0**

Budget Reductions 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Additional Reduction 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Social Care and Support					
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(255)	(204)	-	-	-
Housing with support for older people - Further develop the housing with support offer to reduce reliance on residential provision for all ages.	(500)	(500)	-	-	-
Management of cost of adults service provision - Management of the budgeted cost increases of externally commissioned care.	(1,499)	(2,000)	(2,064)	-	-
Prevention and self-care - Develop and implement a prevention and self care strategy and invest in programmes, projects and services that reduce people's reliance on paid care and support.	(334)	(167)	-	-	-
Reduce demand for adult social care support - Implementation of the change and transformation activities underway across adult social care, including an improved early intervention and prevention offer, refinement of the in-house reablement offer and further development of assistive technology.	(1,000)	(1,539)	(935)	-	-
Integrated commissioning with Health - Efficiencies through joint working and increased purchasing power for externally commissioned care. Arrangements will form part of the Coventry and Warwickshire Integrated Health and Care Partnership and associated system plan.	(200)	(200)	(267)	-	-
Reprofiling adult social care demand - Rephasing the demand and cost pressures for adult social care based on expected growth as informed by national and local data.	(2,181)	(1,356)	(2,389)	(4,416)	(3,507)
Increase in client income - Increase in income as a result of taking into account expected growth of adult social care services.	(300)	(250)	(400)	(500)	(800)
Reduce cost of support for children with disabilities - Implementing the service change and transformation activities across services supporting children with disabilities.	-	(750)	(750)	(500)	-
Reprofiling children with disabilities care demand - Rephasing the demand and cost pressures for support for children with disabilities based on expected growth as informed by national and local data.	-	-	-	-	(452)
Social Care and Support sub-total	**(6,269)**	**(6,966)**	**(6,805)**	**(5,416)**	**(4,759)**
People Directorate	**(9,843)**	**(9,926)**	**(10,267)**	**(8,681)**	**(5,433)**

Budget Reductions 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Additional Reduction 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Business and Customer Support					
Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied and the rationalisation of PA support.	(196)	-	(58)	-	-
Community development - Efficiencies in the delivery of the internal community development function.	(20)	-	-	-	-
Customer support service redesign - Review and rationalisation of the organisation's approach to customer support.	(94)	-	-	-	-
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(23)	(23)	(23)	-	-
Reduced use of printing and stationery - Future reductions in spend on printing and stationery predicated on digitisation work.	(100)	-	-	-	-
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)	-	-	-	-
Registration Service - Increase registration revenue through the optimisation of service delivery locations.	(13)	(28)	(20)	-	-
Customer journey - As the customer experience programme beds down, the requirements to improve customer journey in isolation diminishes, enabling a redesign of the service offer.	(50)	(50)	(49)	(51)	-
Business support and customer process efficiencies - Efficiencies through ongoing service redesign and automation.	-	(31)	(250)	-	(196)
Heritage and Culture Charitable Trust - Redesign heritage and culture services culminating in the transfer of the service to a charitable trust.	-	-	-	(196)	-
Business and Customer Support sub-total	**(546)**	**(132)**	**(400)**	**(247)**	**(196)**

Budget Reductions 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Additional Reduction 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Commissioning Support Unit					
Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied.	(114)				
Savings on third party spend - Review of services purchased from third parties to ensure value for money and management of the budgeted cost increases of externally purchased services.	(47)	(26)	(19)	-	-
Staffing restructure - Changes in staffing structure to reduce the cost of the Commissioning Support Unit.	(73)	-	-	-	-
Commercial approach to contracting - Securing rebates due to the Council through commercial contracting.	-	(148)	(148)	-	-
Commissioning Support Unit sub-total	**(234)**	**(174)**	**(167)**	**0**	**0**
Enabling Services					
Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied.	(187)				
Enabling Services delivery review - Review of expenditure on staffing, expenses and projects in Enabling Services.	(40)	(50)	(150)	-	-
Facilities management - Facilities management and maintenance cost savings linked to asset rationalisation.	(50)	(433)	(249)	(517)	(100)
ICT Service delivery review - Review past ICT budget growth and focus on efficiencies through development projects.	(144)	(125)	(54)	(108)	(107)
Property service delivery review - Ensure effective mix of staff and agency use to drive efficiencies in facilities management resource spend and maintenance budget.	(95)	(32)	(90)	-	-
Devices - Review of the most cost effective device to meet the organisational and staff need at the end of the lease.	(150)	-	-	-	-
ICT applications migration and rationalisation - Migrating workloads to Azure to derive efficiencies from ICT application management alongside an on-going focus on the rationalisation of applications to reduce licence and maintenance costs.	-	(120)	(50)	-	-
Pro-active use of apprenticeships - Closer integration of apprentices into service workforce structures.	-	-	(165)	-	-

Budget Reductions 2023/24 to 2027/28

Description		Indicative Future Additional Reduction			
	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Enabling Services sub-total	**(666)**	**(760)**	**(758)**	**(625)**	**(207)**

Budget Reductions 2023/24 to 2027/28

Description	2023/24 £'000	Indicative Future Additional Reduction 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Finance					
Finance process efficiencies - Efficiencies through ongoing service redesign, automation, AI and self-service.	(75)	(75)	(25)	(125)	(25)
Vacancy factor - Increase in the 2% vacancy factor/turnover allowance already applied.	(21)	(16)	(10)	-	-
Procurement cards - Rebates from extended use of procurement cards.	(25)	(25)	-	-	-
Finance sub-total	**(121)**	**(116)**	**(35)**	**(125)**	**(25)**
Governance and Policy					
Vacancy factor - Application of a vacancy factor/turnover allowance where not already applied.	(208)	(45)	(45)	-	-
Electronic record keeping - Reduced storage requirements as a result of the move to electronic record keeping.	(5)	(5)	(10)	-	-
Savings on third party spend - Review of services purchased from third parties to ensure value for money and management of the budgeted cost increases of externally purchased services.	(47)	(9)	-	-	-
Legal services trading income - Additional surplus from external trading with other local authorities and public sector bodies.	(40)	(40)	(40)	(40)	-
Paper free meetings - Reduction in the cost of printing as a result of moving to paper free meetings.	(5)	(5)	-	-	-
Consultancy - Reduction in commissioning budget held for external consultancy and external support.	(20)	-	-	(4)	-
Governance and Policy sub-total	**(325)**	**(104)**	**(95)**	**(44)**	**0**
Resources Directorate	**(1,892)**	**(1,286)**	**(1,455)**	**(1,041)**	**(428)**

Appendix D

Budget Reductions 2023/24 to 2027/28

Description		Indicative Future Additional Reduction			
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Corporate Services					
Savings on third party spend - Review of services purchased from third parties and the increased take-up of early invoice payment. *(Delivery will be the responsibility of the AD - Finance).*	(3)	(3)	(202)	(100)	-
Insurance - Savings arising as a result of a higher level of self insurance. *(Delivery will be the responsibility of the AD - Finance).*	(25)	(173)	(334)	(464)	-
Treasury management returns - 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 AD - Finance.)*	(242)	(121)	-	-	-
Warwickshire Property and Development Group - Forecast income stream from the successful delivery of the company business plan.	(126)	(2,856)	(433)	-	-
Capital financing costs - Reduction in the Authority's borrowing costs as a result of using capital receipts from the sale of surplus assets. *(Delivery will be the responsibility of the AD - Governance and Policy).*	(64)	(32)	(136)	(48)	(24)
Pre-pay pension contribution - Use the Council's strong balance sheet to benefit from the discount for the early payment of the pension contributions. *(Delivery will be the responsibility of the AD - Finance).*	(500)	-	-	-	-
Digital roadmap - Savings as a result of a three year programme of investment in digital technology and automation. *(Delivery will be the responsibility of the Assistant Director - Enabling Services.)*	-	(250)	(200)	(350)	-
Capital financing costs - Reduction in the Authority's borrowing costs as a result of reducing the investment capacity in the capital programme by £25m across the MTFS period.	-	-	(502)	(1,094)	(396)
Corporate Services sub-total	**(960)**	**(3,435)**	**(1,807)**	**(2,056)**	**(420)**
Corporate Services	**(960)**	**(3,435)**	**(1,807)**	**(2,056)**	**(420)**
Annual Budget Reductions Total	**(15,158)**	**(16,283)**	**(15,865)**	**(13,918)**	**(6,447)**
Cumulative Budget Reductions Total	**(15,158)**	**(31,441)**	**(47,306)**	**(61,224)**	**(67,671)**

Appendix E

Warwickshire County Council Medium Term Financial Strategy 2023/24 to 2027/28

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Resources					
• Government grant	(93.6)	(93.2)	(92.2)	(92.2)	(92.2)
• Business rates	(80.8)	(82.4)	(84.1)	(85.8)	(87.4)
• Council tax	(362.9)	(379.7)	(394.5)	(410.4)	(427.1)
Total resources	**(537.3)**	**(555.3)**	**(570.8)**	**(588.4)**	**(606.7)**
Spending					
• Base budget	502.8	502.8	502.8	502.8	502.8
• Inflation	32.5	48.5	61.2	74.2	87.5
• Demand/cost increases	22.7	36.2	52.6	69.3	83.9
• Time-limited investments	17.2	8.3	1.9	-	-
• Budget reductions	(15.2)	(31.4)	(47.3)	(61.2)	(67.7)
Total spending	**560.0**	**564.4**	**571.2**	**585.1**	**606.5**
Planned use of reserves	**(22.7)**	**(9.1)**	**(1.9)**	**-**	**-**
Remaining (surplus)/gap	**0**	**0**	**(1.5)**	**(3.3)**	**(0.2)**

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Appendix F

Warwickshire County Council – Pay Policy Statement 2023/24

1 Statutory Requirement

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

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

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

1.3 The pay policy statement must state:

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

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

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

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

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

2 Remuneration Policies

2.1 The Council operates the National Living Wage for all staff including Apprentice rates where applicable.

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

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

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

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

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

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

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

2.9 The policy of the Council is to evaluate the following posts using the Hay Grading Scheme:

- Chief Executive
- Strategic Directors
- Assistant Directors

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

2.10 Any pay awards to the salary levels attached to each Management Band are reviewed in line with the outcome NJC agreements and where applicable they are applied with effect from the 1st January each year. Currently, the pay framework for Management Band staff covers a salary range from £46,064 to £200,044 per annum.

2.11 The above policies apply save in cases where the operation of the Transfer of Undertakings (Protection of Employment) Regulations 2006, or other statutory provisions, dictate otherwise.

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

2.13 The County Council will apply the remuneration policies set out above for the financial year 2023/24.

3 Relationship between the highest and lowest paid employees

3.1 The policy of the Council to pay employees in accordance with the NJC pay framework means that its 'lowest paid employees' are paid an annual salary of £20,258 per annum or on a pro-rata basis if they work for less than 37 hours per week. This definition does not include those working as apprentices undergoing a recognised national training scheme, those on work experience or those on other placements related to training, which are not established posts within the Council. The reason for excluding those individuals from the definition of 'lowest paid employees' is that the primary aim of their engagement is training and as such, they are not considered to be carrying out the full range of duties when compared to employees in established posts.

3.2 This means that the 'salary ratios' between the Council's lowest paid staff and its Chief Executive and Strategic Directors are 1:9.8 and 1:7.6 respectively.

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

3.4 The salary ratios between the Council's median salary level (£29,439 per annum) and that of the Chief Executive and Strategic Directors are 1:6.8 and 1:5.2 respectively.

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

4.1 The Chief Executive is paid on a four-point incremental scale (£184,361 – £200,044 per annum). Progression within the scale is determined by a performance management framework. No other salary payments are made to the Chief Executive. The Chief Executive is the Council's Returning Officer. The Returning Officer is eligible to receive a fee for undertaking this role. The Council does not include the fee in the Chief Executive's overall salary. The Chief Executive has declined to take the fee.

4.2 The Chief Fire Officer is paid a 'spot' salary of £134,200 per annum based on Hay evaluation. No other salary payments are made to the Chief Fire Officer. A car is provided for this role.

4.3 Each of the Strategic Directors are paid on the same five-point incremental scale under Hay as agreed in December 2015 and in accordance with independent advice from Hay Management Consultants. The incremental scale is currently £139,968 - £155,050 per annum. Progression within the scale is determined by a performance management framework. No other salary payments are made to the Strategic Directors.

4.4 Assistant Directors are paid on a twelve-point incremental scale (£91,543 - £123,781 per annum). Progression within the scale is determined by a performance management framework.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- In the case of an employee whose employment is terminated on grounds of redundancy or efficiency, any redundancy or severance payment should be based upon actual earnings;
- In the case of an employee whose employment is terminated on grounds of redundancy and who is aged 54 or less or is aged 55 or over and is unable to immediately access accrued pension benefits, a severance payment based on

applying a multiplier of 1.75 to the statutory redundancy payment formula, should be made; and

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

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

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

9.4 The County Council will not apply the abatement rule save in exceptional circumstances where it determines that not to abate the pension in payment could lead to a serious lack of confidence in the public service.

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

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

9.7 The Council will comply with statutory guidance on the making and disclosing of Special Severance Payments by Local Authorities in England, published on 12 May 2022.

9.8 In the event of any legal restriction on the value of exit payments coming into force in 2023-24, where it is within its power to do so, the Council will dis-apply or relax such restriction (or will propose that ministers agree to dis-apply or relax any such restriction) in circumstances where:

- The Chief Executive is satisfied that the proposal is being made on one or more of the grounds permitted by the relevant government departments from time to time (if a permitted ground is required to be identified); and

- The savings which the relevant exit contributes to need to be made to ensure the delivery of the service within budget and that the payment concerned will be recouped within two years or in exceptional circumstances, with the approval of the relevant Portfolio Holder, within three years.

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

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

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

11.1 Except in respect of pay and any such other arrangements negotiated locally, the terms and conditions that apply to the Chief Executive, Strategic Directors and Assistant Directors are those agreed by the National Joint Council for Local Government Services.

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2023/24 Capital Budget Resolution

Recommendations to County Council

1. Financial Direction of Travel

1.1. The value of our assets is £1.4 billion. Each year we need to spend money to ensure these assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements and deliver the Council's vision to make Warwickshire the best it can be, sustainable now and for future generations. This investment forms the basis of our capital programme, maximising value for money for our residents and the taxpayer pound.

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

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

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

1.4. We will continue to build a more strategic and commercial focus to our approach to our capital investment, aligned to the medium and longer-term place-shaping of Warwickshire. We will move towards an approach where services are required to bring schemes forward for consideration where they deliver on the priorities set out in this resolution, the commitments in the Council Plan and the areas of focus.

1.5. Looking further ahead we will create a long-term Infrastructure Strategy for Warwickshire that extends beyond the five years of our capital programme.

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

1.7. To support this we have allocated £4.0 million from the Capital Investment Fund to create an Investigation Design Fund (IDF). The IDF will provide the resources to carry out the early work necessary as part of large scale, high value and/or high-risk schemes to reduce the risk of approving projects without fully understanding the true costs of delivery. We intend that this will lead to a reduction in the number of capital projects which request additional funding once in the delivery stage.

1.8. We will also ask the Chief Executive to bring forward and implement a new capital management framework with an enhanced focus and scrutiny of the timely and effective delivery of the approved capital programme.

1.9. We will supplement our externally leveraged capital resource with £35.5 million a year of borrowing. We will continue with the separation of maintenance, asset replacement and investment programmes that has brought benefits by reducing bureaucracy.

1.10. We will use our capital resources to deliver capital schemes that support the vision, three priorities and seven areas of focus set out in the Council Plan. As a priority, officers are asked to bring forward proposals for a Social Fabric Fund, linked to the countywide approach to Levelling Up and with potential to build more resilient communities and better protect against cost of living pressures. We have also extended the criteria used to evaluate capital investment proposals coming forward for approval to include specific assessment of the impact on the countywide approach to Levelling Up.

1.11. Over the next 12 months, we expect investment proposals for the following to have been brought forward for decision:

Best Lives	• Investment in extra care housing and supported living as part of a holistic approach to demand management for those in receipt of adult social care support. • Investment in alternative in-house options for children in care and our care levers. • Help for residents to lead a healthy and independent lifestyle, including assistive technology to support health, care and well-being. • Investment to ensure the sufficiency of school places, and in particular special educational needs provision within the county.
Sustainable Futures	• Defending Warwickshire against flooding. • Investment to reduce the Council's carbon footprint. • Support for communities and businesses to reduce their environmental impact, energy usage and emissions. • Increase bio-diversity and ecology through green corridors, environment banks and tree-planting. • A sustainable transport network that supports a low carbon future and rural connectivity to places of work, improving air quality, active travel to deliver the positive benefits of outdoor activity, reducing congestion and enabling growth in housing. • A safer schools programme that encourages sustainable and healthy travel to school for pupils across Warwickshire.
Thriving Economy and Places	• Ambitious schemes to shape Warwickshire and individual parts of it, progressing housing and area regeneration schemes, particularly targeting areas identified in the countywide approach to Levelling Up. • Supporting business innovation, investment and inward investment to drive economic growth. • Investment which contributes towards building employment skills, skills development and reskilling. • Building stronger communities by helping communities to help themselves. • The future role and sustainability of town centres.
Invest-to-Save	• Investment in digital technology to improve the quality and efficiency of accessible services to residents, communities and staff. • Investment to maximise the effectiveness of our property estate as part of a future plan for the use of our buildings.

1.12. Our capital programme retains the £100 million over the next five years in our capital programme to support the delivery of the Warwickshire Property and Development Group (WPDG) annual business plan and £87 million for the Warwickshire Recovery and Investment Fund (WRIF). These investments are a demonstration of our commitment to support the recovery and growth of Warwickshire for the benefit of residents and communities.

1.13. We require £3 million of the schools' capital grant to form a contribution towards the cost of maintenance of the school estate, with the balance of the grant to be used to meet the growing demand for school places, alongside contributions from developers.

2. 2023/24 Capital Programme

2.1. Approval is given to a capital programme of £848.566 million. Of this £316.945 million is planned for 2023/24 and £531.621 million for future years. There is £90.509 million in the Capital Investment Fund that will be allocated to specific schemes, in line with our priorities, as bids are developed and considered over the five years of the 2023-28 Medium Term Financial Strategy.

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

Table 1: Capital Programme						
Service	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**Total £m**
Best Lives	118.628	44.961	0.262	-	-	163.851
Thriving Economy and Places	51.468	59.210	25.261	5.806	-	141.744
Sustainable Futures *	3.229	0.451	-	-	-	3.680
Great Council and Partner	2.851	-	-	-	-	2.851
Maintenance Programme	42.683	34.154	34.182	34.658	34.658	180.335
Developer Funded Programme	32.217	14.090	0.050	-	-	46.357
Total Allocations	**251.076**	**152.866**	**59.755**	**40.464**	**34.658**	**538.818**
Capital Investment Fund	15.019	18.872	18.872	18.872	18.872	90.509
WRIF	20.600	20.000	20.000	26.500	-	87.100
WPDG	19.101	21.763	7.611	0.242	51.334	100.051
Investigation Design Fund	0.800	0.800	0.800	0.800	0.800	4.000
Inflation Contingency Fund	4.429	5.739	-	-	-	10.168
Asset Replacement Fund	5.920	3.000	3.000	3.000	3.000	17.920
Total Programme	**316.945**	**223.040**	**110.038**	**89.878**	**108.664**	**848.566**

Note:

* *Our capital investment in Sustainable Futures extends beyond the focussed schemes summarised here. All schemes are required to specifically consider sustainability, climate change and environmental impact as part of the evaluation and due diligence process prior to approval.*

2.3. Included in the figures above is approval of the addition of up to £4.182 million to the Bermuda Connectivity project, to increase the total budget in the capital programme to £14.941 million, with £3.202 million funded from the Capital Investment Fund and £0.980 million from the Inflation Contingency Fund.

3. Financing the Capital Programme

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

Table 2: Financing the Capital Programme

Service	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Capital grants and contributions	150.183	66.522	30.527	21.928	21.828	290.988
Capital receipts	17.113	22.146	32.923	18.636	20.206	111.024
Revenue contributions	0.320	-	-	-	-	0.320
Borrowing	149.328	134.371	46.588	49.314	66.629	446.230
Total Financing	**316.945**	**223.039**	**110.038**	**89.879**	**108.664**	**848.566**

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

3.2. We recognise that the expansion of our investment programme will result in additional borrowing costs, and we have made full provision for this within our revenue budget resolution. Our modelling of future debt levels leaves the Council with significant headroom against its Operational Boundary and Affordable Limit, two of the key indicators within the Prudential Framework. Our approach of determining borrowing affordability from the position of ongoing revenue resource availability ensures that we will not commit the Council to future costs it cannot afford.

4. Prudential Guidelines and Limits

4.1. The Affordable Borrowing Limit and other Prudential Indicators consistent with the capital programme for 2023/24 are agreed as part of the Treasury Management and Investment Strategies.

5. Strategic Director for Resources: Statement

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

"As "Chief Finance Officer" the Local Government Act 2003 requires me to report on the robustness of the estimates made for the purposes of the budget calculations.

The Authority continues to face inflationary risk as a result of supply chain/labour market issues, with £10.168 million funding remaining in the Inflation Contingency Fund to meet the impact of exceptional inflationary costs on the approved programme. There needs to be an awareness of potential inflationary costs as part of decision-making and the impact on both the costing of projects brought forward for approval and the deliverability, within the approved limits, of schemes already in the capital programme.

The introduction of the new, three stage approval process, and the creation of the Investigation Design Fund to provide up-front funding for work to give greater cost certainty when a full business case is submitted for approval will also assist in providing greater cost certainty.

The retention of the Capital Investment Fund means that in overall terms I am of the view that this capital programme has been prepared based on realistic assumptions about risk and affordability and that it represents a robust and realistic programme."

6. Delegations

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

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

and Development Group business plan and is within the provision in the capital programme; and

- Approve capital loans and investments through the Warwickshire Recovery and Investment Fund, following approval of a business case by Cabinet, where this is within the provision in the capital programme.

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

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

7. Budget Management

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

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

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

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

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

7.6. The Chief Executive, Strategic Directors, the Chief Fire Officer and Assistant Directors, in the following circumstances and with approval from the Strategic Director for

Resources, are given authority to let contracts where the tender price would cause the project to exceed its approved budget:

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

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

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

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

7.9. The Chief Executive, with approval from the Strategic Director for Resources, is given approval to make allocations from the Asset Replacement Fund based on the needs driven from asset management plans.

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

8. Managing the Maintenance Programme

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

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

9. Managing the Investment Programme

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

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

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

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Appendix A

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.

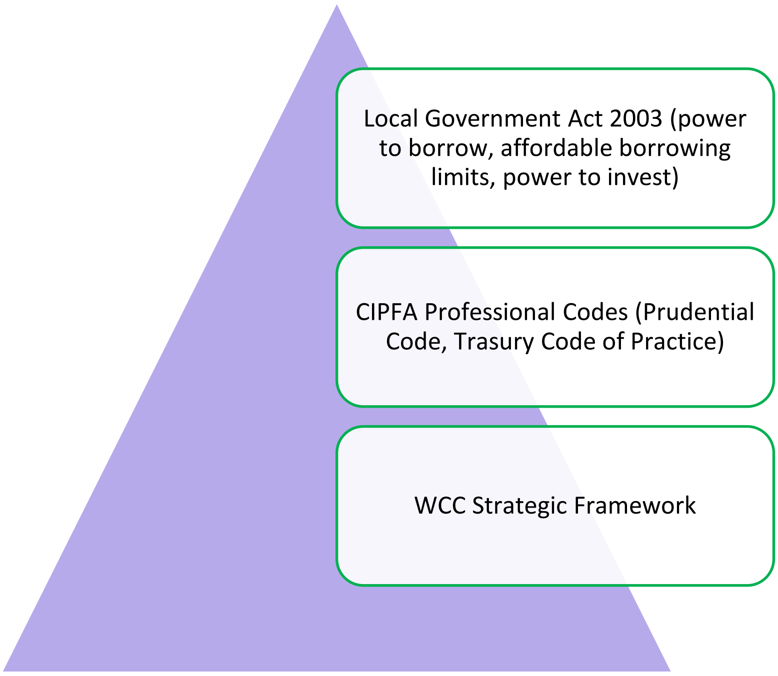
Together these ensure compliance with the CIPFA Prudential Code and HM Treasury rules on financing our borrowing.

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.

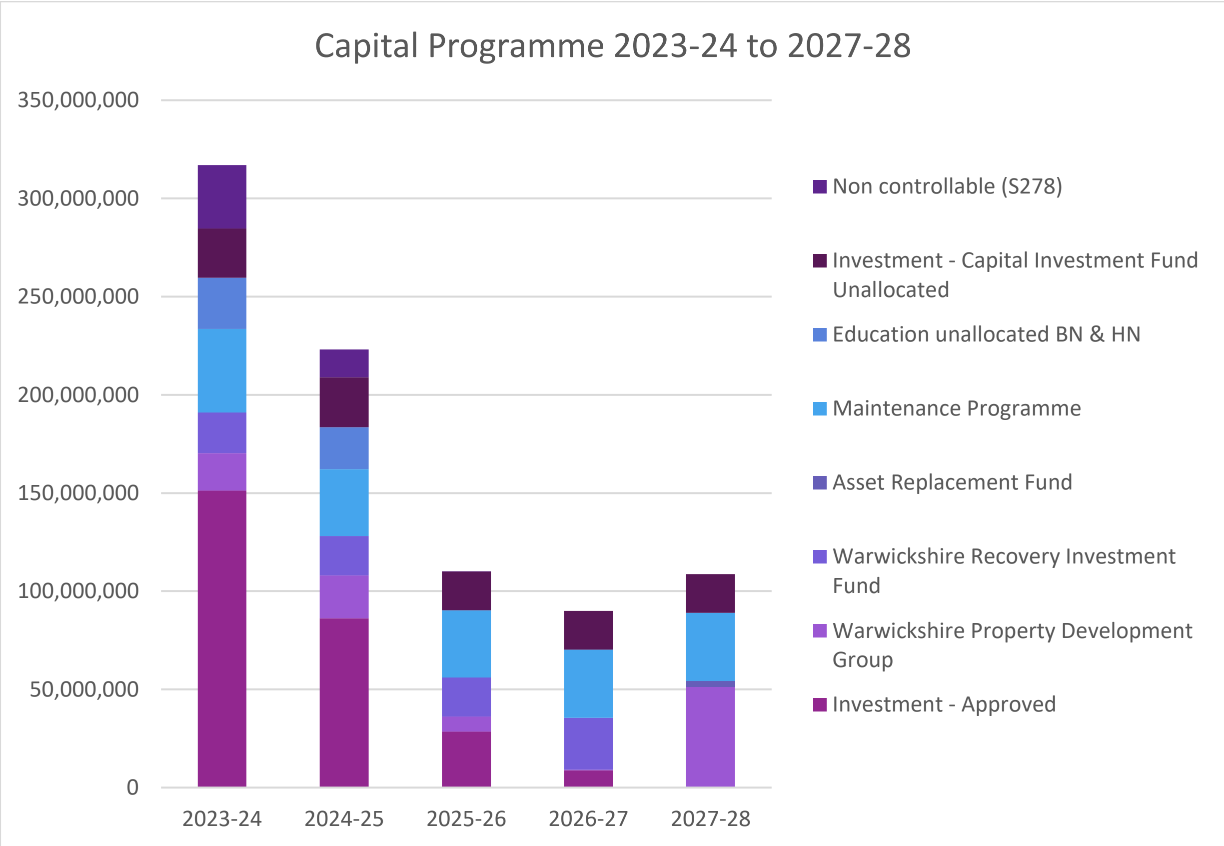
Capital Programme

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

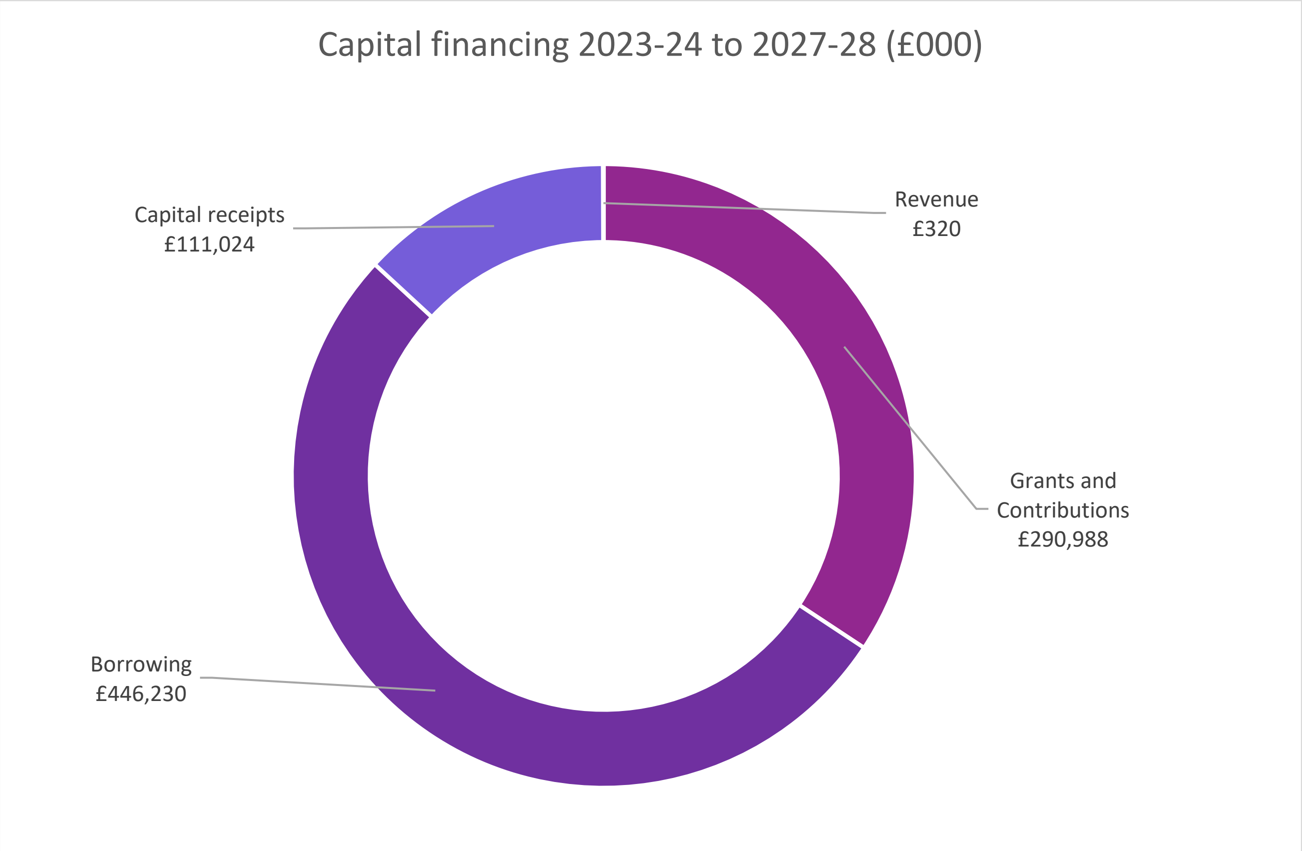
The current Capital Programme is summarised in the table below:

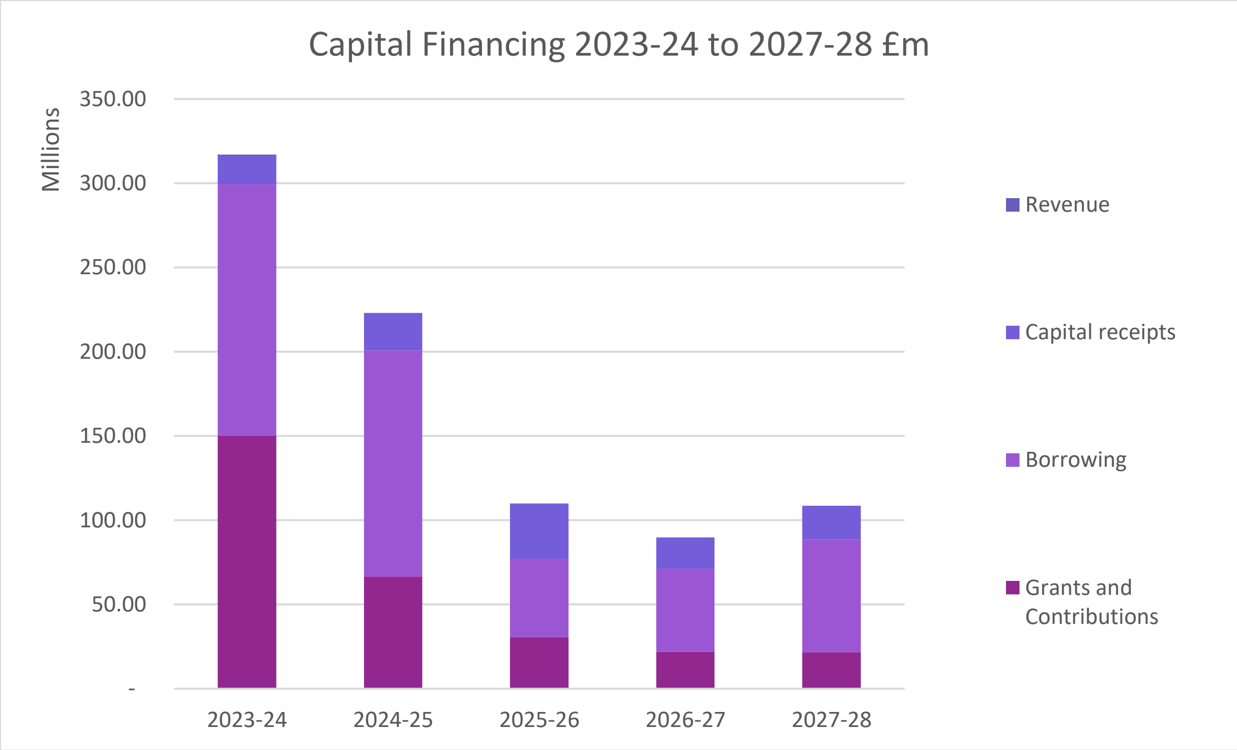


In comparison, actual capital expenditure in 2022/23 was £117.8million and projected capital expenditure in 2022/23 is £316.9 million.

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.

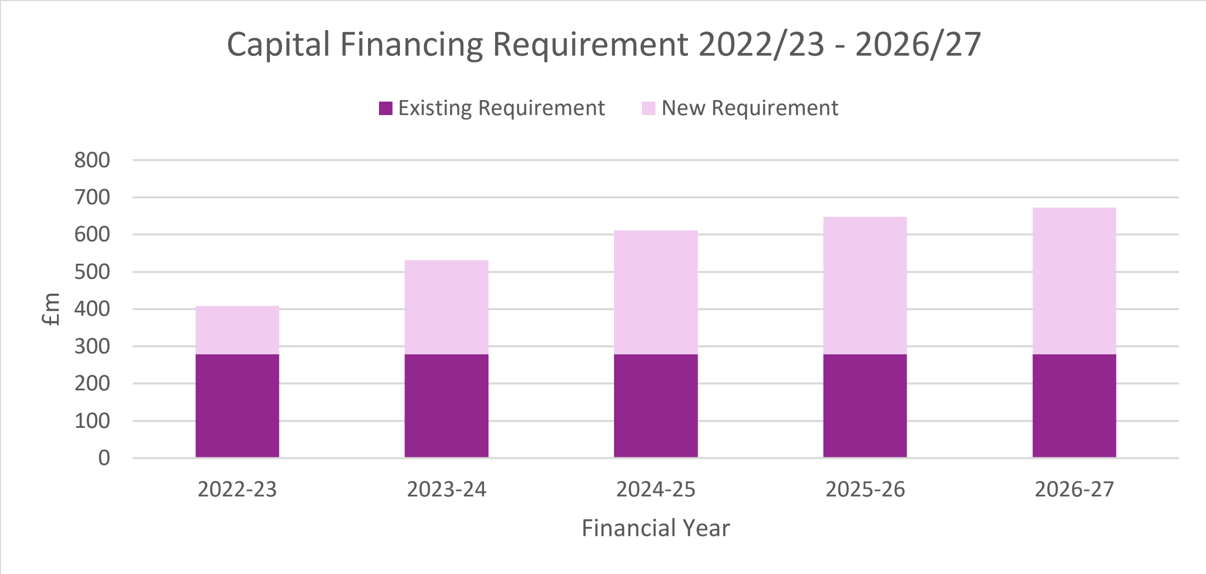
- Contributions from developers are maximised and applied to appropriate schemes ahead of Council resources whenever possible.

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.

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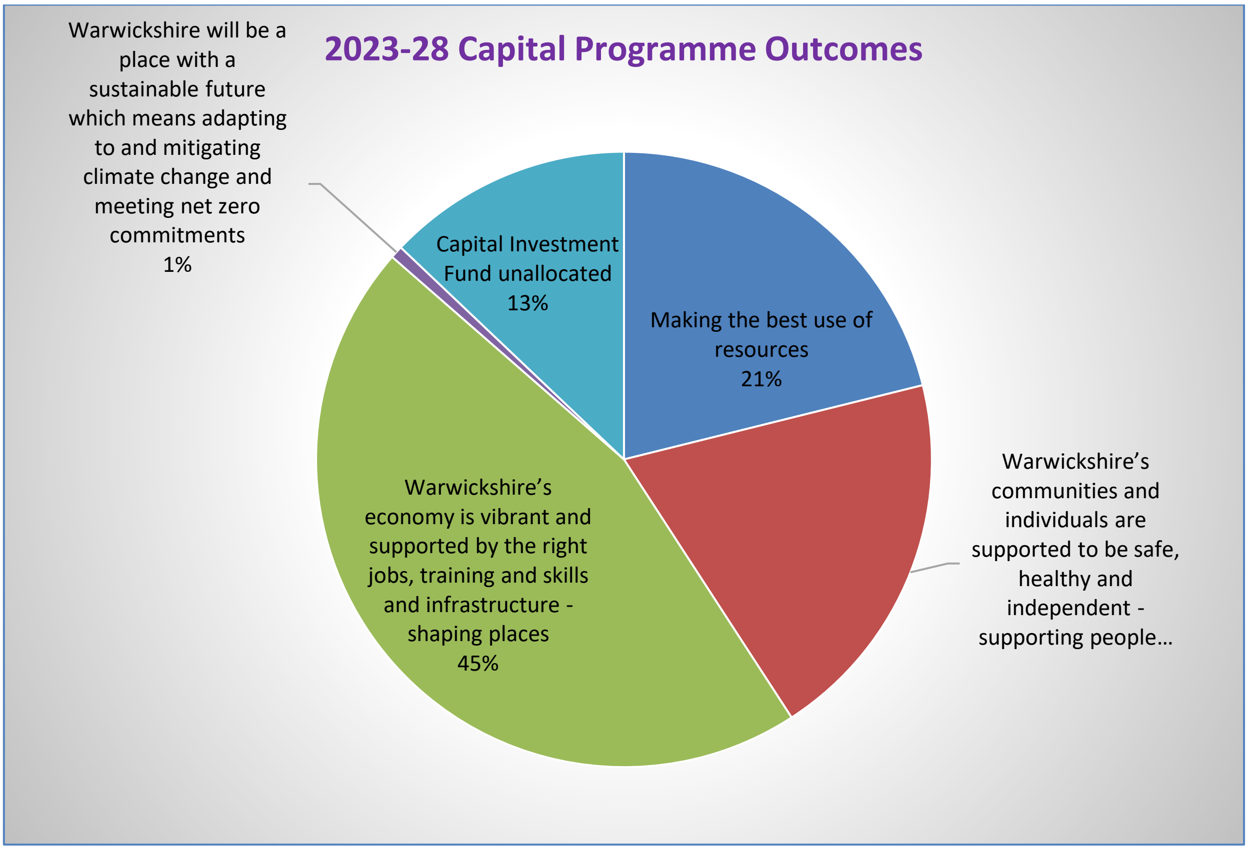
Investing in Warwickshire
Capital Strategy 2023-2028 – Technical Appendix

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

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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.

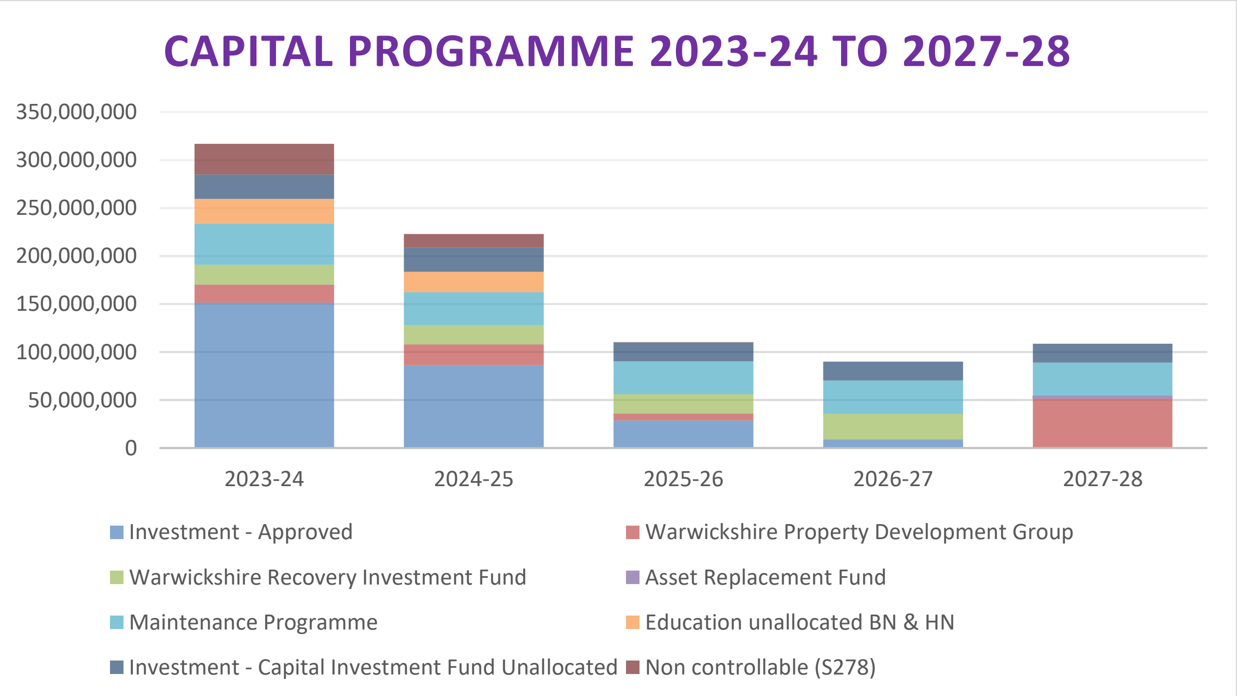
We operate a general de minimis of £6,000 on a project-by-project basis (£3,000 where the spend relates to primary schools or nurseries); expenditure below this level is treated as revenue and not part of the capital programme, unless under exceptional circumstances. Further details of our capitalisation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



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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

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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 was 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.

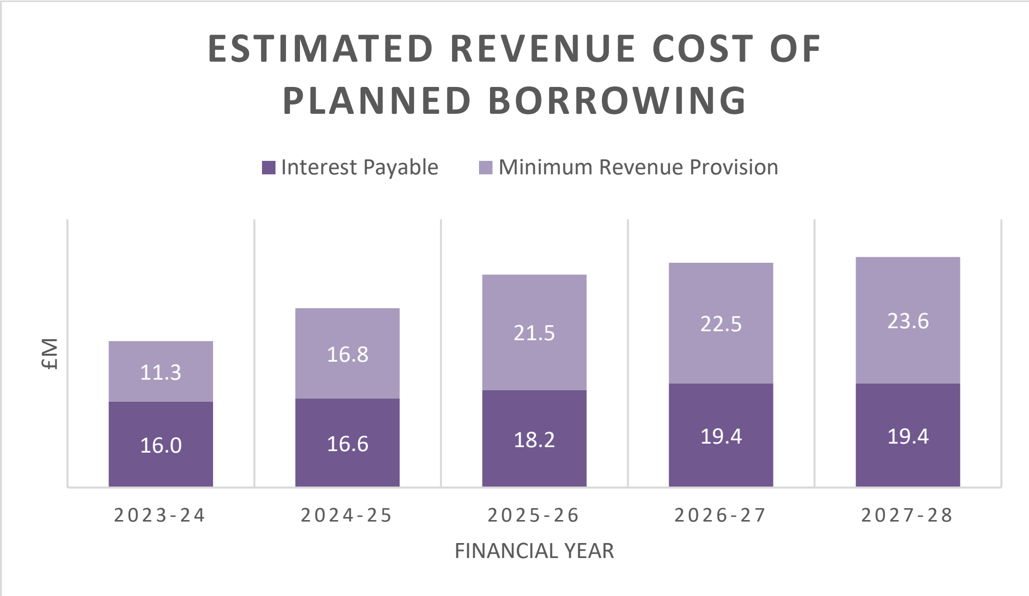
Our approach to enable flexibility in funding the capital programme is that specific grants and contributions are used first to finance spend before the used of un-ringfenced grants, capital receipts, revenue contributions and corporate borrowing.

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.

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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.

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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.

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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

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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 B

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.

Appendix B

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.

Appendix B

Annex D

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

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	Childrens homes	514	-	-	-	-	514
Strategic Commissioning - Communities	Home to school routes (safety)	144	-	-	-	-	144
	Temple Hill / Lutterworth Road Wolvey casualty reduction scheme	646	646	-	-	-	1,293
	Average speed cameras	860	-	-	-	-	860
Education Services	New school, The Gateway, Rugby	4,408	-	-	-	-	4,408
	Long Lawford permanent expansion	408	-	-	-	-	408
	Planning and development block header	-65	202	-	-	-	137
	SEND facilities block header	20	-	-	-	-	20
	Evergreen school - reconfiguration of classrooms	185	-	-	-	-	185
	Minor works	1	-	-	-	-	1
	Specialist nurture provision at special school	200	-	-	-	-	200
	Keeping SEND pupils local	128	-	-	-	-	128
	Oakley Grove - new school South Leamington	38,025	13,761	262	-	-	52,048
	Warwickshire Academy	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	6,120	-	-	-	13,370
	Etone College Nuneaton	2,309	-	-	-	-	2,309
	Lighthorne Heath Primary relocation preparatory 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

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
Education Services	Disability access - block header	177	-	-	-	-	177
	The Queen Elizabeth Academy - new two storey modular classroom block	2,793	-	-	-	-	2,793
	Oakley Grove reception contingency - bulge class	1,116	-	-	-	-	1,116
	Shipston High School - 1FE expansion	6,000	4,497	-	-	-	10,497
	Long Itchington - expansion	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	11,340	16,436			-	27,776
	Unallocated Education High needs	13,679				-	13,679
Environment Services	Lawford Road /Addison Road casualty reduction	1,509	-	-	-	-	1,509
	Replacement bollards in Stratford, Nuneaton & Bedworth	181	-	-	-	-	181
	Redevelopment & upgrade of WCC Gypsy and Traveller sites	499	-	-	-	-	499
Fire	Fire & Rescue HQ Leamington Spa	1,987	-	-	-	-	1,987
	Fire and Rescue training programme: Lea Marston	714	-	-	-	-	714
	Fire and Rescue training programme: EA water site	274	-	-	-	-	274
	Fire emergency services etwork preparedness	278	-	-	-	-	278
Strategy & Commissioning - People	Supported housing - dispersed accomodation	651	-	-	-	-	651
	Adult social care modernisation & capacity	70	-	-	-	-	70
	Total for Best Lives	**118,628**	**44,961**	**262**	**-**	**-**	**163,851**

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
Thriving Economy and Places							
Strategic Commissioning - Communities	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
	Zebra upgrade Tachbrook Rd Leamington	1	-	-	-	-	1
	2 Bus shelters at bus stops on Narrow Hall 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 pedestrian/cycle path Bermuda	16	-	-	-	-	16
	Library & Business Centre Nuneaton	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
	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

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	Provision of hardstanding areas and bus stop poles at bus stops on Field Barn Way near Blandford 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
Enabling Services	Development of Rural Broadband	3,265	3,446	-	-	-	6,710
Environment Services	Rugby Western Relief Road	100	-	-	-	-	100
	Rugby, Hunters Lane - through route New Tech Dr to Newbold Rd	372	-	-	-	-	372
	Variable message signs A444 (Prologis)	90	-	-	-	-	90
	S278 Crabtree Medical Centre Bidford - bus stops	2	-	-	-	-	2
	M40 Junction 12	19	-	-	-	-	19
	Rugby Gyratory Improvement Scheme	24	-	-	-	-	24
	Bermuda Connectivity Project	4,182	1,500	-	-	-	5,682
	A426 /A4071 Avon Mill Roundabout Rugby improvement scheme	442	-	-	-	-	442
	Weddington Road , Nuneaton toucan crossing	112	-	-	-	-	112
	A46 Stanks Island signalisation and improvement Bham Rd	1,428	-	-	-	-	1,428

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	A444 corridor improvements - Phase 2	1,920	1,854	-	-	-	3,774
	A3400 Bham 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 Lane 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	490	449	-	-	-	939
	Green Man Coleshill signalised junction	709	-	-	-	-	709
	Hinckley to Nuneaton cycle route	685	-	-	-	-	685
	A452 Kenilworth to Leamington cycle route	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	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	**51,468**	**59,210**	**25,261**	**5,806**	**-**	**141,744**

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
Sustainable Futures							
Strategic Commissioning - Communities	Land at Crick Road Rugby	786	-	-	-	-	786
	Evidence led decision making in tackling climate emergency and air quality	712	-	-	-	-	712
	All Electric Bus Initiative	905	451	-	-	-	1,356
	Purchase of 3 haulage vehicles for HWRC	153	-	-	-	-	153
	Tree Nursery grant	16	-	-	-	-	16
Environment Services	Flood Alleviation Schemes - Pailton	13	-	-	-	-	13
	Flood Alleviation Schemes - Fenny Compton	294	-	-	-	-	294
	Flood Alleviation Schemes - Welford on Avon	43	-	-	-	-	43
	Flood Alleviation Schemes - Galley Common	22	-	-	-	-	22
	Flood Alleviation Schemes - Bermuda	32	-	-	-	-	32
	Flood Alleviation Schemes - 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
SC - Communities	Country Parks car parking facilities - upgrade to ticket machines	85	-	-	-	-	85
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	**2,851**	**-**	**-**	**-**	**-**	**2,851**

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
Corporate Investment Funds							
Corporate	CIF unallocated	15,019	18,872	18,872	18,872	18,872	90,509
	Investigation Design Fund	800	800	800	800	800	4,000
	Capital Inflation Contingency Fund	4,429	5,739	-	-	-	10,168
	Warwickshire Property Development Group	19,101	21,763	7,611	242	16,334	65,051
	Warwickshire Property Development Group Contingency	-	-	-	-	35,000	35,000
	Warwickshire Recovery & Investment Fund	20,600	20,000	20,000	26,500	-	87,100
	Asset Replacement Fund	5,920	3,000	3,000	3,000	3,000	17,920
	Total for Corporate Investment Funds	**65,869**	**70,174**	**50,283**	**49,415**	**74,006**	**309,748**
	TOTAL INVESTMENT PROGRAMME	**242,045**	**174,796**	**75,806**	**55,221**	**74,006**	**621,874**

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
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	2,562	2,425	2,537	2,648	2,648	12,820
	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 and 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	**42,684**	**34,154**	**34,182**	**34,658**	**34,658**	**180,336**

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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Council

7 February 2023

Treasury Management Strategy and Investment Strategy

Recommendations

That Council:

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

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

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

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

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

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

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

9. Requires 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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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;
- The policy on use of external service providers; and
- The Councils Income Management Policy.

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.

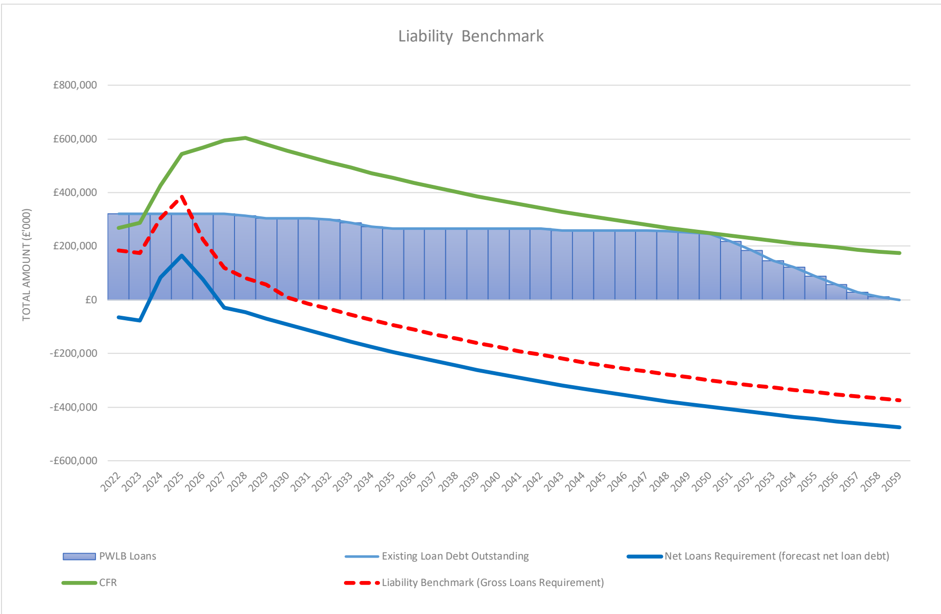
- Net loans requirement: this will show the Authority's gross loan debt less Treasury Management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

- 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.

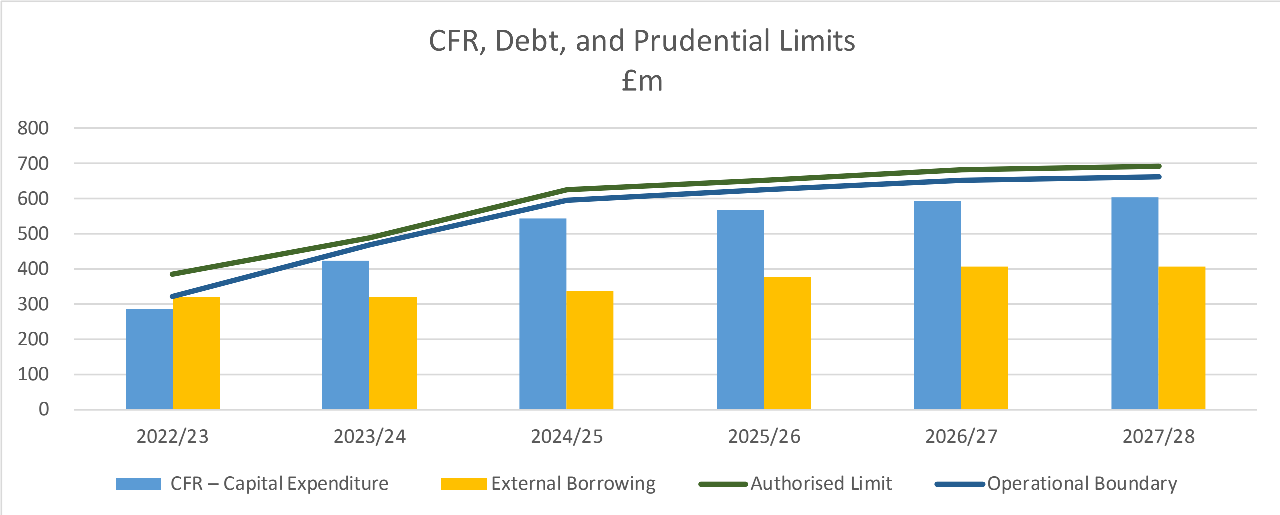
3.21 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

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 2023 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

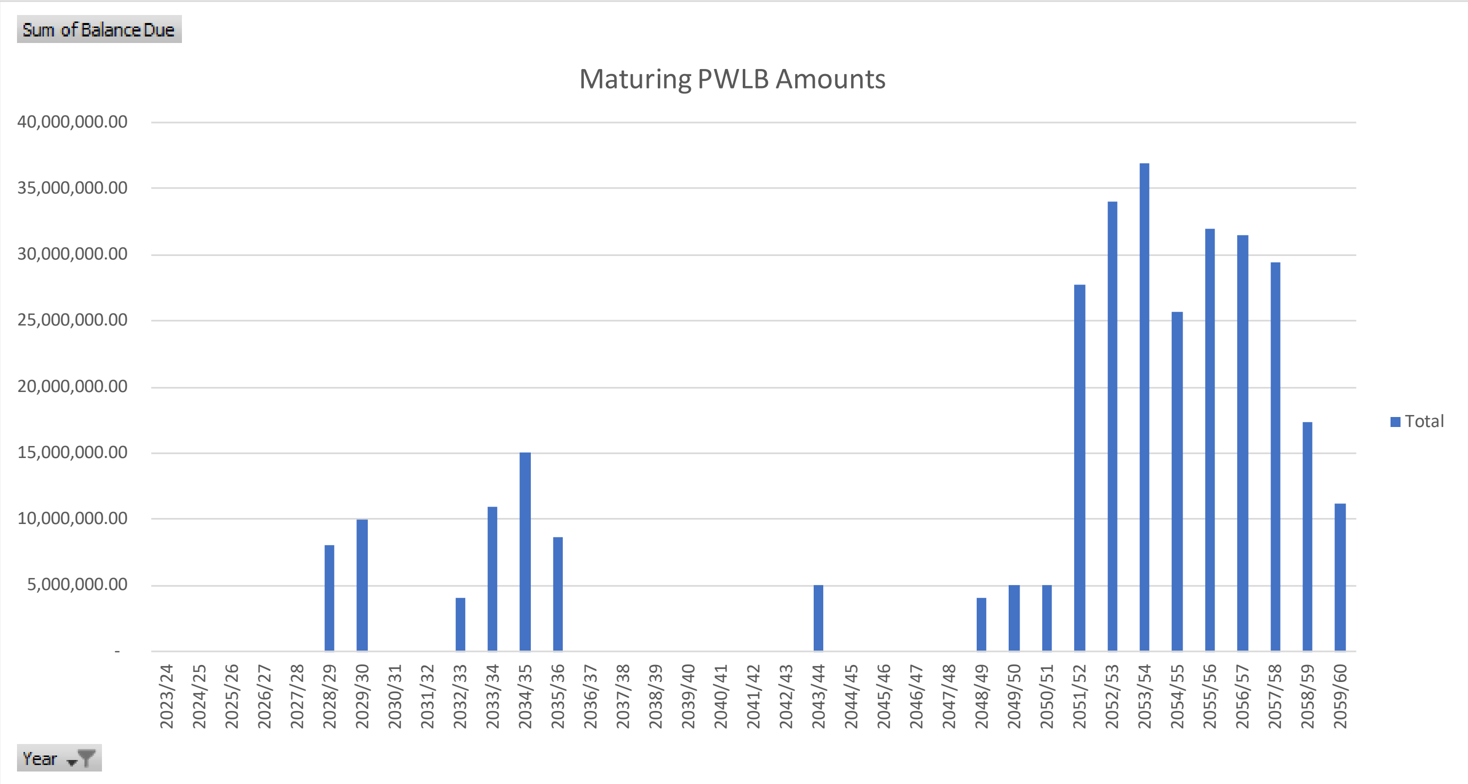
Maturity structure of new fixed rate borrowing during year	upper limit	lower limit
under 12 months	20%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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%

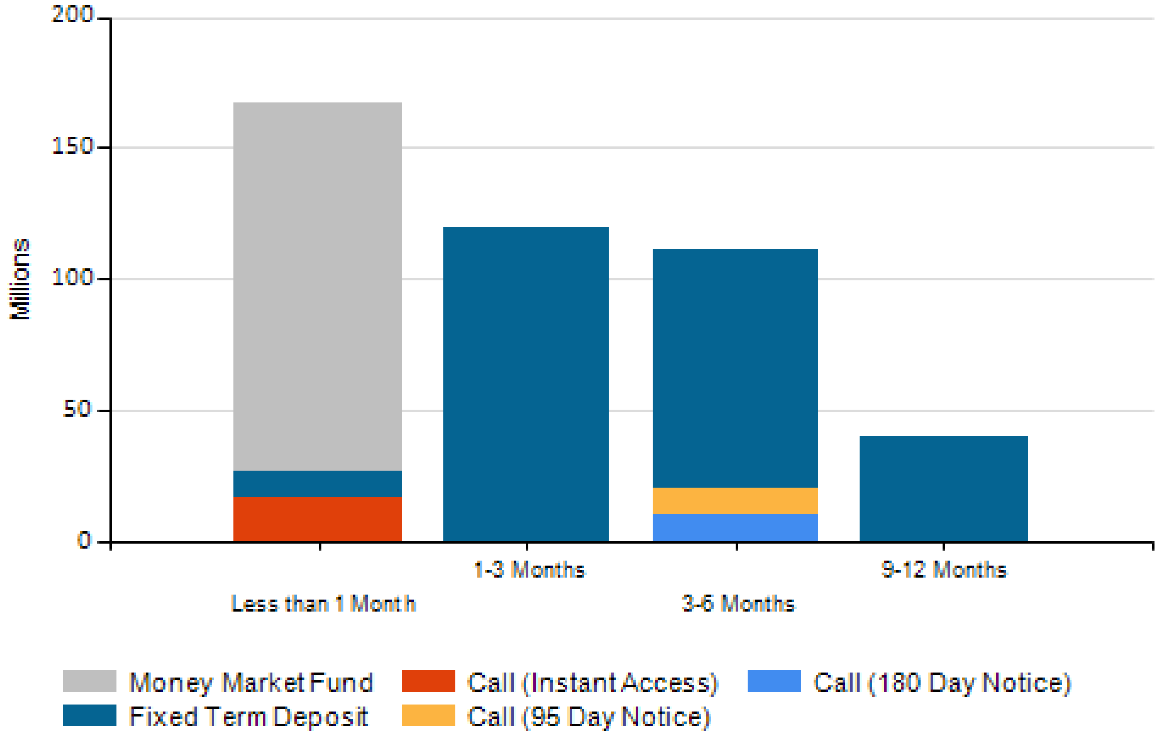
Annex 2

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).

OFFICIAL

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.

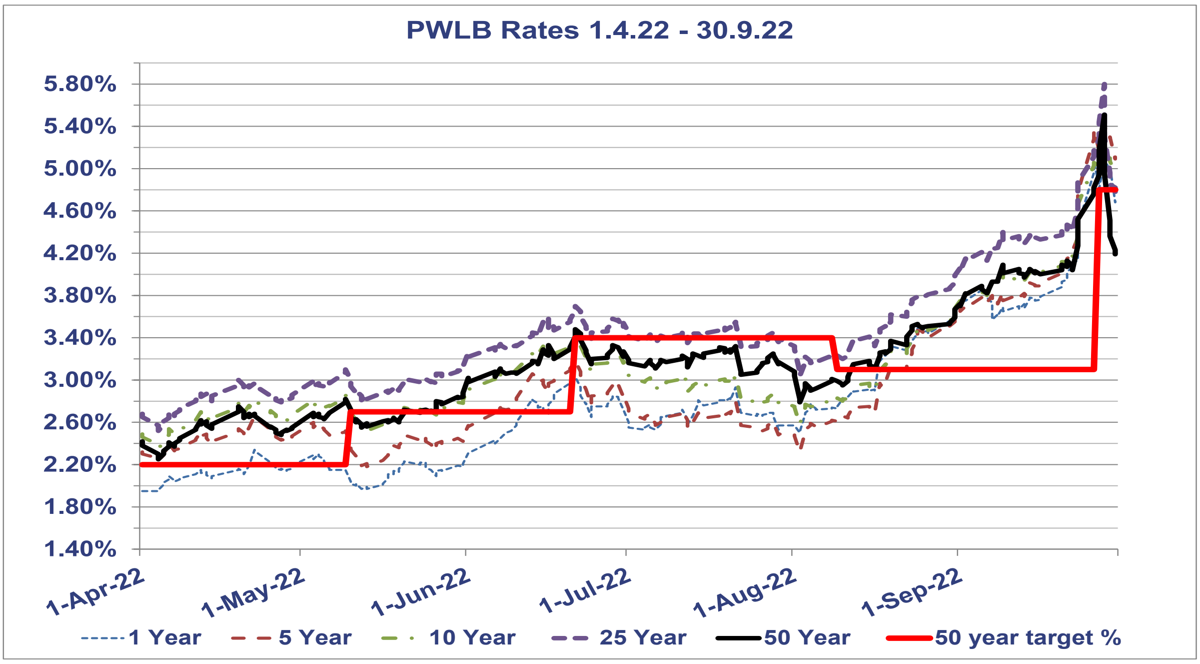
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

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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