Resources and Fire & Rescue Overview and Scrutiny Committee

Date: Wednesday 22 February 2023
Time: 2.00 pm
Venue: Committee Room 2, Shire Hall

Membership

Councillor Adrian Warwick (Chair)
Councillor Parminder Singh Birdi (Vice-Chair)
Councillor Sarah Boad
Councillor Piers Daniell
Councillor Sue Markham
Councillor Caroline Phillips
Councillor Will Roberts
Councillor Richard Spencer
Councillor Robert Tromans
Councillor Peter Gilbert

Items on the agenda: -

Up to 30 minutes of the meeting is available for members of the public to ask questions on any matters relevant to the business of the Overview and Scrutiny Committee. Questioners may ask two questions and can speak for up to three minutes each. To be sure of receiving an answer to an appropriate question, please contact Andy Carswell (Democratic Services) at least two working days prior to the meeting.

Up to 30 minutes of the meeting is available for the Committee to put questions to the Leader and Portfolio Holders on any matters relevant to the remit of the Overview and Scrutiny Committee.

11. Any Urgent Matters

At the discretion of the Chair, items may be raised which are considered urgent (please notify Democratic Services in advance of the meeting).

12. Reports Containing Exempt or Confidential Information

To consider passing the following resolution:

‘That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 5 of Schedule 12A of Part 1 of the Local Government Act 1972’.

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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- Declare the interest if they have not already registered it
- Not participate in any discussion or vote
- Leave the meeting room until the matter has been dealt with
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting

Non-pecuniary interests relevant to the agenda should be declared at the commencement of the meeting.

The public reports referred to are available on the Warwickshire Web https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1

Public Speaking
Any member of the public who is resident or working in Warwickshire, or who is in receipt of services from the Council, may speak at the meeting for up to three minutes on any matter within the remit of the Committee. 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.

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Resources and Fire & Rescue Overview and Scrutiny Committee

Wednesday 14 December 2022

Minutes

Attendance

Committee Members
Councillor Adrian Warwick (Chair)
Councillor Piers Daniell
Councillor Caroline Phillips
Councillor Richard Spencer
Councillor Robert Tromans
Councillor Peter Gilbert
Councillor Bill Gifford

Officers
Rob Powell, Strategic Director for Resources
Barnaby Briggs, Assistant Chief Fire Officer
Andy Carswell, Democratic Services Officer
Louise Church, Customer Relations Team Lead
Andrew Felton, Assistant Director - Finance
Spencer Payne, Service Manager (Business Intelligence)
Steve Smith, Assistant Director - Commissioning Support Unit
Nichola Vine, Strategy and Commissioning Manager (Legal and Democratic)

Others Present

Councillor Peter Butlin (Portfolio Holder)
Councillor Andy Crump (Portfolio Holder)

1. General

(1) Apologies

Apologies were received from Councillors Sarah Boad, Andy Jenns, Sue Markham and Will Roberts. Councillor Bill Gifford was attending as a substitute for Councillor Boad. Apologies were also received from Ben Brook.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

None.

(3) Chair's Announcements

The Chair said members of the panel sent their best wishes to Councillor Wallace Redford, who had been taken ill during the meeting of Full Council the previous day.

(4) Minutes of Previous Meeting

The minutes of the meeting held on 11 October 2022 were agreed as an accurate record.

2. Public Question Time

There were no questions from members of the public.

3. Questions to Portfolio Holders relevant to the Overview and Scrutiny Committee

There were no questions to portfolio holders.

4. School Admissions Update

The verbal update was given by Rob Powell (Strategic Director, Resources), who explained there had been difficulties with in-year school admissions at the start of the new school year. The situation had since stabilised and work to improve the long-term position was well underway. Rob Powell said however that the issues that had arisen were unacceptable and he issued an apology to all those who had been negatively impacted by the difficulties encountered at the start of the term.

Rob Powell said Warwickshire was a county with good schools and good levels of educational attainment, and outlined the entirety of the work undertaken by the admissions service, which was much wider than the in-year admissions (8,260 in 2021/22, an increase from the 5,200 in 2020/21), which had been the subject of the challenges at the start of the Autumn term. This included the main transfer round for primary and secondary schools, and those moving from infant to junior school (17,500 applications for the 2023 school year). The team also oversaw 2,500 11+ tests for grammar school places. He explained that although the majority of parents were able to get the offer of a place at one of their top three preferences (90% of primary parents got their first choice, 97% one of their top three; 82% got their first choice secondary place and 94% one of their top three), strict entry criteria meant that unfortunately not everyone's preference could be accommodated. There was an appeals process available, of which 8 per cent and 11 per cent had been successful in 2021 and 2022 respectively.

As a result of problems with the way the service had previously been delivered, the service introduced some fundamental and important changes to the in-year process ahead of the summer holidays, but this was not planned or executed effectively and led to some significant problems at the start of the school term. The challenge was exacerbated by very high volumes of applications, in part due to people moving into Warwickshire, and issues obtaining data on school places from schools which was not planned effectively. Rob Powell said the Chief Executive had commissioned a review of what had happened, to ensure the lessons were fully learned. This report was scheduled to be completed by February. He said communication had not been clear enough and responses had not been quick enough because of the volume of contacts, and he reiterated his earlier apology for the poor service. He reassured the Committee that once the issues were identified additional resources were put in place and the backlog of cases was able to be cleared relatively swiftly.

Members were told a new batch processing system had been implemented, which used auto-allocation, and would make the process faster, fairer and more transparent. This new approach relied upon receiving information from all schools about available places in a timely manner, with data from 99 schools missing in late August. Rob Powell said this had not happened in sufficient time. Once the issue was identified in late August, schools had been helpful in rapidly providing the data by 5 September. There was a backlog of 1,657 children who had not been allocated a school place by the start of term; the team worked incredibly hard to process these applications at pace and all secondary school allocations had been cleared by September 9 and those for primary schools were completed by September 16. Most significantly, there was a poor decision to ‘hold back’ until September applications received in the latter part of the summer term, which should have been escalated.

The new process had now bedded down and was starting to show positive effects, although there was further work to do. The team had made over 2,700 offers this term. Problems with the response to calls and emails had been addressed by recruiting additional call handlers through the Customer Service Centre and training them to deal effectively with incoming calls about admissions, creating more capacity for the Council’s specialist admissions officers to deal with the more complex activity working with families, carers and schools.

Systemic factors were the main driver for the decision to move the service back into Education Services from the Resources Directorate, with effect from 1 January 2023. This would provide further improvements through closer alignment with other relevant and inter-dependent services, including commissioning, sufficiency, school transport, fair access and other key dependencies. This change would also underpin ongoing implementation of the Council’s longer-term change work.

Rob Powell then explained the longer-term changes being introduced to improve the admissions transfer process. This has involved work with parents, carers, schools, early years settings and professionals. An improvement plan, involving organisational development support for the team, would help further develop the team’s skills, knowledge and culture, and improve the data available to support the process. This identified that over 90% of families apply relatively easily and get one of their top three choices, but 10% often need additional support to overcome challenges. Parents often lacked the information they needed to make good choices, often leading to unrealistic expectations, conflict and resource challenges. The application portal on the website had been redesigned to provide better information on schools and provide access to support parental choices. Rob Powell said schools often set their own admissions criteria and it was important parents understood the relevant criteria for each school and the likelihood of being offered a place. Often school places would be determined by distance to the school from the child’s home address. Webinars explaining the application process and giving advice to parents had taken place during the transfer window, and these had been attended by around 1,500 parents. Videos had been produced to help parents navigate the applications process for primary and secondary applications, and had received over 3,600 views since their launch in August. Early data on the transfer process suggested parents and carers had found the experience of choosing a school easy (with a score of 3.86 out of 5), and felt well informed about their school choices when submitting their applications (3.91 out of 5).

Councillor Pete Gilbert said he hoped lessons would be learned, not just to cover the short-term issues but also to address longer-term concerns. He said children should have the option to travel across the county to attend better performing schools if possible to improve their educational attainment, but also other options should be opened to those who were less academically gifted. Rob Powell said that gaps in educational attainment were a key priority in the recently approved countywide approach to levelling up.

Responding to points made by Councillor Bill Gifford, Rob Powell said that during the summer specific cases had been expedited wherever possible. By the time of the school census day, the service had cleared the backlog of applications. Rob Powell said communication and engagement with schools had improved as a result of the issues over the summer.

Responding to a point raised by Councillor Robert Tromans, Rob Powell said parents would be able to find a school's admissions criteria on the revamped website. He reiterated that entry criteria often varied from school to school. Councillor Peter Butlin said there had been an almost unprecedented number of in-year applications. This had led to an increased demand for home to school transport, which put constraints on resources and finances. Councillor Butlin stated his belief that parents would sometimes select a school without taking into account the transport implications.

In response to a question from Councillor Rik Spencer regarding school admission appeals, Rob Powell said some parents would only put down one preference on their application and this could potentially put them in a difficult situation if they were unsuccessful. It was important to make parents aware of making more than one preference to minimise potential frustration. Rob Powell said he was unaware how many parents who submitted an appeal had been allocated their second preference school, but would endeavour to include this in the February paper on admissions.

In discussions following a question raised by Councillor Caroline Phillips, members were told that Warwickshire was a net importer of pupils. Distance from the school was one of the admissions criteria which could sometimes mean that children from outside Warwickshire would be given a place over a child living inside the county if they lived closer to the school. Councillor Phillips stated her belief that this was unfair on children living in Warwickshire. Rob Powell emphasised the strict legal requirement to apply the admissions criteria fairly to all children who have applied for a place in a particular school.

Responding to a question from Councillor Gilbert, Rob Powell said there had not been any issues with people being unable to access the Council's admissions portal and said he was confident this would continue to be the case.

5. Council Plan 2022-2027 - Quarter 2 Performance Progress Report

The item was introduced by Andy Felton (Assistant Director, Finance), who explained the report focused on four main areas: key business measures; the integrated delivery plan; finances; and organisational risk. He said various factors had created a lot of volatility, meaning there was currently a lot of uncertainty relating to areas that fell under the remit of the Committee. Among these were issues relating to cost of living, and this was reflected in the report. Despite this, performance was good and the majority of key business measures were on track to be delivered. Andy Felton highlighted the sections of the report where performance levels had been good, and where there were areas of challenge.

Members were told there were 55 actions relating to the integrated delivery plan. Of these, two per cent had been completed, five per cent had not yet been started, and 17 per cent showed levels of risk or compromise. These were highlighted in the report, and the reasons why they presented a risk were included.

Andy Felton said there was an underspend of £1.8million in the finance areas relating to the remit of the Committee. Most of the underspend related to the Enabling service, and this would be carried forward to the next financial year. Overall however the Council had an overspend, although capital spending was broadly on track. Two key strategic risks had been identified; these were the slowdown in the economy and increased inflation, and the associated impacts of cost of living; and service risks associated with the Fire and Rescue Service, relating to availability of on-call firefighters and capacity to deliver the protection plan.

Responding to a question raised by Councillor Phillips relating to schools going into deficit, Andy Felton said there had been a high level of overspend in relation to the schools' high needs block. A number of schools had reported having deficit issues. However the Chancellor had recently announced additional resources of £2.3billion for the next financial year and the same amount for the following year, and it was anticipated that this would address the financial problems schools were having.

Members noted the contents of the report.

6. Resources and F&R OSC Customer Feedback Report 2021/22

The item was introduced by Louise Church (Delivery Lead, Admissions). She explained that customer feedback was broken down into complaints, comments, questions and compliments. During 2021/22, 75 per cent of cases were closed within the appropriate service level agreement. This was ahead of the target of 70 per cent. A higher proportion of complaints were being made digitally. Louise Church said that 82 per cent of complaints were in relation to communication, physical environment issues, and protection of users. Louise Church said there had been an overall 21 per cent increase in complaints. Although the Communities directorate had seen a 12 per cent decrease, the Resources directorate had had a 56 per cent increase and People had had a 44 per cent increase. Better staff training and planning had been implemented to improve the timescales associated with dealing with complaints. Louise Church said there had also been an increase in the number of compliments that had been received. She said 69 per cent of the compliments received related to the People directorate.

Councillor Tromans said an increased number of complaints was a reflection that the Council was engaging better with people, rather than brushing their complaints to one side. He noted there were around 1,100 complaints that did not appear to have had an outcome yet, and asked for more information on this. It was agreed that a further analytical breakdown of complaints would be provided at a future meeting.

Councillor Gilbert said he had an issue with residents being referred to as customers, as they did not have a choice other than to use the Council's services. He asked if the way the data was managed would be looked at. Louise Church said work was being done on making information more accessible to people.

Members noted the contents of the report.

7. WFRS Performance Benchmarking 2021/2022

The item was introduced by Barnaby Briggs (Assistant Chief Fire Officer). He stated that although the report was collated and compiled by Warwickshire County Council's business information team, it was also reliant on nationally-obtained data from other sources and the quality of the data could not be verified by the team. Barnaby Briggs said the report reinforced the value of the prevention strategy, and this was reflected in the relatively low number of incidents the Fire and Rescue Service was called to. The prevention strategy applied to service control, where callers would be challenged to see if a fire crew needed to be dispatched. Warwickshire was the best performing fire service per capita in relation to accidental house fires.

It was noted there had been a rise in the number of fire-related deaths, which was attributed to an increase in the number of people using this method to commit suicide. Barnaby Briggs said the Fire and Rescue Service was working with other agencies to identify at-risk people; however there was little preventative work that could be done if someone came from outside the county with the intention of committing suicide. The highest level of risk came from road traffic collisions. Barnaby Briggs said this was the most significant outlier, and reasons for this were contained within the report. The Chair noted there would be a disproportionately high number of road traffic collisions in the county because of the amount of motorway.

Councillor Gilbert said WFRS was a resilient service that faced many challenges, and was a fantastic resource. Councillor Daniell noted that WFRS had been the first emergency service to respond when Councillor Redford had been taken ill the previous day.

Councillor Daniell asked what work was being undertaken in relation to reviews of business premises. Barnaby Briggs said a previous government had undertaken to reduce fire protection inspections of business premises being carried out by Fire and Rescue Services. When this decision was reversed, there were limited numbers of trained inspection officers. The situation was compounded by Covid delaying officer training. However the situation had now improved and officers had been suitably well trained that they were able to make a solo inspection; until now inspections had been carried out by more than one officer. This was helping to clear the backlog of required inspections.

Members noted the contents of the report, and stated they had full confidence in WFRS to protect residents.

8. Voice of Warwickshire residents' panel - Project Update

The item was introduced by Spencer Payne (Service Manager, Business Intelligence). He reminded members the panel had been set up to engage residents over policy matters, and a request had been made to provide an update after the panel had been running for 12 months. Spencer Payne said the work the panel had been undertaking over the past year was outlined in the appendix to the main report. It was felt that good intelligence had been provided by the panel and they had provided a positive contribution that had helped to influence policy making, particularly in relation to the sustainable futures strategy and the approach to levelling up.

Responding to a question from the Chair, Spencer Payne said officers would track who had contributed to each of the four surveys. If people had not been contributing then they would be contacted to see if they wished to continue.

Members noted the contents of the report.

9. Work Programme

Members agreed that an update on the Customer Feedback Report would be added to the work programme. The timing would be agreed at the next Chair and Spokespersons' meeting.

It was noted that the approach to the School Admissions update in February would be agreed in due course.

Members noted the contents of the work programme.

10. Any Urgent Matters

There were no urgent matters to discuss.

The Chair thanked all the officers and members involved with the Committee and wished them all a happy Christmas and New Year.

The meeting rose at 3.26pm

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Chair

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Resources and Fire & Rescue Overview and Scrutiny Committee

22 February 2023

School Admissions Review

Recommendations

That the Overview and Scrutiny Committee:

1. considers and comments on the Review of the in-year school admissions process (Appendix 1);
2. asks the Chair to share the Review with the Chair of the Children and Families Overview and Scrutiny Committee;
3. notes the position in respect of legal powers in respect of school admissions (Appendix 2); and
4. notes and comments on progress with the systems review of the Admissions Service.

1. Introduction

1.1 In February 2022, we reported on the work and plans to improve our arrangements for school admissions. Since then, over the summer of 2022, there were significant problems with in-year admissions process, which culminated in unacceptable service levels and challenges for pupils, parents/carers and schools.

1.2 This report builds on a verbal update provided to the Committee on 15 December 2022, and shares the Review of In-Year Admissions, commissioned by the Chief Executive and undertaken by senior officers on her behalf. It explains what happened, reports the main findings of the Review, and sets out the improvement programme for school admissions.

1.3 Until 1 January 2023, the Admissions Service was delivered by the Business Support team, commissioned by Education Services, who were responsible for setting policy and strategic direction, and overseeing service delivery, resourcing and performance.

1.4 From 1 January 2023, the service was transferred to Education Services to ensure there was a more integrated approach to providing school places combining admissions, school sufficiency planning and the schools capital programme.

1.5 The school admissions team undertakes the following activity:

- processing the main annual transfer application process for children entering primary and secondary education, and transferring from infant to junior school (over 18,600 applications for school year 2023);
- 11+ testing for grammar schools– c2,500 for school year 2023 (620 places);
- In-year admissions (8,260 in 2021/22, 5,200 in 2020/21), where a child moves into the County or wishes to change school during a school year, many of whom have an existing school place. These can be especially challenging cases as most school places are taken and there can be a mismatch between parental preference/expectation and places we can offer (given constraints in terms of statutory class size limits for infant classes and the flexibility schools can offer); and
- the team is also required to provide supporting information for the appeals process where parents appeal the outcome of their application (1,221 appeals lodged during the 2021/22 academic year; of these 645 were heard and 122 of them – 19% - were upheld).[1]

1.6 Most school places are allocated during the main school transfer window. These processes went well in 2021, reflecting changes introduced as part of our change programme, and the secondary transfer process for 2022 has gone well again.

1.7 It is important to note that as an Authority we are bound by the Schools Admissions Code which requires us to process applications in a fair and equitable manner and in line with regulations set out in the Code, with some differences between arrangements for academies and maintained schools.

1.8 As an authority we have a statutory duty to ensure there are sufficient school places available. This paper does not include details on our sufficiency strategy as this is covered within our Sufficiency Statement, last approved on 10th November 2022 by Cabinet. The Statement provides details of places, vacancies and pressure points across Warwickshire at planning area level and our plans to address any shortfalls. The current statement runs to 2028.

2. The background to the In-Year Admissions Review

2.1 The Review (Appendix 1) outlines the problems that occurred with service delivery in the summer of 2022, and the key reasons for them.

2.2 As a result of problems with the way the service had previously been delivered, the service introduced some important but high-risk changes to the in-year process ahead of the summer holidays. These changes moved from

[1] At the meeting in December 2022, the Committee asked whether we knew the percentage of appeals getting their first, second or third choice. We only have the percentage of appeals that are upheld. The appeal relates to a single, specific offer, not necessarily a first choice, and the outcome of the appeal determines where the child goes to school, so even if we held the data, it would not be a reliable basis for interpretation.

processing applications on a manual, case-by-case basis, which did not look at all applications in the round, to a process of fortnightly batch processing of all in-year applications, which should provide a significantly quicker, fairer and more transparent process.

2.3 Although the changes to the process were important ones intended to address prior challenges with in-year admissions, the change was not planned or executed effectively, nor was it escalated quickly enough to senior officers given the level of risk involved. This led to some significant problems at the start of the September 2022 school term, in particular as a result of an inappropriate decision to hold 450 applications from early June and only process them later in the summer within the new process.

2.4 This was exacerbated by very high volumes of applications, in part due to people moving into Warwickshire, and issues obtaining data on school places from schools, which was a key requirement for the new process but was not planned effectively. At the Committee's meeting in December, Councillors asked about the extent to which the Council can prioritise Warwickshire residents in allocating school places. The legal position is that we are legally bound to work to the school over-subscription criteria and cannot discriminate in favour of Warwickshire residents.

2.5 Towards the end of the school holidays, in late August, the risks to effective delivery of the new process became visible to senior officers, when it became apparent there was a significant gap (99 schools) in the school place data we had collected from schools. Urgent action by Council teams, with considerable help from schools, secured the data for all schools by 5 September, and the backlog of 1,657 applications was processed by-mid September (secondary applications by Friday 9 September and the primary applications by 16 September).

2.6 As a result of the problems the poorly managed changes created, the Council's communications with parents, carers and schools were not clear enough and created confusion. This led to extremely high call and email volumes which the team was unable to manage adequately given the need to process the backlog at pace and bed in the new system.

2.7 Since September, we have run 13 fortnightly batch processes, and have significantly stabilised the new in-year process which is now working more effectively, making a total of 2,742 offers during the Autumn term.

2.8 The team has also improved the response to calls and emails through recruitment of additional call handlers through the Customer Service Centre, creating more capacity for specialist admissions officers to deal with more complex activity and proactive work with parents, carers and schools.

2.9 It is also important to stress that some admissions casework reflects wider systemic issues in terms of school places and parental preference/expectation, especially at a time of particularly high numbers given the number of children requiring a school place coming into the County.

2.10 Although the percentage of parents receiving one of their top three preferences is high (97% of primary parents receive one of their top three choices, and 90% their first choice; 94% of secondary parents receive one of their top three choices, with 82% their first choice), there are always some disappointed parents who do not get their first choice.

2.11 These systemic factors are the main driver for the decision to move the service back into Education Services from the Resources Directorate with effect from 1st January 2023. This change aims to provide further improvements through closer alignment with other relevant and inter-dependent services, including commissioning, sufficiency, school transport, fair access and other key dependencies. This change will also underpin ongoing implementation of our longer-term change work.

3. The findings of the In-Year Admissions Review

3.1 The Review can be found at Appendix 1. The key findings about the causes of the problems are:

3.1.1 high demand for in-year applications, caused in some part by increasing demographic movement into the County and children arriving into Warwickshire through the Homes for Ukraine scheme; this was compounded by an inappropriate service decision in June to place on hold 450 applications;

3.1.2 the decision, without proper governance, planning and change management, to deploy an untested automated process for in-year admissions;

3.1.3 a lack of consistent and appropriate communication with families and schools; this left them unclear as to the status of their application and next steps, causing levels of demand on phone lines and email which could not be managed, and understandable frustration and upset;

3.1.4 the Council and schools not sharing timely data and school place availability;

3.1.5 a lack of live data and management information to enable effective oversight of service performance; and

3.1.6 unclear responsibilities and accountabilities for the admissions process, which contributed to problems with leadership and direction of the service.

3.2 The Review sets out the actions being taken to address the problems:

3.2.1 designating a single ‘go to’ lead officer for all aspects of school sustainability, including admissions;

3.2.2 review, once Government policy is clear and the new operational process fully embedded, whether the Council should continue to provide in-year admissions services for which it is not the admissions authority;

3.2.3 reducing ‘failure demand’ by changing the purpose and focus of the admissions service, allowing admissions officers more time to process applications through more effective arrangements to handle incoming calls;

3.2.4 building clearer accountability for the admissions service in the wider context of school sufficiency; the first step towards this has been taken by moving the service into Education Services;

3.2.5 making it easier for families to apply for a school place by simplifying the admissions process, in particular by integrating school places, transport and Free School Meals into a single application process;

3.2.6 support the career development of service leaders, and consider the structure of teams; and

3.2.7 building better relationships between the Admissions Service and schools.

3.3 The Review recommends that the Admissions Service publish an improvement plan incorporating the recommendations of the Review by the end of March 2023, for delivery by March 2024. This will require input from various Council services and a strong, one Council approach.

4. The Admissions Systems Review project

4.1 In the first half of 2022, the service has been working with key stakeholders to understand and redesign the overall system and process for school admissions. This work was focused on the transfer process rather than in-year admissions.

4.2 The team used existing data, surveys, focus groups webinars and other methods to understand demand on the admissions system and where problems existed. We worked with parents, carers, schools, early years settings wider education colleagues and other professionals such as those in our Children and Families services.

4.3 This identified that over 90% of families apply relatively easily and get one of their top three choices, but approximately 10% often need additional support. Parents often lacked the information they needed to make appropriate decisions, often leading to unrealistic expectations, conflict and resource challenges. What matters most is being able to:

- visit schools and meet staff;
- easily compare schools;
- access clear information, helping them to understand the likelihood of being offered a place at their preferred schools and their ability to transport their child to the school; and
- having quick and effective responses to any questions.

4.4 As a result, we are redesigning the service around a simple purpose of ‘Helping me (parent/carer) decide and secure a suitable place (for my child) to learn.’ This will be a more proactive and coherent approach, that provides families with all the information they need to know to express well-informed preferences, for example school transport which is an important factor for consideration. The new approach focuses on helping people, especially those likely to be the more complex cases, and aims to reduce the impact of the 10% of more complex cases on the system by reducing appeals and increasing the likelihood of a successful application.

4.5 We have worked with families to redevelop our website and application portal, by:

a) improving our home page, with simpler information and improved navigation;
b) providing a timeline and step by step instructions on each application stages;
c) providing information to help parents decide including open day information; and
d) upgrading our application portal to take advantage of improved functionality, using more family-friendly language and considering the steps parents take whilst making their application.

4.6 Our most popular schools receive more applications than places available. Where this happens, we are required to apply criteria that can be difficult for families to understand. This is because academies can set different criteria to maintained schools, so that some schools may place greater importance on siblings, location, faith, or other characteristics. This year we changed our approach by providing information from the previous year to help parents understand what criteria children had been accepted with.

4.7 We have also provided new materials to improve information available to parents to help them apply for a school place. This has included:

a) a guide for parents and carers;
b) producing videos to help parents navigate the application process for both Secondary and Primary applications, with over 3k views of the secondary video since times since its launch in August 2022 and 641 views of the primary video since its launch on 1st November 2022; and
c) hosting webinars to help families and schools during the application window which included over 1,500 parents accessing an 11+ session and

over 500 parents accessing the secondary school sessions.

4.8 We learned that families access information about school places from various sources and that professionals who work with parents and carers are often best placed to help families most in need of support. To help professionals support parents with admissions issues, we have:

a) produced a guide for professionals to support parents and carers;
b) worked directly with teams, especially Early Help and Family Information Services to identify families that may need extra support;
c) developed an advocate model that allows professionals to help those families most in need of help to apply for a school place;
d) spent time with schools and early years providers through our consortia network to discuss how they can support families during applications; and
e) hosted webinars for schools to help them work with those families in Years 5 and 6 to help encourage or support them with their secondary application. 42 schools attended, and all have received copies of the webinar to view in their own time.

4.9 To demonstrate impact, we have developed a set of measures, aligned to our purpose to help us understand where our changes are working. As we roll-out our changes we are baselining performance so that we can compare year-on-year. We are building metrics into key processes and interactions with parents. It will be difficult to measure the impact of the above changes until we have been able to provide a ‘suitable school place’ in Spring 2023.

4.10 For secondary applications in Autumn 2022, the average feedback about ‘how would you rate your experience of choosing which schools to apply for a school place?’ on a scale of 1-5 (where 1 = very difficult, 5 = very easy), the average score was 3.86. Similarly, for ‘how well informed did you feel when you submitted your application (where 1 = very uninformed, 5 = very informed), the average rating was 3.91.

5. Financial Implications

The Admissions Service is funded from the Central School Support block (CSSB) of the Dedicated Schools Grant (DSG). The increase in capacity in the Service needed to manage both demand and the transformation programme means the contribution from the CSSB to fund other Council activity in support of schools and pupils is reduced. As a result, the 2023/24 budget, approved by Council on 7 February 2023, included a one-off allocation of £266,000 to offset the loss of the contribution from the DSG to the Council's overheads as a result of the need to provide additional temporary capacity to support the transformation of the Admissions Service. Once the transformation set out in the report is implemented this contribution will no longer be required."

6. Environmental Implications

None

7. Timescales associated with the decision and next steps

7.1 An improvement plan will be produced by Education Services for delivery by April 2024.

7.2 Primary applications recently closed on 15 January, with offers to be made on 17 April.

7.3 Secondary offers will be made to families on 1 March.

Appendices

Appendix A – Review of Schools In-Year Admissions Process
Appendix 1 of Appendix A – Service performance – comparison with other county councils
Appendix 2 of Appendix A– Note on legal position on admissions (exempt item)

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Local Member(s):
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Appendix A

Review of Schools In-year Admissions Process

1. Review of the Schools 'In-Year' Admissions Process: Terms of Reference

Following significant challenges with the 2022/23 In-Year Admissions process at the start of the September term, the Chief Executive called for an urgent review. The purpose of the review is to determine the cause of the problems and to ensure that changes are made to prevent future recurrence. The Chief Executive has instructed the Strategic Director for Resources to expedite the Review and to report findings and recommendations for improvement by 30th November 2022. An action plan is to be produced to deliver change and improvement.

Terms of Reference for the Review:

- To map the end-to-end process for in-year admissions and identify any failure points.
- To review decision-making governance arrangements within the Service. To determine where decisions were taken which led to the challenges.
- To review the arrangements for escalation of concerns within the Admissions Service, and to determine why escalation did not take place to raise concerns with senior managers.
- To clarify accountabilities and responsible roles within the Admissions Process: specifically, the roles and responsibilities of Schools, Officers and Parents/Applicants.
- To review service arrangements for management of change, including an assessment of service change-leadership; skill levels; governance; risk management and project management.
- To review the Service's approach to performance management including that of process and people.
- To review the capacity of the Service and the sufficiency of staffing to run the in-year Admissions Process effectively and efficiently.
- To review the Service's arrangements for communications. This to include communications with Schools, Parents/Applicants, and other relevant services within the County Council.
- To document the Service's approach to Data Management including commissioning, storage, quality assurance and security.
- To review the Service's approach to Customer Relationship Management including service standards for handling and responding to, customer contact and enquiries.

Monica Fogarty, Chief Executive. 20th September 2022

2. Background

The school admissions team undertakes the following activity:

- processing the main annual transfer application process for children entering primary and secondary education, and transferring from infant to junior school;

- 11+ testing for grammar schools;
- processing applications for in-year admissions, where a child moves into the county or wishes to change school during a school year, many of whom have an existing school place; and
- supports the appeals process where parents appeal the outcome of their application.

Until 1 January 2023, the Admissions Service was delivered by the Business Support service in the Resources Directorate, commissioned by Education Services who were responsible for setting policy and strategic direction, and overseeing service delivery, resourcing and performance.

From 1 January 2023, the whole service transferred to Education Services to ensure there was a more integrated approach to providing school places combining admissions, school sufficiency planning and the school capital programme.

Most school places are allocated during the main school transfer window. These processes are generally working well, reflecting changes currently being introduced as part of our change programme which is redesigning the main admissions process around a simple purpose ‘helping me (parent/carer) decide and provide a suitable place (for my child) to learn’. This wider change is outside the scope of this Review. Although the percentage of parents receiving one of their top three preferences is high (90% of primary parents receive their first choice, 97% one of their top three; 82% of secondary parents receive their first choice of secondary school and 94% one of their top three), there are always some who are disappointed parents who do not get their first choice.

3. The Challenge

The problems seen in the Summer of 2022 were caused by a number of related factors:

3.1 high demand for in-year applications, caused in some part by increasing demographic movement into the County and children arriving into Warwickshire through the Homes for Ukraine scheme; this was compounded by an inappropriate service decision in June to place on hold 450 applications;

3.2 the decision, without proper governance, planning and change management, to deploy an untested automated process for in-year admissions;

3.3 a lack of consistent and appropriate communication with families and schools; this left them unclear as to the status of their application and next steps, causing levels of demand on phone lines and email which could not be managed, and understandable frustration and upset;

3.4 the Council and schools not sharing timely data and school place availability;

3.5 a lack of live data and management information to enable effective oversight of service performance; and

3.6 unclear responsibilities and accountabilities for the admissions process, which contributed to problems with leadership and direction of the service.

4. Review recommendations

The report makes several recommendations. Should the recommendations be endorsed, the Review Team will support leaders within the Service and the systems change project, to design and implement an action plan for improvement for Corporate Board's approval.

5. Specific Recommendations

1. Designate a single officer to be accountable for all aspects of school sustainability, including admissions. This officer should adopt the role of "champion of parents and children", understand the Admissions Code and be empowered to lead this vital Council service to improvement and sustainable performance.
2. Review provision of the in-year admissions service. The demand created by in-year admissions is high. WCC is not obliged to provide this service for all schools and could, subject to Government education policy being clearer, consider giving responsibility back to those schools for which we do not statutorily need to provide the service.
3. Reduce failure demand. Admissions officers should spend more time on processing applications. The standard approach of other councils is for permanent call handlers in the Customer Contact Centre handling most admissions calls.
4. Clear accountability for admissions. The admissions service requires designation of responsibility for the commissioning and delivery of admissions in the wider context of sufficiency, and work to align these colleagues with those responsible for school transport provision, to deliver the most integrated service to families.
5. Simplify the application process. It should be easier for families to make an application. Families applying for a place for their child should expect their application for a school place, transport, and Free School Meals, to be handled seamlessly, in one contact.
6. Support leaders to develop and succeed. Support the career development of the service leaders to develop the skills required to deliver these recommendations. Assistant Directors should also consider the structures of their teams, including the span and scope of their organisations.
7. Build better relationships between the Admissions Service and schools. The team need relationships with schools to be one of partnership, working together to place children.

The recommendations of the Review need to be addressed in an improvement plan which needs a strong one-Council approach to delivery. The Admissions Team is subject to several reviews and change projects. The Improvement Plan must integrate and respond to the observations and recommendations of these multiple processes. The Improvement Plan should phase activities over the next 12 months with rigorous and regular progress checkpoints.

6. Conduct of the Review.

A review team was established which consisted of senior officers from the Resources Directorate and subject experts drawn from two other county councils. The Review was led by senior officers reporting to the Chief Executive.

The Review took place between October and December 2022. The process comprised of meetings and interviews with:

- admissions service staff;
- admissions service management;
- commissioning support unit officers;
- schools;
- elected members;
- parents of affected families; and
- other council officers key to the delivery of the admissions process.

The Review Team gathered best practice from other county councils who deliver the admissions process well, and in compliance with the D*f*E Admissions Code.

The Review explored the change decisions taken by the Service in the summer of 2022.

The Review Team sought data and management information which was described as supporting the management decision of that time, including the decision to implement a new system.

7. Analysis and Findings.

Applying for a school place, particularly an in-year admission, can be a stressful and challenging process. There is much uncertainty for families and their children. It is important that we make this experience as smooth and simple as possible, demonstrating empathy and understanding.

What happened in the summer of 2022?

The decision to move from the manual in-year allocation process to the current auto-allocation process was taken by the admissions service management at the end of May 2022, for processing of cases from 1st September 2022. The change (move to auto-allocation) can generally be explained as a change to how school place vacancies and applications were matched. The manual process (pre-summer 2022) relied on officers processing each application individually; the auto-allocation batch process should be quicker, fairer and more transparent by using current vacancy data for all 256 schools in Warwickshire to ask *Synergy* (the IT system for education services, including Admissions) to match applicants to them.

Although the Service took the decision to change the process, the failure to collect vacancy data from all schools before the start of the 2022 summer holidays meant that the allocation of school places could not run automatically. Therefore, the Team had to wait until early September 2022, when the schools reopened, to collect the data and allocate school places. This was the first failure point leading to the summer 2022 issues.

For the 450 families who had applied for an in-year place in June for September 2022, they were expecting (as told to them when they applied) for their applications to be processed by the 21st of June. In reality, they waited until 9th (all secondary) and 16th (all primary) September to receive an offer of a school place for their child. The stress to families and children was further compounded by a poor communication to explain the situation and the timescales they could expect.

The Service only raised the situation with the senior leadership of the Council in late August.

Over the course of ensuing days, the number of complaints increased. Complaints became two-fold:

Family concern about the delay in receiving confirmation of a school place ahead of the beginning of the new school term; and

Understandable anger and frustration at the inability to get through to the Service by 'phone or other means, as a result of the very high demand for updates. Admissions officers did their best to respond but had to balance dealing with calls with the urgent work to process the backlog of applications.

Senior leadership of the Council intervened to manage the situation, rapidly securing data from all schools, and processing all secondary applications by 9 September and primary by 16 September, 1,657 in total.

A plan for recovery and communications was implemented. Schools were contacted to determine availability of places and applications were processed.

6.1 Decision-making and Management of Change.

The decision to introduce a new 'batch processing' approach to admissions applications was taken in isolation, within the Service without reference to or authorisation from senior management within the Council. A lack of effective change and risk management coupled with no systems testing or provision for service continuity meant that the overall admissions process experienced a serious service failure. In a bid to understand how the decisions were taken in summer 2022, the Review Team sought data and management information which informed the decision at that time. It became apparent that no such management information existed.

The change to the in-year admissions process made in summer 2022 was a significant and high risk one. It moved from individual applications being managed when they arrived by a single admissions officer, who liaised with schools and parents to allocate a place, to a bulk system approach, where places and children were matched in a fortnightly batch process through an auto-allocation model. This approach offers significant long-term benefits compared with the old model but moving from one to the other was a complex undertaking that required rigorous, effective change management and communication.

The service management considered the transition to auto-allocation of places as business as usual rather than a 'change' project. With hindsight it is clear that a considered change management approach would likely have prevented the issues that arose in summer 2022. In reality, the changes were made without following standard change processes such as thorough planning, IT systems testing, communication to schools, affected teams and parents, impact assessment and risk analysis. The Review Team asked for project documentation to evidence this and was told none existed. Testing of the auto-allocation system in advance of the event may have highlighted that the lack of data should have halted the switch-over. An impact assessment on families, schools and colleagues of potential failure would have highlighted the high-risk potential of the change on them, and plans could have been created in accordance to deal with each scenario. A more thorough risk assessment would have identified legal risks of holding back the 450 cases in June, which led to breaches of Admissions Code timescales.

6.2 Relationship with Schools.

The Admissions Service relationship with schools has been referenced by several officers as having been historically poor. This likely contributed to missing data on school places and children. Schools had not consistently provided place availability in sufficiently good time ahead of the summer break. With an inability to access such information over the holiday period, and with the usual problems processing applications over the summer holidays because of the need to engage with schools, the Admissions Service could not process applications until the schools returned.

Officers in the review noted that the Admissions Service had a remote approach to schools, not wanting to burden or upset them. Building a more collaborative culture with schools would benefit families and the service the Council can deliver.

Communication messages were sent frequently to schools from 10th June. These came from different members of the Admissions leadership to different members of schools' staff, to ask for different actions to be carried out. There was a significant gap in communications until 18th July 2022, the final week of the school year. This gap of 21 days without chasing schools for essential data is key when considering the summer 2022 issues. It is worth repeating that this cultural resistance to contacting Warwickshire schools for information which schools are required by the 'Code' to provide within two school days, is not echoed in other Councils, who demand, expect, and receive this information.

Designated points of contact within the Service, for each school, would help build relationships and improve accountability within the Service.

6.3 Communication.

Communications with families and applicants should be clear and timely. This was not the case in 2022. The Service was not proactive, structured or focused in messaging to either parents or schools. Nor did it make appropriate use of on-line channels when parents had difficulty in contacting the Service by 'phone.

The Service did communicate in the summer 2022 period. Numerous and comprehensive communications were sent to schools and families. These however were not always timely or effectively followed up with schools; nor were they always clear or helpful enough for families.

Discussions with the Team highlight that the approach to 2022 admissions did not follow the normal well-established pattern for introducing major changes. The notable evidence for this was the Council's Communications team confirming that in 2022, there was no agreed communications plan for the change in process, as was usually the case.

Communications sent to families should have been more regular and compassionate. This is particularly the case for those 450 applicants most impacted. The Service should have demonstrated an understanding of how the lack of definitive information was impacting on them. Some emails were impersonally signed "Warwickshire School Admissions" showing a lack of empathy for the families and children.

It is positive however that the Council's reputation has been partly protected by the actions of specific colleagues. In Review conversations, one parent did share that the Council "has individuals who care(d)" and referenced a colleague as being "empathetic and caring, just brilliant" when they answered a call from them.

6.4 Performance Management.

In the absence of dynamic performance data and feedback, the Service was unable to understand fully what was happening. When the failure of the admissions process became apparent there was insufficient support in place, or capacity to allow the staff the space to respond to the difficulties. Without such support, the admissions staff bore the brunt of the service failure and had no recourse to help to manage the situation.

The responsibilities of schools, parents and the Admissions Service are clear and well established in The Admissions Code. In summary:

- <u>Schools</u> must provide the latest vacancy data for each year group in a timely way to the Council, within 2 school days. They review applications made and inform admissions officers whether they accept or reject an application. On acceptance, schools must contact parents and working with them, get the child started and settled into school.
- <u>Parents</u> are responsible for providing complete and truthful information when applying for a school place and accepting (or not) the place once it has been offered.

- The Council should aim to inform parents of outcomes within 10 school days but must in writing by 15 school days. It must liaise with schools to find a suitable school place and respond to parental questions throughout the process.

Monitoring of the performance of the Service in relation to these requirements was scant. The absence of real time performance data and management means that the Service could not easily see when there were problems. Given the stringent requirements of the Code, it is imperative that the Service monitors its performance accordingly. Timelines and decision-paths should be mapped and managed to ensure the Service is meeting its requirements. This is critical and urgent. New standing Key Business Measures have been added to the Council's performance framework to measure compliance with the Code for in-year admissions.

6.5 Capacity of the Service.

The Team carries an establishment of 17 FTE. However, the Team currently has 22.14 FTE allocated to all admissions activities. The Review Team compared levels of demand and the capacity of other admissions authorities. It suggests that other authorities are managing application volumes differently than we do. The Review Team considers that it is that the current size and shape of the Team which seems to be out of kilter with others, who have spent considerable time and energy transforming their admissions operations to remove failure demand and therefore require fewer staff. This is apparent when considering that the Councils exemplified are managing activities beyond admissions applications.

The Team's capacity has been increased in response to increasing failure demand associated with in-year admissions, without tackling the root causes. There has been positive progress redesigning the main transfer process and encouraging feedback from parents about a more purpose-driven and supportive approach to parents and families.

If failure demand does not reduce, officers are unable to give sufficient time to managing applications. Dealing with queries arising from failure demand is not rewarding work, nor does it make best use of their potential and capacity to add value to families' school choices. Officers state they were increasingly stressed, unable to raise concerns with unmet welfare needs due to the strains arising from the summer 2022 issues. These pressures have been reflected in high turnover and vacancy levels.

While the situation has had a significant impact, once failure demand is brought under control, and turnover begins to settle, the Team can begin to plan for a new phase, one of supporting families to find places, not firefight.

6.6 Data Management.

The Service's approach to the management of data was a key failure point. The challenges around data reflect issues with the commissioning and oversight of service delivery.

The Council holds many different sources of data linked to Admissions. It is unclear whether any of this data was commissioned for a purpose, or just existed because of operational activities. There is no evidence of data being joined up to give a holistic view, such as integration with wider sufficiency factors such as lack of local places, transport provision and FSM applications. There is work continuing to provide a single view of the child outside this review, but further development is necessary.

The quality and management of data collected by the service is inconsistent. The system can collect a range of data, but certain data fields are not deemed mandatory at the point of collection. These include the collection of full names, address, date of birth, school catchment area, distance to school, siblings, additional needs, FSM eligibility, any of which may be missing. This data can arrive from multiple sources including emails, post, the online portal and from telephone calls. But when data is missing it can result in an inconsistent view of the County's children.

It is the Review Team's observation that the lack of data or missing/incomplete data items has operational impact. The use of auto-allocation in Synergy will be of material benefit, but if data is missing from schools and/or parents then the automated process will suffer. In the context of the summer 2022 issues, there were numerous attempts to collect data from schools towards the end of the 21-22 school year. The data was the issue – not the system.

6.7 Customer Relationship Management.

Decisions taken in the Summer of 2022 demonstrate how the decisions made impacted directly on families' experiences.

When call volumes to the team increased, mainly from families trying to understand how their child's application was progressing, rather than address the root problem causing the calls, the Service responded by making it more difficult for families to contact them. This decision reflected a desire to focus resources on processing the backlog of in-year applications, but it impacted negatively on families and children. The impact was exacerbated by reducing the number of lines available for families to call and putting under-skilled officers on to call handling duties with little to no training or relevant information.

The Review Team saw no measurement of the volume of requests via the portal or email, therefore there was a limited understanding of the real demand being placed upon the Team. This supports the previous conclusion that the team lacked data to reliably inform them of the situation they were dealing with, and to manage it effectively.

There is no evidence of real time data, and little evidence of daily, weekly, or monthly reporting on volumes, requests or issues which would inform decision making. Robust and reliable performance information is key to improvement, and such information must be used to manage the Service.

7. Conclusions.

The problems with the in-year admissions service in 2022 were unacceptable, most significantly because of the obvious impact felt by children, families and schools. The service was able to recover the situation to an extent by rapidly processing the backlog of applications at the start of the Autumn term. Subsequently, the new batch process is bedding in and is showing benefit, including in timeliness performance, having been run several times.

It is clear that a number of factors led to the initial problems, central to which was the inappropriate decision-making about, and management of, change.

It is important that this cannot happen again. Senior Leaders within the Council's Education Service will assume responsibility for ensuring the Admissions Service is fit for purpose, in terms of commissioning/oversight, service delivery and integration with wider aspects of education such as sufficiency, transport and Free School Meals. The recommendations of this review must be implemented swiftly, and this will be the responsibility of the new Assistant Director for Education who takes up his post in March 2023.

The Improvement Plan resulting from this review will be signed off by Corporate Board and is to be delivered in its entirety by March 2024. Those elements critical to the admissions process shall be prioritised for delivery.

Officers of the Council will keep progress under constant review to ensure the Service is equipped to manage admissions processes effectively for 2023 and beyond.

APPENDIX 1

Service performance – comparison with other county councils

Warwickshire

The team serves a school cohort of 230 from a total of 256 settings. We understand that the team receives 20,000 admissions applications annually, generating 80,000 calls. That demand is currently managed with a permanent FTE of 22.14 FTE, with an additional 9 temporary FTE handling calls, totalling 31.14 FTE for 6 months.

Council 1

The team serves a school cohort of 220. They receive 26,000 applications from families annually, including 1,000 for transport, 20,000 for co-ordinated admissions, and 5,000 for in-year admissions. This generates 8,000 calls into their contact centre, of which c400 are transferred to admissions officers. The resultant demand is managed with an FTE of 7.

Council 2

The team serves a school cohort of 530. They receive 107,000 applications from families annually, including 20,000 for transport, 50,000 for co-ordinated admissions, 12,000 in-year admissions and 25,000 Free School Meals applications. This generates 67,000 calls annually into their contact centre, of which c3,300 are transferred to admissions officers. The resultant demand is managed with an FTE of 25.

Comparing the "application ratio" (number of applications / officer FTE) of each Council highlights their contrasting outputs:

- Warwickshire: 904 applications per FTE
- Council 1: 3,714 applications per FTE
- Council 2: 4,280 applications per FTE

Agenda Item 5

Resources and Fire and Rescue
Overview and Scrutiny Committee

22 February 2023

Treasury Management Strategy

Recommendations

That the Committee notes and comments on the 2023/24 Treasury Management Strategy approved by Council on 7 February 2023.

1 Executive Summary

1.1 This report presents the Council's Treasury Management Strategy for scrutiny and comment.

1.2 The Council sets a Treasury Management Strategy each year whose purpose is to govern the management of the council's cash and debt, to ensure that cash is available for use when needed and that is it is managed efficiently and effectively. The Treasury Management Strategy sits alongside and inter-relates with an Investment Strategy and a Capital Strategy. In order to put the Treasury Management Strategy into context, the features of these three strategies are summarised below, and the interrelationships are detailed in Appendix 1 for reference.

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 focuses on managing the significant cash balances of the Council in secure and liquid settings as needed, and due to having high cash balances, no borrowing has been required to finance the capital programme of the Council for a number of years.

1.4 2021/22 and 2022/23 saw the launch and full year activity of 2 new strategic investments made by the Council which impact on treasury activities:

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

1.5 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.

1.6 These economic circumstances in the second half of the year so far have caused a dramatic rise in inflation, 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 change 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 currently volatile. The outlook for 2023/24 is for rates to rise and peak during the year before falling back down. 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.

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

2.5 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).

2.6 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 to reduce exposure to timing risk.

2.7 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

2.8 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.

2.9 The benefits for making this early payment include a gross saving of £6m total cash contributions over the 3 year period. However any total saving would be less than this as it would be netted off by the reduced Treasury Management returns that would be made should the prepayment be made.

2.10 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.

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

3 Financial Implications

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

4 Environmental Implications

4.1 The strategy includes 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.

5 Timescales Associated with Next Steps

5.1 The Treasury Management Strategy will 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

Background Papers

None

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The report was circulated to the following members prior to publication:
Local Member(s): None
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Explanation of Capital Expenditure, Treasury Investments, and Non-Treasury Investments **Appendix 1**

	Capital Expenditure	Treasury Investments	Non-Treasury Investments
Purpose	Traditional capital expenditure to meet service objectives	Maximising the security and liquidity of cash, and generating the most efficient returns without compromising the required security and liquidity	Investment in assets 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.
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

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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.

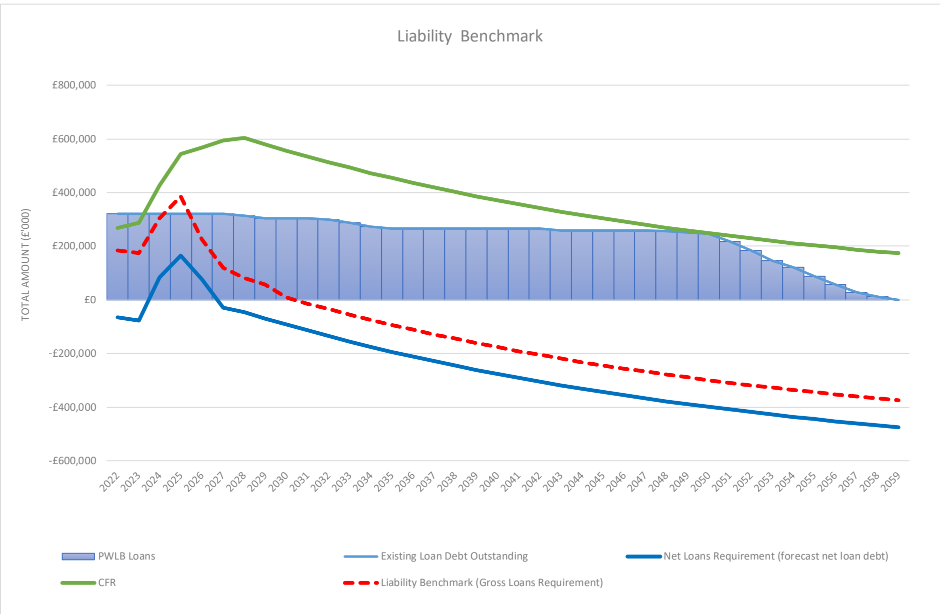
- Net loans requirement: this will show the Authority's gross loan debt less Treasury Management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

- 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.

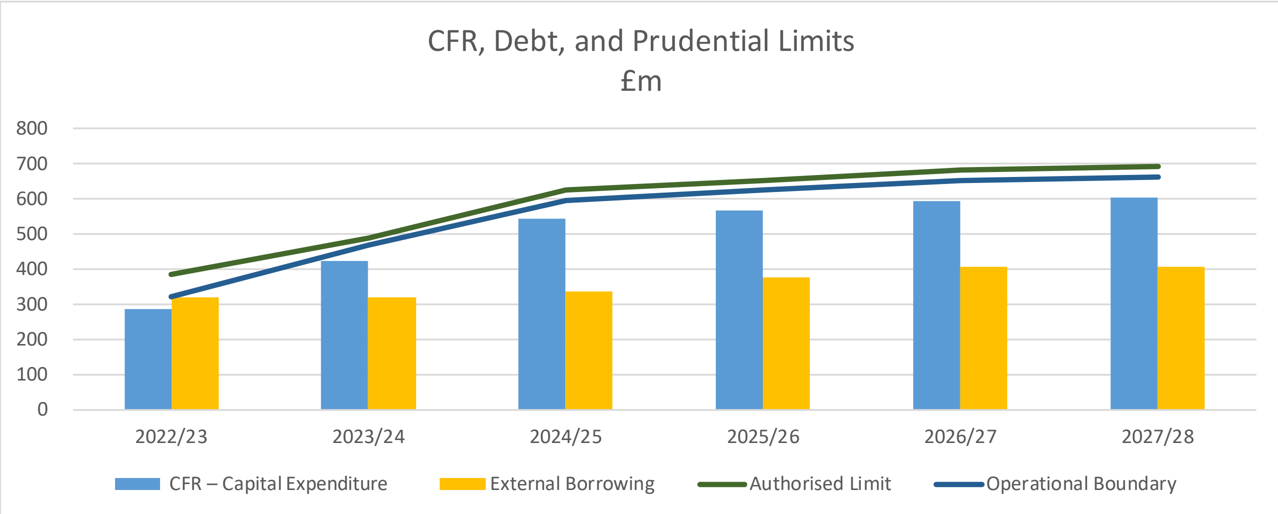
3.21 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all Councils' plans, or those of a specific Council, although this power has not yet been exercised.

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

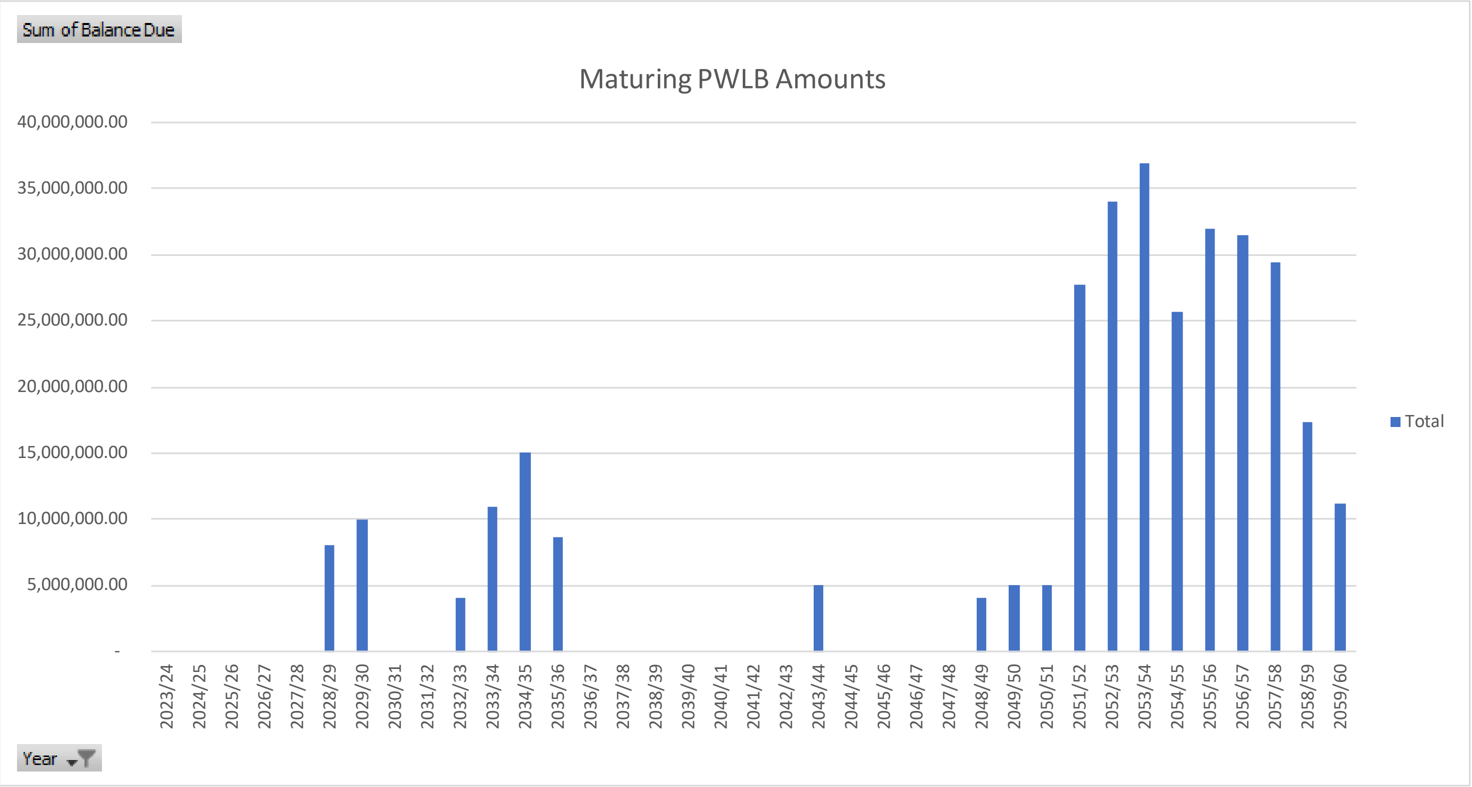
Maturity structure of new fixed rate borrowing during year	upper limit	lower limit
under 12 months	20%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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%

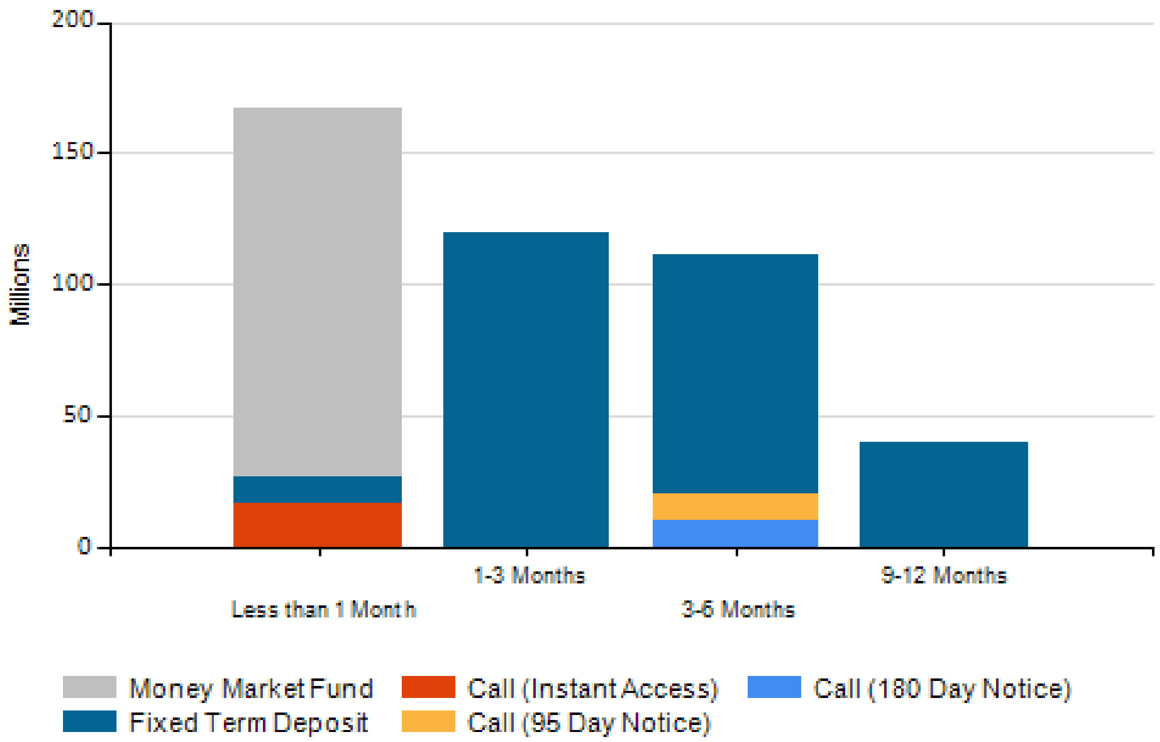
Annex 2

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).

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.

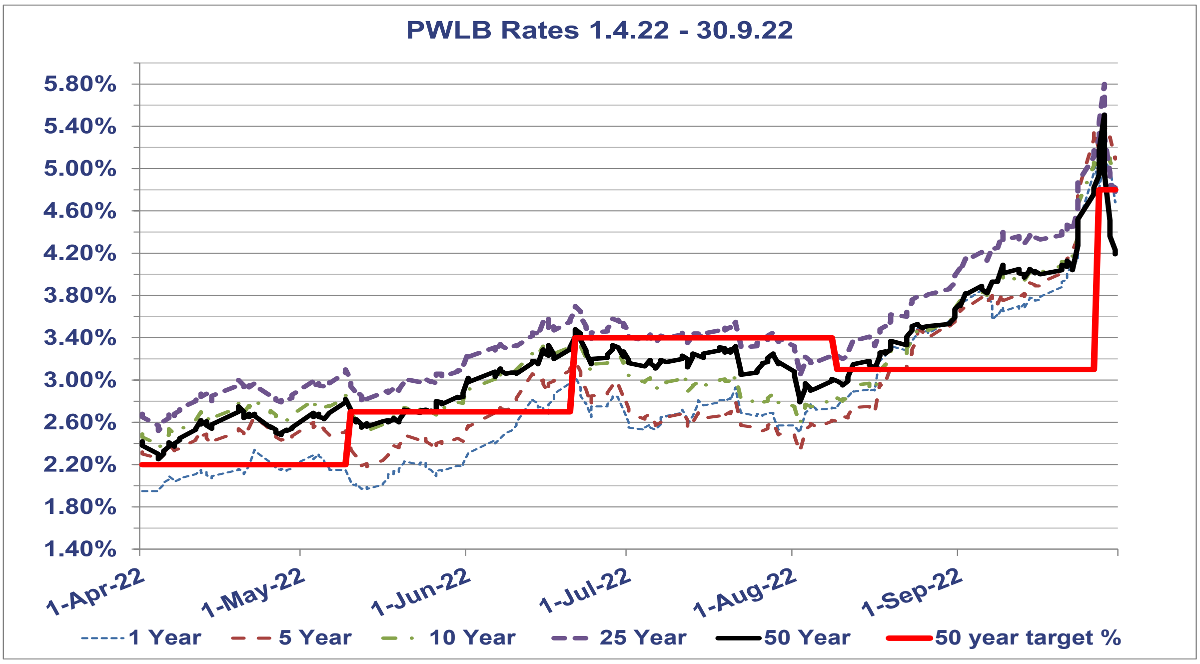
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

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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Resources, Fire & Rescue Service Overview & Scrutiny Committee

22nd February 2023

Council Plan 2022-2027
Integrated Performance Report Quarter 3 2022/23

Period under review: April to December 2022

Recommendations
That the Committee considers and comments on Quarter 3 organisational performance, progress against the Integrated Delivery Plan, management of finances and risk.

1. Executive Summary

1.1 This report is a retrospective summary of the Council's performance at the end of the third quarter (April-December 2022) against the strategic priorities and Areas of Focus set out in the Council Plan 2022-2027. All information contained within this report has been taken from the Quarter 3 Integrated Performance and Finance reports Cabinet considered on the 16th February. Performance is assessed against the Key Business Measures (KBMs) contained within the agreed Performance Management Framework. This is summarised in Section 2 and more fully presented within Appendix 1.

1.2 Progress against the Integrated Delivery Plan is summarised in Section 3 and more fully presented within Appendix 2.

1.3 Management of Finance is summarised in Section 4 and the summary table is presented in Appendix 3.

1.4 Management of Risk is summarised in Section 5 and more detailed information is presented in Appendix 4.

1.5 The paper sets out a combined picture of the Council's delivery, performance, and risk. Officers are still embedding this new approach and performance framework, and a number of new measures will not be available for reporting until Year End. The format and content of these integrated performance reports continues to evolve within the current financial year. Both the Performance Management Framework and the Integrated Delivery Plan are under review in preparation for the 2023/24 reporting to begin.

1.6 Overall, the Council's performance has seen an improvement in performance compared with the Quarter 2 position and is now closer to the Quarter 1 position in terms of percentages, although assessed against significantly more reported

KBMs. The encouraging position is in spite of the volatile, uncertain, and high-risk external environment which is impacting on resources and the wider economic environment, capacity, and uncertainty about a number of key policy areas. However, for the KBMs in the remit of this Committee performance has marginally declined in Quarter 3 from Quarter 2.

1.7 Of the 25 KBMs available for reporting this quarter the following table indicates an assessment of performance, compared to the previous quarters:

Quarter	On Track	Not on Track
1	71% (15)	29% (6)
2	62% (15)	38% (9)
3	56% (14)	44% (11)

1.8 Appendix 1 details performance for all the Committee related measures within the Performance Management Framework. Detailed measure-by-measure performance reporting is accessible through the Performance Portal available through this link.

1.9 There are some key emerging themes highlighted by this report, including:

- Increasing demand being reported in services specifically in the People Directorate and within Business and Customer Services such as Brokerage, Family Support Workers, the Local Welfare Scheme and as a result the Customer Service Centre; and
- Capacity and workload issues are impacting delivery across the organisation. Through the YourSay survey and Big Conversations, workload has been highlighted by colleagues and forms a priority in terms of actions. Difficulties in recruiting and retaining staff in a highly constrained national and local labour market are reflected within the commentary on the Integrated Delivery Plan and performance and in paragraph 4.6 of the Management of Human Resources section in the full Cabinet report. Given the significant and growing financial/ inflationary pressures, there is no easy solution to these strategic workforce issues, which are being actively considered by the HR Strategy team.

1.10 A particularly Notable aspect of positive performance is the following measure:

- % of applications made to the Warwickshire Local Welfare Scheme which are supported, currently achieving 99%, despite increased applications.

1.11 The main performance challenges relate to:

- % times a first appliance arrives at life risk or property incidents within agreed response standards as the target has not been achieved for a considerable time; and
- Dedicated Schools Grant High Needs % overspend compared to DSG recovery plan as performance is significantly above target, mainly due to the increased growth in demand for independent special school provision.

1.12 Overall performance is below target in the ‘Deliver major infrastructure, digital connectivity and improved transport options’ Area of Focus. Performance is also likely to remain the same through to the end of the financial year. The main drivers for this are:

- The extended time to secure a Joint Venture partner for the Warwickshire Property and Development Company delayed a number of site-specific business cases. However, the extra time taken to secure the overall deal has led to an estimated £4m additional benefit over the initial life of the Joint Venture. Consequently, the delay in site specific business cases is not deemed an issue as we move forward;
- The significant uncertainty driven by the instability of the UK economy, cost of living rises / inflation and supply chain / workforce issues have all impacted negatively on the delivery of a large proportion of capital projects, leading to timing delays and cost increases reflected in the performance measure. Under the extreme circumstances being experienced, the current performance level could be deemed acceptable; and
- In respect of the Warwickshire Recovery and Investment Fund, we are seeing strong demand for lower value revenue loans for small and medium sized businesses in the early stages of their development through the Local Community Enterprise fund, although a delayed start to the fund has limited the overall level of loans provided. However, it has taken longer to deliver the Property & Infrastructure fund (£10m 22/23), which won’t now start until 23/24. The Business Investment & Growth (BIG) fund has seen lower demand for purely capital loans to allow growth and expansion. The number of BIG fund expressions of interest has been impacted by a stronger range of alternative financing options available in the market than anticipated at the outset of WRIF, the lack of revenue financing to complement the capital injection, economic conditions making it hard for many established businesses to consider significant capital investment to expand and some expressions of interest having to higher risk profile then the Council is able to justify supporting through the BIG Fund.

1.13 The report sets out services’ projected performance trajectory, which recognises a more volatile than usual environment as a result of external factors.

1.14 The position is also positive in terms of delivery of the 54 actions set out in the Integrated Delivery Plan, with 67% being On Track and a further 4% Complete. 22% of actions are At Risk or Compromised and 7% have yet to start, and it is these actions which are reported on in Appendix 2 on an exception basis.

1.15 A number of actions that are at risk relate to programmes and projects, where current inflation levels and supply chain challenges are creating very significant levels of risk and uncertainty about our capacity to deliver as planned within available resources, a challenge common to all Councils.

1.16 At Quarter 3, relating to the remit of this committee there are 3 corporate strategic risks with a red (high) rating: economic growth slowing or stalling, inflation / the cost of living, and uncertainty of external influences e.g. Government policy. In addition, at a service level there are 4 risks that are rated red (high) and which at the same time have had an actual risk rating greater than their risk target for 3 quarters: on call fire fighter availability, fire protection capacity, and water rescue services within Fire and Rescue Services, and interruptions to the customer service centre within Business and Customer Services.

1.17 The wider national context remains a critical frame within which to view the Council's performance. The UK continues to experience the consequences of both significant political, global and macro-economic turbulence, including industrial action across many sectors, the legacy impact of the pandemic, and the war in Ukraine. High inflation, rising interest rates and the resulting fiscal challenges are impacting the cost of living, increasing pressure on an already tight labour market, demand for public services and public finances.

1.18 Such an unprecedented combination of events at a global and national level leaves the country facing a period of significant uncertainty and a very challenging financial outlook in the short- to medium-term. This volatility is impacting on the Council's resources, both financial and in terms of recruitment and retention, levels of demand, and uncertainty about a number of key national policy areas including Adult Social Care reform, devolution, levelling up, cost of living and climate change Net Zero ambitions.

1.19 Inevitably these factors, which were not anticipated at the time the Integrated Delivery Plan and the Performance Management Framework were developed, are impacting on our priorities, focus, capacity and project delivery timescales. The reporting of performance will track and highlight these impacts on delivery and performance and inform the basis of prioritising activity and resource allocation as we undertake the refresh of the Integrated Delivery Plan.

2. Performance against the Performance Management Framework

2.1 The three strategic priorities set out in the Council Plan 2022 - 2027 are delivered through seven Areas of Focus. In addition to these, there are three further areas to support the Council to be known for as 'a Great Council and Partner'. The full performance summary is contained in Appendix 1.

2.2 A set of high-level Warwickshire Outcome Measures, where we can influence improvement in performance but do not solely own, are also contained in the Performance Management Framework. Reporting against these is under development and will inform our ongoing State of Warwickshire reporting which will include Levelling Up and the Cost of Living priorities and will be accessible by April 2023.

2.3 Comprehensive performance reporting is enabled through the Power BI link Performance Portal as part of the revised and adopted Performance Management Framework. Where applicable, some performance figures may now have been updated on the reporting system. For the latest situation, please refer to the Performance Portal.

2.4 The new approach to performance reporting is evolving, building on the recommendations of the Member Working Group. The number of reportable measures will change each quarter as the framework considers the availability of new data.

2.5 There are 31 KBMs in total that are in the remit of this Committee. Chart 1 of Appendix 1 details the reported status of the 25 KBMs which are being reported at Quarter 3. 56% (14) KBMs are considered On Track and 44% (11) Not on Track, this is a decline from the levels at Quarter 2 when 62% (15) KBMs On Track and 38% (9) Not on Track.

2.6 All 25 of the reportable measures have a forecast projection from the responsible service for the forthcoming period. 13 measures are forecasting to be On Track at Quarter 4, of which 5 are forecast to improve and 9 to remain static over the next quarter. 12 are forecast to be Not on Track, with 1 forecast to improve, 2 to decline and the other 8 to remain static at the next reporting period.

2.7 24 KBMs were reported on at Quarter 2. It was forecast that 15 would be On Track at Quarter 3, with 9 Not On Track. Performance has materialised largely as expected, with some additional measures being reported for the first time this quarter and 3 measures projecting to remain On Track in Quarter 2 to being Not on Track in Quarter 3. This is attributed to the Quarter 3 financial pressures, the delay in procuring a joint venture partner for the Warwickshire Property and development Company and reprofiling of approved budgets. At Quarter 2, % satisfaction with the Customer Service Centre marginally missed the target, although was projected to improve and positively, for Quarter 3, this was the case, and the measure is back on track, with a projection to remain static over the next reporting period.

3. Progress against the Integrated Delivery Plan

3.1 The Integrated Delivery Plan aligns priority activity from across all service areas against all Areas of Focus within the Council Plan 2022-27. The plan shows how activity across services collectively contributes to delivering these priorities.

3.2 Detailed information on the performance summary of the Integrated Delivery Plan is included at Appendix 2. A new Power BI reporting dashboard is now available and will enable Members to track progress by Service, status, Council Plan Area of Focus, Overview and Scrutiny Committee and Portfolio Holder.

3.3 Of the 205 remaining actions within the Integrated Delivery Plan, 54 are attributable to the Resources, Fire and Rescue OSC. Detailed information on the performance summary of the Integrated Delivery Plan in relation to Resources & Fire & Rescue is included at Appendix 2. The majority of deliverables are On Track 36 (66%), 2 (4%) Complete 2, 8 (15%) are At Risk, 4 (7%) are Compromised and 4 (7%) are yet to start. Any exceptions are covered in Appendix 2.

3.4 Important points to flag in terms of delivery are:

- Inflationary pressures are beginning to put delivery at risk, particularly the provision of new Fire Fighter Training Centres and Nuneaton's new Community Hub.

4. Management of Finance

4.1 The key metrics of financial management are summarised below with further information providing context available in Appendix 3 and in the Finance Monitoring Report presented to Cabinet on 27th January.

Metric	Target	Service	Performance at Quarter 3 2022/23
Performance against the latest approved revenue budget as measured by forecast under/overspend	On budget or no more than 2% underspent	Business and Customer Services	2.6%
		Commissioning Support Unit	(14.3%)
		Enabling Services	(7.5%)
		Finance	(0.02%)
		Governance & Policy	(28.0%)
		Fire & Rescue	0.03%
The headline revenue underspend reported at Quarter 3 is £3.6m (4%), however, specific funding has been set aside to be transferred to earmarked reserves. Once these factors are taken into account the adjusted forecast position is £1.6m (1.8%)			
Performance against the approved savings target as measured by forecast under/overachievement	100%	Business and Customer Services	100%
		Commissioning Support Unit	100%
		Enabling Services	100%
		Finance	100%
		Governance & Policy	96.0%
		Fire & Rescue	0%

Performance against the approved capital programme as measured by forecast delays in delivery	No more than 5% delay	Business & Customer Services	No Variance
		Enabling Services	20%
		Governance & Policy	50%
		Fire & Rescue	43%

5. Management of Risk

5.1 Risks are monitored in risk registers at a strategic/corporate level and at service level. At a corporate level the following strategic risks relating to Resources and Fire and Rescue Services are currently rated as red (high risk):

- Economic growth slows or stalls;
- Inflation and the cost of living; and
- Uncertainty of external influences e.g. Government policy.

5.2 Mitigating actions are in place in respect of these risks, for example the Council Plan including a number of activities to protect and promote the local economy and a Medium Term Financial Strategy planning process that is incorporating the risks of inflation.

5.3 At a service level there are 43 risks recorded against services relating to Resources and Fire and Rescue Services. Key risks are highlighted where they are red risks (high risk) and where a risk level has been higher than the risk target for 3 quarters or more and is currently still 3 points or more over target. To highlight the key risks a table of both red risks and risks significantly above target is provided at Appendix 4. The risks that are both red and significantly above target are the most significant risks, which are:

- On Call Availability (Fire and Rescue Services);
- Protection Capacity (Fire and Rescue Services);
- Water Rescue Training (Fire and Rescue Services); and
- Interruptions to the Customer Service Centre (Business and Customer Services)

5.4 Mitigating actions are in place in relation to these risks, for example in respect of staff training, recruitment, resourcing, and improved ways of working.

6. Environmental Implications

6.1 There are none specific to this report.

Appendices

Appendix 1 – Quarterly Performance Report
Appendix 2 – Progress on the Integrated Delivery Plan
Appendix 3 – Management of Financial Risk
Appendix 4 – Management of Risk

Background Papers

Cabinet Report 16th February 2023

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1. Resources, Fire & Rescue OSC Quarterly Performance Report Quarter 3

1.1 Detailed measure-by-measure performance reporting is accessible through the **Performance Portal** .

1.2 The three strategic priorities set out in the Council Plan 2022 - 2027 are delivered through seven Areas of Focus. In addition to these, there are three further areas to support the Council to be known for as ‘a Great Council and Partner’. These are detailed in the table below alongside the number of KBMs that will be used to assess delivery, and the number being reported at Quarter 3.

Area of Focus	No. of KBMs	No. of KBMs available for reporting at Quarter 3
Create vibrant places with safe and inclusive communities	8	7
Deliver major infrastructure, digital connectivity and major transport options	7	6
Promote inclusive, sustainable economic growth, successful business, good quality jobs and future skills	10	6
Tackle climate change, promote biodiversity and deliver on our commitment to Net Zero	7	3
Deliver our Child Friendly Warwickshire strategy - Happy, healthy, safe children	10	7
Through education, improve life opportunities for children, young people and those with special educational needs and disabilities	16	12
Support people to live healthy, happy, and independent lives and work with partners to reduce health inequalities	12	10
A Great Council and Partner	**No. of KBMs**	**No. of KBMs available for reporting Quarter 3**
Harnessing community power	3	2
Our people and the way we work	8	6
Using our data and digital solutions to improve service delivery	4	4

1.3 **Key Insights for Quarter 3 2022/23**

1.4 There are 31 KBMs in total that are in the remit of this Committee. Chart 1 details the reported status of the 25 KBMs which are being reported at Quarter 3. 56% (14) KBMs are On Track and 44% (11) are Not on Track.

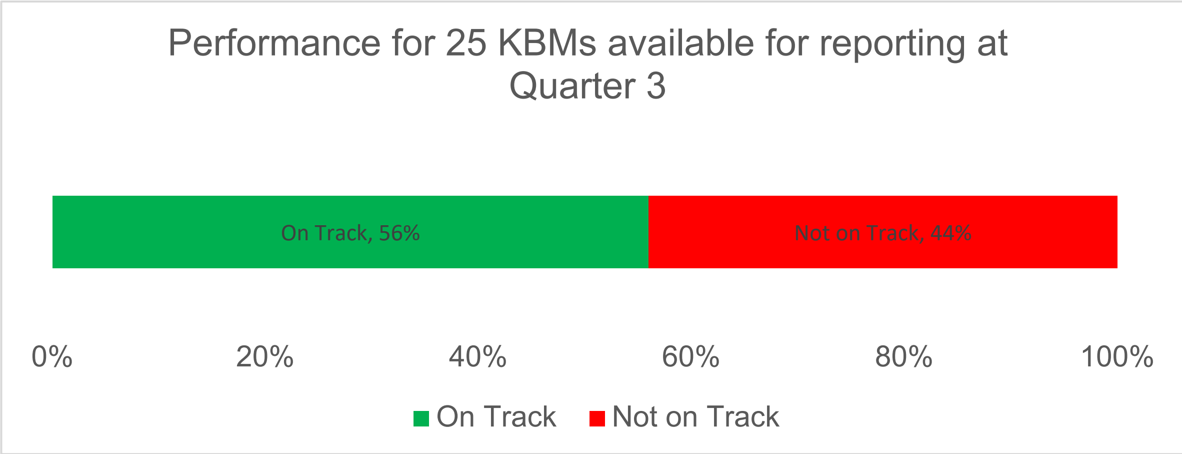


Chart 1

Chart 2 details the projected performance based on a Service forecast of the 25 reportable KBMs at the next quarter.

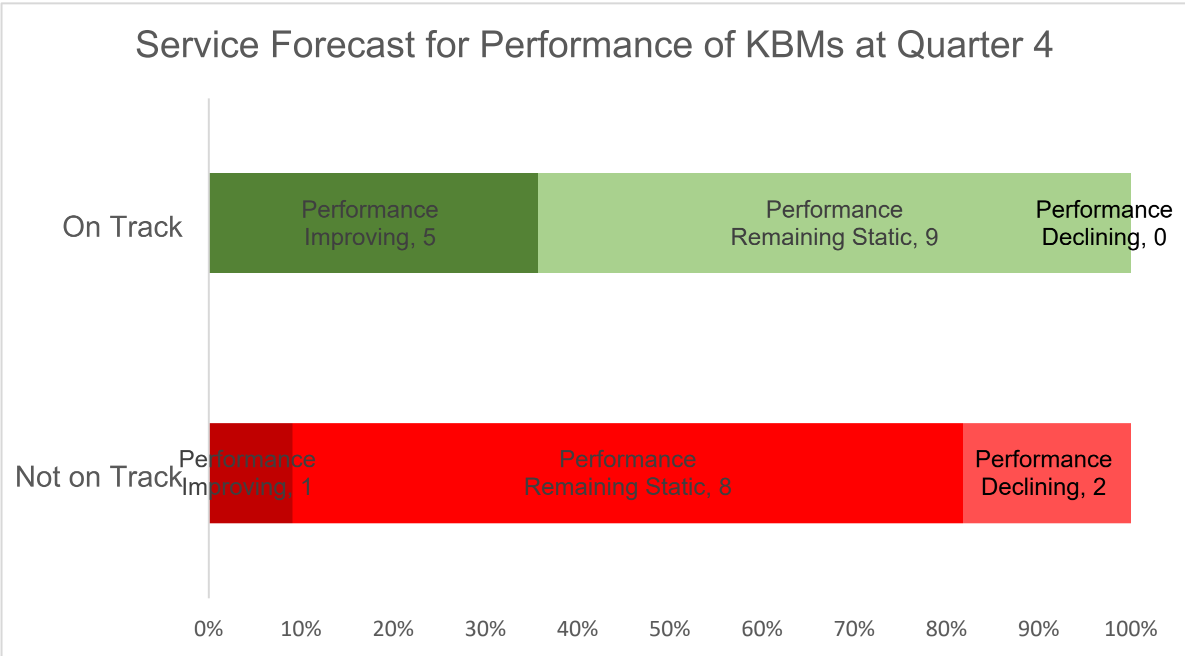


Chart 2

Explanatory Notes on Summary Tables
The following sections provide an overview of current performance by Area of Focus. The measure summary tables are a representation of the tables in the full Committee report on Power BI and are interactive. Please note:

- data is being added into the system as it becomes available so new information may be in the reports since the writing of this Quarterly position report;
- measure names in the summary tables and where highlighted are all links to take the reader directly to the measure report page in Power BI which provides full detail on the measure including charted data, performance narrative, improvement activity, trends and targets if applicable;
- a measure status is included based on performance either against the target and polarity of measure or where there is no target on improving/ declining performance;
- Services provide a forecast of where performance is heading over the next reporting period, this is informed by local knowledge, improvement activity and trend information;
- where the measure status or projection is Not Applicable, this is due to exceptional circumstances regarding the measure such as it is setting a baseline this year, the Power BI report will provide the reason by measure;

- the Latest Figure column represents the most current data available including last quarter, previous year or longer if data is lagged, full details are on Power Bi report;
- not all measures have targets and the approach now is to have improving performance and targets where appropriate; and,
- as the framework is more responsive there are annual or termly measures included on the tables with no reported data, this will be added as the relevant data becomes available e.g. attainment data from November.

1.5 Create vibrant places with safe and inclusive communities

Measure Name	Latest Figure	Latest Target	Measure Status	Service Forecast for next period
No. of fire related deaths	4**	0	Not on Track	Not on Track Performance Remaining Static
No. of fire related injuries	23**	26*	Not on Track	Not on Track Performance Remaining Static
% times a first appliance arrives at life risk of property incidents within agreed response standards	62	75	Not on Track	Not on Track Performance Remaining Static
No. of Road Traffic Collisions attended by WFRS	40	N/A	On Track	On Track Performance Remaining Static

*Cumulative Year End Target
** There has been 1 fire related deaths and 3 fire related injuries for the month of December, the numbers shown in the latest figure are cumulative year to date.

Overall performance is of concern in relation to fire related deaths, injuries and appliance arrival time at incidents. Due to the geography of Warwickshire, it is not possible to achieve current attendance standards across the whole county. The performance is likely to remain in this position whilst Warwickshire Fire and Rescue Service actively work towards a resourcing to risk review using risk analysis. A review of the targets in relation to fire related deaths and injuries is also planned and there are questions surrounding whether should be information rather than a target.

Improvement activity for not achieving the aspirational target of zero:
- No. of fire related deaths

Improvement Activity due to having a greater number than prior year:
- No. of fire related injuries

Improvement activity for not achieving the target over a considerable period of time:
- % times a first appliance arrives at life risk of property incidents within agreed response standards

1.6 Deliver major infrastructure, digital connectivity and improved transport options

Measure Name	Latest Figure	Latest Target	Measure Status	Service Forecast for next period
% of site specific business cases approved for Warwickshire Property & Development Group	50	100	Not on Track	Not On Track Performance Remaining Static
% Company Borrowing profile Warwickshire Property & Development Group	86.40	100	Not on Track	Not On Track Performance Remaining Static
Gross Warwickshire Recovery & Investment Fund lending (£)	2,500,000	32,000,000*	Not on Track	Not on Track Remaining Static
% of all capital schemes completed on budget	Due for reporting at Year End			
% of projects seeking member approval to changes in cost, time, scope or risk	25	0	Not on Track	Not on Track Remaining Static

*Cumulative Year End Target

Performance within this Area of Focus is largely not on track and is likely to remain in a similar position for the next period.

Improvement activity due to a being behind the lending profile:

- Gross Warwickshire Recovery & Investment Fund lending

1.7 Tackle climate change, promote biodiversity and deliver on our commitment to Net Zero

Measure Name	Latest Figure	Latest Target	Measure Status	Service Forecast for next period
Proportion of capital programme total spend allocated to Sustainable Futures (%)	7	N/A	On Track	On Track Performance Improving
Annual Scope 1 & 2 carbon reduction (tonnes of carbon)	Due for reporting at Year End			
Net carbon emissions for Council (scope 1&2 plus staff business travel)				

Area of Good Progress due to positive progress, and it is anticipated that this will further improve over the next reporting period:

- Proportion of capital programme total spend allocated to Sustainable Futures (%)

1.8 **Through education, improve life opportunities for children, young people and those with special educational needs and disabilities**

Measure Name	Latest Figure	Latest Target	Measure Status	Service Forecast for next period
Dedicated Schools Grant High Needs % overspend compared to DSG recovery plan	120	9	Not on Track	Not on Track Performance Declining
% of schools with a deficit budget	13.08	0	Not on Track	Not on Track Performance Declining
% of new school places delivered compared to target need	100	100	On Track	On Track Performance Improving

Improvement activity as performance is greatly above target, mainly due to the increased growth in Independent special school provision demand:

- Dedicated Schools Grant High Needs % overspend compared to DSG recovery plan

1.9 **Support people to live healthy, happy, and independent lives and work with partners to reduce health inequalities**

Measure Name	Latest Figure	Latest Target	Measure Status	Service Forecast for next period
% of applications made to the Warwickshire Local Welfare Scheme which are supported	99	85	On Track	On Track Performance Remaining Static

Areas of good progress as performance consistently remains high, despite increases in demand:

- % of applications made to the Warwickshire Local Welfare Scheme which are supported

1.10 **Harnessing Community Power**

Measure Name	Latest Figure	Latest Target	Measure Status	Service Forecast for next period
% of positive media coverage	94	90	On Track	On Track Performance Improving
Total no. of community groups	9700	N/A	On Track	On Track Performance Improving
Total amount of money going into community groups	Due for reporting at Year End			

Performance within this Area of Focus is within expected levels and projection for the next period is either to remain at similar levels or improve. At this time there are no measures which need highlighting.

1.11 Our people and the way we work

Measure Name	Latest Figure	Latest Target	Measure Status	Service Forecast for next period
% Employee Engagement Score	76	N/A	On Track	On Track Performance Remaining Static
% of staff agreeing that they are proud to work for WCC	80	79	On Track	On Track Performance Remaining Static
% Employee Wellbeing score	77	N/A	On Track	On Track Performance Remaining Static
% of staff agreement with "I feel safe to be my authentic self at work"	79	N/A	On Track	On Track Performance Remaining Static
% of staff agreeing "The council's internal communication keep me informed of what the council is doing"	N/A	88	Annual measure due for reporting after survey has been conducted	
No. of days sick absence per FTE (rolling 12 months)	8.5	8 (+/- 1 day)	On Track	On Track Performance Improving
% occupancy rate of WCC Warwick office space	27	40	Not on Track	Not on Track Performance Improving
% reduction of WCC Warwick Office space	Annual measure due for reporting after survey has been conducted			

Performance within this Area of Focus for all measures except one, is within expected levels and projection for the next period is to remain at similar levels or improve further. At this time there are no measures which need highlighting.

Although this measure is Not on Track, it is a measurement of the usage of workspaces, including desks, meeting rooms and collaboration spaces and this is improving. The WCC office is positively experiencing an increase in the number of people coming in for meetings.

- % occupancy rate of WCC Warwick office space

1.12 Using our data and digital solutions to improve service delivery

Measure Name	Latest Figure	Latest Target	Measure Status	Service Forecast for next period
% satisfaction with Customer Service Centre	86	85	On Track	On Track Performance Remaining Static
% of Local Government and Social Care Ombudsman adverse determinations	67	70*	On Track	On Track Performance Remaining Static
% Net Variation of Outturn Forecasts to Revenue Budget (Whole Council)	3.74	+/-2	Not on Track	Not on Track Performance Remaining Static
% of green ratings against Value for Money (VFM) audit	67	83	On Track	On Track Performance Remaining Static

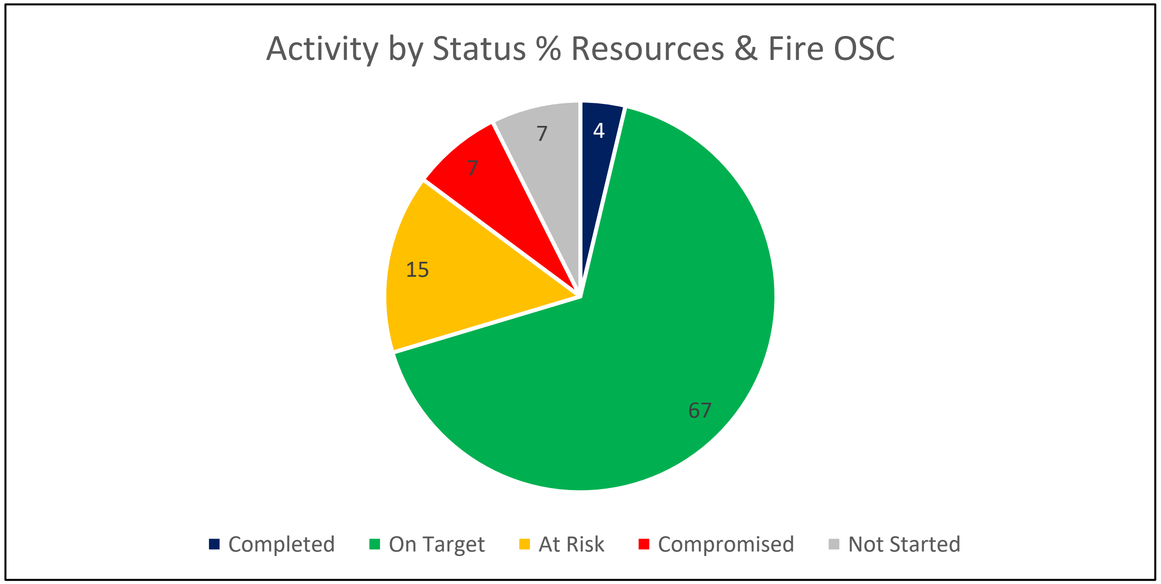
*Cumulative Year End Target

Performance within this Area of Focus for all measures except one, is within expected levels and projection for the next period is to remain at similar levels. At this time there are no measures which need highlighting.

1. Resources, Fire & Rescue OSC Progress on the Integrated Delivery Plan Quarter 3

1.1 **Key Insights for Quarter 3 2022/23**

Of the 205 remaining actions within the Integrated Delivery Plan, 54 are attributable to the Resources, Fire and Rescue OSC. There is positive progress within Quarter 3 with 67% of activities being On Track to achieve their objectives within the set timeframes, 22% are At Risk or Compromised, 4% have been Completed this Quarter with a further 7% yet to start.



Completed activity:

The following activity has been completed during Quarter 3:

- **Support our subsidiary property company, Warwickshire Property and Development Group to Enter into a Joint Venture (JV) Partnership to deliver homes across the county.**
  This is now in place.
- **Deliver Year 2 of "Our People" strategy action plan in 2022/23 to include: Undertaking a review of our culture to enable delivery of the Council plan and support our values and behaviours.**
  Corporate Board considered a stocktake report on culture activity in December and agreed the actions going forward as part of the wider Our People Strategy delivery.

1.2 Create vibrant places with safe and inclusive communities

Activity	Status	Narrative
Deliver our Warwickshire Fire & Rescue Service (WFRS) 2-year improvement plan - **Deliver new firefighter training sites to upgrade our facilities. review of fire station facilities.**	At Risk	Planning application for Minerva Unit is now in and stakeholder engagement is proceeding. This project has inflationary pressures which will be addressed through a Corporate Board paper providing options. West Midlands Fire Service have withdrawn availability of their facilities from January 1st, significantly weakening WFRS's negotiating position with other 3rd party suppliers for this capability.
Continue to deliver the Transforming Nuneaton regeneration programme - **Developing plans for a new library, culture and community hub in Nuneaton with planning permission secured and contractor appointed.**	At Risk	The outcome of the outline planning application is still to be determined. Financial pressures have impacted the budget and following a cost review exercise options are being explored to try and reduce costs.
Bring together and embed our work on Volunteering with our approach to harnessing Community Power to support our voluntary and community organisations to increase local and social activities.	Not Started	Whilst this activity is still a priority it has been delayed and will be incorporated into the wider Community Powered Warwickshire and Levelling Up activity being planned

1.3 **Deliver major infrastructure, digital connectivity and improved transport options**

Activity	Status	Narrative
Develop an infrastructure strategy and create a supporting action plan that sets out our priority infrastructure opportunities and schemes across Warwickshire.	At Risk	There are delays due to other commitments on the Sustainable Futures Programme. A specification to procure a 3rd party specialist to deliver the strategy is drafted, with input from Finance and Communities Assistant Directors. Some further work is required to finish. Three potentially suitable suppliers were briefed in October, and market engagement is expected in February. Input from the Corporate Policy Unit on Levelling Up has been included. A timeline for implementation will be secured from the chosen suppliers.
Support our subsidiary property company, Warwickshire Property and Development Group to **provide flexible ownership models for priority workers with the first scheme/s identified, if viable.**	At Risk	This is still part of the Warwickshire Property and Development Group agenda; however our priority has moved toward initial site development. This action will be reconsidered later.
Support our subsidiary property company, Warwickshire Property and Development Group to **identify land acquisition opportunities to support our plans for new homes, business development and growth in the county.**	At Risk	Work is ongoing on this activity.
Investigate our approach to renewable energy as part of the development of the sustainable futures strategy.	Not Started	The approach to renewables will be defined as part of The Energy Strategy.

1.4 Tackle climate change, promote biodiversity and deliver on our commitment to Net Zero

Activity	Status	Narrative
Develop and deliver on our plans to decarbonise our Council buildings with our carbon reduction target developed and agreed as part of our sustainable futures strategy.	At Risk	Further commissions of de-carbonisation studies continue to take place, including Shire Hall in Jan 23. The Energy Strategy development should help identify the scope of deliverables to achieve targets within the built Environment. Significant funding will be required to support wider decarbonisation outside of normal Maintenance programmes.
Move forward with renewable energy initiatives to include **a 3-year programme to implement a Solar Panel purchasing scheme for Warwickshire homeowners with a target of 1,200 installations completed in total.**	Compromised	The Programme remains behind schedule due to supply chain failures outside the Council's control, however the expectation is that Phase 1 will complete by end of Feb 2023. Approximately 300 installations are expected from first Phase, against a target of 439. The scheme due to be reviewed at the end of this first Phase
Move forward with renewable energy initiatives to include **exploring opportunities with District and Borough Councils and partners to develop a scheme to support residents make choices and take action within their homes to become carbon neutral.**	Not Started	This is a broad action that has not yet been allocated to a specific area of WCC.
Commission a research study to review possible adaptation impacts from climate change on three priority business service areas to include Flooding. Review the findings to inform any policy or service changes required.	Compromised	Delivery of the final reports did not meet the planned October deadline but draft final reports have now been submitted and will be approved in January. Findings as they stand will be reported to the Sustainable Futures programme board on 10/1/23 seeking approval for a recommendation to start to implement work areas.

1.5 Harnessing Community Power

Activity	Status	Narrative
Deliver the 5 "ground breaker" Community Power projects: **Supporting wellbeing by drawing on what is available in local neighbourhoods.**	Not Started	Not yet started.

1.6 Using our data and digital solutions to improve service delivery

Activity	Status	Narrative
Deliver our Customer Experience programme to improve how users of our services can have a better experience of interacting with the Council. Our initial focus will be on improving Correspondence and Complaints: **Change how we respond consistently across all our services to improve customer experience.**	At Risk	The Quality Assurance and Business Improvement Officers are now working directly with services to improve the way complaints are handled and responded to. Standardised guidance for handling and responding to complaints will be produced once the refreshed Complaints Policy (currently in draft) has been signed off. The status is 'At risk' because the next phases are reliant upon the replacement for ContactUs being implemented.
Deliver our digital Roadmap to improve automation and the provision of services while driving cost-reduction, with the first phase being the implementation of a new Customer Relationship Management system to ensure we can capture all the interactions we have with residents.	Compromised	Procurement for external expertise to support implementation of the Customer Platform was approved by Cabinet in January. Investigation into automation opportunities has been undertaken with planning and benefits analysis being undertaken with Assistant Directors.
Implement a single "cloud-based" contact telephony system that enables other modes of getting in touch with the Council (such as chat functionality).	Compromised	A new procurement exercise is underway, a preferred supplier has been selected and the project team is working with procurement to notify suppliers and move towards contract award. The aim is to select our preferred supplier by the end of January. Timescales for go live are not absolutely defined at this point, and there is a dependency on one of the incumbent telephony contracts. The system is likely to require 12 weeks to implement but could potentially be escalated or staggered depending on internal requirements.

Increase the number of payments to the Council that are able to be made electronically.	At Risk	As part of the Agresso Development Plan, approval has been given to make significant changes to financial systems which will allow a much easier route for customers to make payments. Purchase of the Heycentric Income Management system will provide the required functionality for this

1.7 Our People and the Way We Work

Activity	Status	Narrative
Deliver Year 2 of "Our People" strategy action plan in 2022/23 to include: Undertaking a review of our culture to enable delivery of the Council plan and support our values and behaviours.	Not Started	As part of the reprioritisation, it was decided to focus activity on strategic workforce planning, rather than reviewing the culture. This work will be picked up in future years.

2 The following projects are currently On Track

Activity
Deliver our Warwickshire Fire & Rescue Service (WFRS) 2-year improvement plan - **Develop our Prevention and Protection strategy action plans and implement a new risk-based inspection programme.** Deliver our Warwickshire Fire & Rescue Service (WFRS) 2-year improvement plan - Improve **the understanding of Equality, Diversity and Inclusion across our Warwickshire Fire & Rescue Service including undertaking a cultural audit, staff engagement, training and a review of fire station facilities.** Deliver our Warwickshire Fire & Rescue Service (WFRS) 2-year improvement plan - Achieve **a positive reinspection outcome by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).**
Create a pipeline of projects and initiatives across the county to develop neighbourhoods and generate pride in our localities - Create a plan to build on the role of libraries as community hubs and explore opportunities to expand the community hub model of delivery.
Support our subsidiary property company, Warwickshire Property and Development Group to deliver the first scheme in Southam to create a number of business units in support of our economic growth ambitions.

Deliver a refreshed and more strategic approach to managing our capital spend within the Council by implementing a new capital operating model to include reviewing and enhancing our approach to capital decision making, assurance and risk and streamlining our capital systems and performance reporting.
Attract tourism and maximise the benefits of Warwickshire’s magnificent heritage, culture and visitor economy to include a focus on progressing the Warwickshire County Council (Warwickshire County Council) Heritage & Culture Action Plan with the 2022/23 Action Plan and Steering Group revised and in place and the Year 1 actions delivered.
Develop a sustainable futures strategy, carbon reduction plan and costed action plan, engaging creatively with residents, partners and stakeholders, to achieve the goal of being a net zero council by 2030.
Develop a sustainable futures strategy, carbon reduction plan and costed action plan, engaging creatively with residents, partners and stakeholders, to achieve the goal of being a net zero County by 2050 (informed by the UN Sustainable Development Goals).
Engage widely on our Sustainable Futures strategy and to develop our delivery plans with the involvement of key stakeholders, groups and partners.
Move forward with renewable energy initiatives to include creating a 3-5 year plan for commercial renewable energy initiatives.
Continue to promote and fund local community climate mitigation projects through our Green Shoots Fund with a particular focus on those areas which were under-represented in the first round of projects. Distribute circa £300K funding through a competitive bidding process for projects in 2022/23.
Supporting those who need the most help to include: Delivering the Household Support Grant in 2022/23, capturing learning to inform a review of the Warwickshire Local Welfare Scheme (to include options appraisal and costed model).
Supporting those who need the most help to include: Working with communities on the Community pantries “Stepping Forward” Ground-breaker project.
Develop a county-wide Digital Inclusion programme.
Create a “Stepping Forward” offer for Warwickshire with partners that embeds a community power approach.
Deliver the 5 “ground breaker” Community Power projects: Supporting local transformation and regeneration.
Deliver the 5 “ground breaker” Community Power projects: Unlocking the skills and time of Council staff to support communities.
Deliver the 5 “ground breaker” Community Power projects: Enabling collaborative working on highways, transport and road safety.

Deliver the 5 “ground breaker” Community Power projects: Combatting food inequalities through community pantries.
Deliver a range of engagement and culture change initiatives to support the “Stepping Forward” programme to include: New mechanisms for engagement and partnership working to bring communities’ voices and experience into the heart of council direction and decision making.
Deliver a range of engagement and culture change initiatives to support the “Stepping Forward” programme to include: An annual “Big Conversation” to create momentum, share learning and celebrate great examples of community power in action. and decision making.
Deliver a range of engagement and culture change initiatives to support the “Stepping Forward” programme to include: A culture change programme across the council to move to community orientated ways of thinking and working.
Deliver a range of engagement and culture change initiatives to support the “Stepping Forward” programme to include: A peer learning approach to support Councillors to maximise the benefits of a community powered approach in their local communities.
Implement a refreshed approach to consultation and engagement with residents, stakeholders and partners on key policy areas with a programme of activities delivered over the year including through our “Voice of Warwickshire” panel.
Create the conditions for greater volunteering and social action and provide tools to support the creation and development of Voluntary, Community and Social Enterprise groups.
Deliver our Customer Experience programme to improve how users of our services can have a better experience of interacting with the Council. Our initial focus will be on improving school Places: Redesign the school admissions process to enable parents and carers to be supported to make a well- informed choice on their child’s school place.
Deliver our Customer Experience programme to improve how users of our services can have a better experience of interacting with the Council. Our initial focus will be on improving Social Media: Consider how we can best use social media to gain insight and feedback about issues or concerns raised about Council services.
Review our corporate wide approach to data management including: Re-establishing the key accountabilities for data oversight across the Council.
Review our corporate wide approach to data management including: Implementing an organisational culture change programme on effective data management.
Review our corporate wide approach to data management including: Refreshing our data assurance processes.

Deliver our Equality Diversity and Inclusion (Our People Strategy) programme and embed through training and development.
Deliver Year 2 of “Our People” strategy action plan in 2022/23 to include: Supporting staff wellbeing and plans to achieve Silver “Thrive at work” accreditation.
Deliver Year 2 of “Our People” strategy action plan in 2022/23 to include: Promoting working for the Council and addressing hard to recruit roles and staff retention.
Deliver Year 2 of “Our People” strategy action plan in 2022/23 to include: Reviewing and refining our leadership development programme.
Deliver an Estates Master Plan for consideration by Cabinet during 2022/ 23 to make optimal use of our Warwick and Leamington Estate and which supports our new staff agile ways of working, enables efficient maintenance and provides opportunities for income generation, repurposing or savings.
Develop a wider Estates Master Plan for the entirety of the Council’s estate across the County which provides options on its optimal use.
Deliver an organisational development programme for our staff to cover community power, climate change, commercial knowledge and skills, Equality and Diversity and effective data management.

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Management of Financial Risk

1. Performance against the latest approved revenue budget as measured by forecast under/overspend, further information and reasons for variances can be found in the Cabinet Q3 Monitoring Report, see section three and appendix A

Service Area	Approved Budget	Service Forecast	(Under) /Overspend	% Change from Budget	Represented by:			
					Investment Funds	Impact on Earmarked Reserves	Covid Impact	Remaining Service Variance
	£m	£m	£m	%	£m	£m	£m	£m
Business and Customer Services	20.682	21.218	0.536	2.6%	0.000	(0.032)	0.378	0.190
Commissioning Support Unit	7.063	6.051	(1.012)	(14.3%)	(0.552)	0.000	0.064	(0.524)
Enabling Services	28.426	26.302	(2.124)	(7.5%)	(1.965)	0.000	0.000	(0.159)
Finance	6.660	6.646	(0.014)	(0.2%)	0.000	0.018	0.030	(0.062)
Governance & Policy	3.972	2.860	(1.112)	(28.0%)	0.000	0.006	0.003	(1.121)
Fire & Rescue	23.251	23.332	0.081	0.3%	0.000	0.032	0.000	0.049
Total	90.054	86.409	(3.645)	(4.0%)	(2.517)	0.024	0.475	(1.627)

2. Performance against the approved savings target as measured by forecast under/overachievement

As at Quarter 3 Business and Customer Services, Commissioning Support Unit, Enabling Services and Finance are reporting 100% delivery of their saving targets (16 schemes totalling £2.718m). Governance and Policy are reporting 96% delivery of their savings target (5 schemes totalling £0.138m), Fire and Rescue are reporting 0% delivery of their one scheme totalling £0.043m due to delay in sitting the Minerva unit.

3. Performance against the approved capital programme as measured by forecast delays in delivery

Service	Approved 2022-23 capital programme	New projects in year	Net over / underspend	Total capital programme	Budget Reprofile	Delays	Forecast In year capital spend	% Delays
	£m	£m	£m	£m	£m	£m	£m	
Business and Customer Support	0.911	0	0	0.911	0	0	0.911	0.0%
Enabling Services	14.657	0	(0.029)	14.628	0	(0.694)	13.934	(4.7%)
Governance and Policy	4.764	(0.205)	(0.085)	4.474	0.148	(1.370)	3.252	(30.1%)
Fire and Rescue	3.310	0	(0.076)	3.234	0.006	(1.008)	2.232	(30.5%)
Total	23.642	(0.205)	(0.190)	23.247	0.154	(3.072)	20.329	

Enabling Services - £0.694m:

- Development of Rural Broadband - £0.694m.

1.) An adjustment in the Broadband Investment Funding calculation from BT/Openreach for 2022/23 has resulted in reduced gainshare expenditure and corresponding reduction in funding utilised in this financial year.

2.) The Superfast Community Fibre programme has been delayed by BDUK until 2023/24, resulting in reduced project expenditure and funding utilised in 2022/23.

3.) Extra revenue funding received for Additional Services Revenue and Government consultancy work has resulted in increased revenue income.

Governance & Policy - £1.370m:

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

Fire & Rescue - £1.008m:

- Fire & Rescue training programme at Lea Marston - £0.714m. Slower than expected progress has been due to the absence of a travel plan which was necessary for the submission of a full planning application. The Minerva Unit is expected to be sited by May 2023.
- Fire & Rescue training programme: EA water site - £0.274m. The priority for the service has been to complete the Minerva training project. Until that project is completed, plans for the further training sites cannot be determined.
- Delays in the national Emergency Services Network (ESN) project - £0.020m have caused a knock-on delay to the procurement of station end equipment, which is now not expected until 2023-24. The WCC scheme is entirely dependent on the national project, we don't have control over the timing of the project's progress.

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Appendix 4 Resources, Fire & Rescue OSC Management of Risk

Key Service Risks Summary

At a service level there are 43 risks recorded against services relating to Resources and Fire and Rescue Services. Key risks are highlighted which are red risks (high risk) and where a risk level has been higher than the risk target for 3 quarters or more and is currently still 3 points or more over target.

Key Service Risks	Net risk is currently green or amber	Net risk is currently red
Risk level has not exceeded the target for 3 quarters in a row	• 30 other risks	• **(Finance)** Inflation creates an unbalanced budget. • **(Fire and Rescue Services)** Cyber Attacks • **(Fire and Rescue Services)** Emergency services network (Airwave) • **(Fire and Rescue Services)** Industrial action • **(Fire and Rescue Services)** National power outages
Risk level has exceeded target for 3 quarters in a row and is currently more than 3 points above target	• **(Fire and Rescue Services)** Control Room Systems Critical Failure of ICT system • **(Fire and Rescue Services)** Training Project - Financial Risk • **(Enabling Services)** Your HR Stabilization isn't achieved to a level that optimizes benefits for all users/organizations • **(Governance and Policy)** Increase in serious data breaches and/or failure to address organisational backlog of Subject Access Requests	• **(Fire and Rescue Services)** On Call Availability • **(Fire and Rescue Services)** Protection Capacity • **(Fire and Rescue Services)** Water Rescue Training Inability to effectively maintain Firefighter competence using external water rescue training facilities. • **(Business and Customer Services)** Interruptions to the Customer Service Centre due to the transition to a new telephone supplier

Resources and Fire & Rescue Overview and Scrutiny Committee

22 February 2023

Update on Capital Financial Management project

Recommendation

That the Committee:

1. Considers and comments upon the progress made to date in delivering the Capital Financial Management project and the plans to offer a Member briefing session on updated capital financial management.

2. Considers and comments upon any specific areas it would like to see covered in the briefing session.

1. Executive Summary

1.1 Capital investment in the County is a vital responsibility of the County Council which supports growth, develops key infrastructure and attracts external investment into the County. The context for capital projects has become significantly more challenging in recent years as a result of numerous factors, in particular high levels of inflation, rising borrowing costs and supply chain and workforce challenges/shortages.

1.2 The Capital Financial Management project was established to improve financial management for major capital schemes in light of perceived and actual cost increases and slippage in the Council's capital programme.

1.3 The Capital Financial Management project has reviewed, with key stakeholders, end-to-end arrangements for planning, costing, monitoring and reviewing delivery of the capital programme. It has identified, and is now implementing, changes to systems, processes and culture which will deliver better allocation and management of capital resources to meet the Council's strategic objectives.

1.4 This report updates the Committee on progress, and gives an overview of the changes, the timescales for delivery, and the anticipated benefits.

1.5 This report also sets out plans to engage Members more widely in the project through a briefing session in Spring 2023 to provide a more detailed update and in particular what these changes mean for elected members.

2. Financial Implications

2.1 The project was allocated £125,000 from the Council Change Fund. Of this, around £19,000 has been spent on securing additional project resources, as the Council’s core team did not have the full capacity to deliver this work. The remainder will be used towards the cost of making changes to the Council’s Agresso accounting system, to deliver significant improvements to the Council’s capital financial planning, budgeting, management and reporting capability.

2.2 The project will deliver benefits through improved resource management, a reduction in capital slippage, a reduction in scheme costs increases, and greater assurance regarding financial management of the capital programme.

2.3 It is anticipated that these benefits will start to be realised from April 2023 onwards, as changes across the capital system and associated processes become embedded.

3. Environmental Implications

3.1 New governance arrangements for strategic oversight of the capital programme will help to ensure that the balance of the Council’s capital investment aligns with its corporate objectives. This includes ensuring that sufficient priority is given to projects which help to deliver the Council’s Sustainable Futures strategy, which currently exists in draft and is going through a period of stakeholder engagement.

4. Project Objectives and Findings

4.1 The Capital Financial Management project was set up in response to Member concerns around the Council’s effective management of its capital programme.

4.2 In considering what improvements were needed, the project team consulted widely with stakeholders across all Services, and with the Deputy Leader and Portfolio Holder for Finance and Property to identify both strengths and areas for improvement. It also considered “Best Practice”, as set out by the National Audit Office, government departments and third parties including the Chartered Institute of Public Finance and Accountancy (CIPFA).

4.3 During its “Discovery” phase, the project established that the Council successfully delivers a programme of around £100m to £120m every year, with the majority of capital schemes being completed on time and within budget. However, it also identified a number of areas where there is scope for improvement. These included:

- The need for more accurate costings at the point of project approval.
- More effective monitoring and reporting, supported by fit-for-purpose systems and processes.
- Improved risk management.
- The need for skills and knowledge development supported by appropriate training.
- A better understanding of the link between financial performance and operational delivery.
- A culture which supports all of these changes.

4.4 In order to make these improvements, in February 2022 Corporate Board approved a number of recommendations, which are shown in Appendix A. In essence, the recommendations introduce a new Target Operating Model for capital (Appendix B) and set out the changes that need to take place for it to be implemented.

5. Progress to Date

5.1 Over the past twelve months significant progress has been made in delivering these recommendations. The Capital Strategy Group has been in operation for six months, chaired by the Assistant Director, Finance. As well as acting as the “owner” of the capital strategy at officer level, the group will be the point of escalation for any early warnings on major scheme risks. The intention being to identify any cross-cutting risks in order to manage them before they materialise into issues. In addition, the key remit of the Group will include assessing capital pipeline projects seeking new funding and identify and drive continuous improvement opportunities in the capital system.

5.2 A new £4m fund is being proposed, as part of the refresh of the Capital Strategy, top-sliced from the Capital Investment Fund, which appropriate projects will be able to draw down from when they need funding to undertake early investigation design work. This was identified from the review as being key to producing more accurate capital budgets for high value, high complexity schemes at an earlier stage. This could be, for example, to undertake ground condition investigations, ecological or archaeological surveys or land ownership surveys, where the outcomes could have a significant impact on scheme costs. This will help to ensure the accuracy of scheme estimates before they seek approval for addition to the capital programme and reduce the risk of increased costs after a scheme has been approved. This will not increase the cost of a project overall but will help to give greater cost certainty at the outset.

5.3 For those projects where this fund is required but the additional exploration of costing determines that the business case should not be progressed, those abortive costs will need to be written off to revenue, as an asset has not been created or enhanced. In these instances, an existing revenue reserve (the Capital Fund) will be used, with £1m set aside to absorb any abortive costs.

5.4 On 9 December 2022, Portfolio Holder approval was granted to move the Council's Agresso financial system into the virtual Cloud[1], and thus be able to take advantage of a number of software improvements which will enhance the management of capital spend. These include a new tool for capital budget planning, monitoring and reporting. The tool replaces the existing mechanism which requires a high degree of manual intervention, allowing officers to focus more time on accurate forecasting and reporting, in turn giving better insights and greater assurance to Members.

5.5 A number of changes have been designed around the approval process for capital projects seeking to use Capital Investment Fund (CIF) monies. A new three stage approval process, comprising a Project Proposal Document, an Outline Business Case and a Full Business Case, will be introduced for those projects deemed to be high in value, highly complex and with large financial, operational and/or reputational risk attached. This will provide more rigour to ensure the Council's limited funds are directed to the 'right' projects. This is being supplemented with improvements to the way we record and manage the use of contingency budgets and guidance on managing project risks.

5.6 For 2022/23, three new Key Business Measures (KBMs) were introduced to show how the capital programme is performing. These measures are:

- The percentage of capital schemes completed on time and to budget;
- The number of projects seeking member approval to changes in cost, time, scope or risk; and
- The proportion of the capital programme total spend allocated to Sustainable Futures.

5.7 The KBM's are currently being reviewed to identify how useful they have been. Further work is also now underway to develop supporting Key Business Indicators to give further insights into the performance of the capital programme and provide early warnings where action needs to be taken.

5.8 Finally, the project has focused on embedding the required cultural change across the organisation to ensure the proposals are incorporated across all stakeholders and those directly involved in the capital process. This will result in a refreshed training offer, a communications plan to promote the changes and a relaunch of the Intranet pages to ensure relevant guidance documentation is easily accessible and understandable.

5.9 It would be beneficial to extend this training offer to all Members, given their role in the formation and scrutiny of capital schemes. The Committee is therefore asked to provide feedback on particular areas they would wish to see included in the briefing.

[1] The cloud refers to web-connected servers and software that users can access and use over the internet. As a result, you don't have to host and manage your own hardware and software. It also means that you can access these systems anywhere that you have access to the internet. The particular improvements required to our systems are only supported via the cloud

6. Timescales associated with the decision and next steps

6.1 A number of actions have already been taken to implement the necessary improvements identified by the project. Most of the remaining changes are due to be implemented from April 2023 to align with the start of the new financial year. Changes to the Agresso financial system, to support improved capital forecasting and budgeting, are expected to be in place from Summer 2023. The revised training offering, and Intranet pages will start to roll out from August 2023.

6.2 The all Member briefing session will be scheduled for Summer 2023.

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

Local Member(s): not applicable as county wide report
Other members:

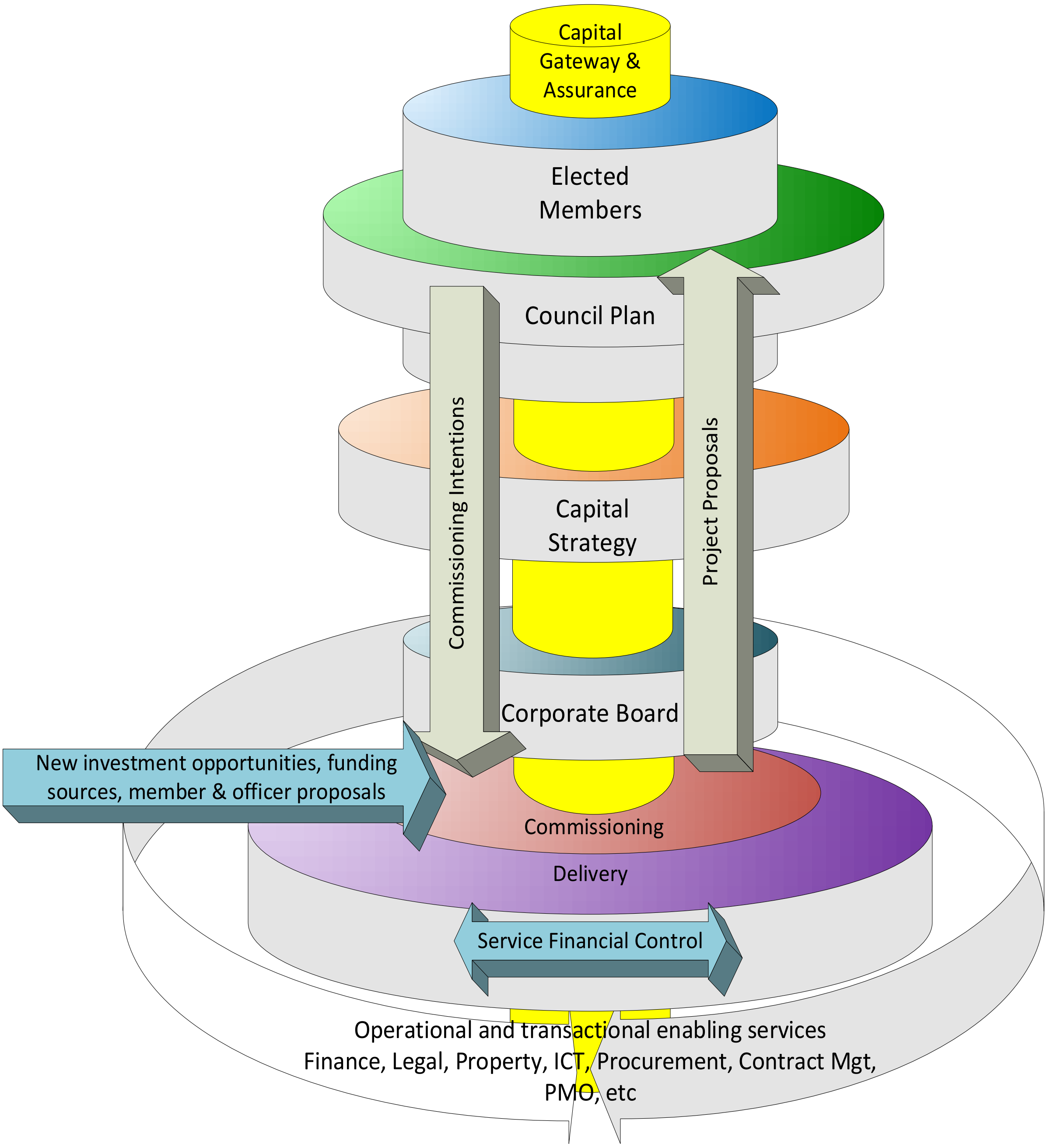
APPENDIX A

Project Proposals Approved by Corporate Board February 2022

No.	Proposal	Deliverability RAG
1	New operating model where capital commissioning decisions are driven by strategic priorities	In Place
2	Capital Strategy Group to fill missing oversight / governance role	In Place
3	Investment at Outline Business Case stage to ensure accurate project costing	Approved
4	Simplified budget and forecasting for greater transparency, accuracy and ease of use	In development
5	Proactive management of contingencies	In development
6	Clear change management principles and proportionate escalation thresholds and routes for managing project variances	In development
7	Technical systems development to support the recommendations	In development
8	Consistent risk management approach aligned to Strategic Risk Management Framework	In development
9	Capital performance measures integrated into Corporate Performance Framework	Partially implemented, further measures being developed
10	Changes supported by Skills Competency Framework, Training Needs Analysis and refreshed capital Learning & Development offer	In development
11	Launch, annual event and annual report	In development
12	Use existing systems to record, share and use Lessons Learned	In development

APPENDIX B

New Operating Model



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Resources and Fire & Rescue Overview and Scrutiny Committee

22 February 2023

Development of Energy Strategy

Recommendations

That the Resources and Fire & Rescue Overview and Scrutiny Committee considers and comments on the approach to the development of the Energy Strategy, including specifically the scope, the framework and the proposals for stakeholder engagement.

1. Executive Summary

1.1 In 2015 the Council adopted a Warwickshire Energy Plan, which had as its focus the increased use of low and zero carbon technologies and the promotion of such technologies to the public, helping them to improve their health and wellbeing.

1.2 In 2019 the objectives were reviewed and revised, and the Energy Strategy set a commitment to responsible management of energy and utilities in all its estate and operations and to improve efficiency, save money, reduce consumption, reduce carbon emissions, and continually improve its environmental performance.

1.3 Linked to the Sustainable Futures Strategy and action plan there is a requirement to further review and update the Energy Strategy to align it to the commitments to tackle Climate Change in the current Council Plan 2022-27.

1.4 The Energy Strategy will be aligned to and set a strategy that supports the delivery of the following Sustainable Futures Strategy Themes.

Energy: To decarbonise the energy used by the Council, we are committed to identifying opportunities to increase the installation of renewable technologies on council owned buildings and the volume of in-county renewable energy generation.

Built Environment: Our goal is to reduce emissions from council buildings energy use by a minimum of 1,700 tCO_2e by 2030. We will increase our knowledge of energy use within our decentralised assets, decarbonising our natural gas heat supply, identifying opportunities to co-locate with partners, undertaking further property decarbonisation feasibility studies and supporting renewable energy schemes.

1.5 The Energy Strategy will also identify how the Council will support the following commitments:
- responsible management of energy and utilities in all estate operations.
- net zero emissions for the County by 2050 by working with public sector and other partners and community groups.

1.6 The Strategy will have an associated delivery plan that will identify the required resources and actions to support the transition to Net Zero by 2030 (Council) and 2050 (county) and the associated targets.

1.7 The purpose of the Energy Strategy will set out how we plan to reduce, use, measure, and generate energy to support the Council's Net Zero 2030 and 2050 targets. The following is the proposed framework around which the Strategy will be developed.

2. Approach to Strategy Development

2.1 The approach to the development of the Strategy follows the Council wide approach to the style, format and content of our strategies and is in line with the Strategy Framework that the Council has adopted. The Strategy will adopt the 'why, what, how' frame in its approach setting out the challenge statement that we are trying to address, the key objectives and priorities to address the challenge, the action plan and performance measures and the arrangements for delivery. It will be supported by data and by an annual Building Energy Consumption and Emissions Review that will provide an update on our energy performance. It will also set out the linkages to other strategies such as the Sustainable Futures Strategy and Levelling Up.

3. Scope

3.1 The proposed Strategy scope will be aligned to the Sustainable Futures Strategy. Assets within scope will be those where we are owner or occupier and/or hold responsibility for full repairs maintenance and operational costs. i.e. – Centralised assets such as, but not exclusively, offices and administrative buildings, Libraries, Children & Family Hubs, Fire Stations, Maintained Primary and Secondary Schools and Country Parks.

3.2 For those assets where Warwickshire County Council is not the operational budget holder or for those assets where Warwickshire County Council does not hold full repairing and maintenance responsibilities, the Strategy will identify the Council's advisory/ influencing role. i.e. this scenario would include Academy Schools.

4. Framework

4.1 The key themes proposed for the Energy Strategy are:
- Targets and Standards
- Property Construction and Maintenance Standards
- Renewable Energy

- Finance
- Environmental Impact
- Community Engagement

4.2 The Strategy will
- Set our current construction standards and make recommendations in relation to how these may need to change.
- Consider the impact of changing statutory standards, such as the requirement to achieve Net Zero development planning and changes to building regulations.
- Clarify our ambitions for renewable energy schemes.
- Consider how to reduce the reliance on the grid and how we may use our existing estate for renewable schemes.
- Confirm our approach to working with partners to identify long term investment opportunities.
- Confirm our commitment to working with Partners in supporting a public sector sustainable strategy. Sharing joint ambitions to improve utilisation of our assets, consider co-locations and where appropriate reduce the public sector portfolio; focussing on investing in assets which meet our environmental standards.
- Identify the opportunities and impact of embedding new standards and approach to the Estate Masterplanning Programme, Place Shaping and Sustainable Travel.
- Address key Environmental compliance interdependencies, including the recycling of waste within our buildings.
- Align the Strategy to the County-wide Levelling Up approach which was approved by Cabinet in July 2022. Considering the impact of regeneration schemes and the building and acquisition of new assets which are publicly owned and/or supporting community ventures.
- Will be supported by an annual Building Energy Consumption and Emissions Review that will provide an update on our energy performance.

5. Stakeholder engagement

5.1 To ensure that the Energy Strategy is integrated across the Energy Strategy, working with the Policy Team the Energy Strategy will identify how it is aligned to and supporting other local Strategies and programmes (eg EV Charging Strategy, Environmental Policy etc).

5.2 In January 2023 the Member Cross Party Climate Emergency Group considered the key themes of the Strategy and supported the approach being taken. There are proposals to continue to work with this Group to support the development of this Strategy and return to the Group in April 2023 to finalise the Strategy development.

5.3 A Working group has been established to support the development of the Strategy. Plans to engage with internal stakeholders have been established across the Council. This stakeholder engagement will obtain support with setting the standards, and set the direction of travel for the Council, to ensure that this Strategy fully supports the Net Zero commitments identified within the Council Plan and Sustainable Futures Strategy.

5.4 We have plans to work with Maintained Schools to establish guidance that will support and establish shared approaches and values to support our Net Zero commitments.

6. Financial Implications

6.1 The Energy Strategy will consider the financial impact that establishing a low carbon estate will have for the Council. There will be a requirement to ensure that proposals are affordable and in alignment with our MTFS. We will work with finance colleagues to explore all opportunities including exploring all routes for external funding and/or investment.

6.2 The Energy Strategy will feed into the short-, medium- and long-term financial planning cycles, enabling prioritisation of future revenue and capital funding and programmes of work. This will enable and support a realistic and deliverable approach in supporting the organisation to reach net zero for the organisation by 2030 and for the county by 2050.

7. Environmental Implications

7.1 The Council's current Climate Change Programme and the future action planning proposed in this report are required to achieve targets for net zero emissions and are fundamental to mitigating the effects of climate change on the environment and on the lives of Warwickshire residents. The Energy Strategy will also support the Council's ISO14001 Environmental Management System certification.

8. Supporting Information

8.1 The Climate Emergency Cross Party Group considered the Energy Strategy on 24th January 2023 and supported the approach proposed to the development of the Strategy. It is intended that the draft Strategy will be further considered by this Cross Party Group before it is considered for approval by Cabinet

9. Timescales associated with the decision and next steps

9.1 Stakeholder engagement both across the Council and also externally will continue as the Strategy is developed with key dates as set out below

- Cross Party Climate Emergency Group – April 2023
- Climate Change Delivery Group – April 2023
- Corporate Board – May 2023
- Cabinet – June 2023

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The report was circulated to the following members prior to publication: None

Local Member(s): N/a

Other members: Members of the Climate Emergency Cross Party Group

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Agenda Item 9

Resources and Fire & Rescue Overview and Scrutiny Committee

22 February 2023

Annual Review of Our People Strategy and Year 3 (2023/2024) Delivery Plan

Recommendation

That the Committee notes the activity as set out in the 2022/23 Annual Review of Our People Strategy and considers and comments upon the proposed delivery priorities to inform the development of the Our People Strategy Delivery Plan for 2023/24.

1. Executive Summary

1.1 The refreshed Our People Strategy 2020-2025 was originally endorsed by both the Resource and Fire & Rescue Overview and Scrutiny Committee and Staff and Pensions Committee in December 2020. Since this date, the Strategy has returned to both committees on an annual basis to review and endorse the plans for the coming year.

1.2 The Annual Review of Our People Strategy, at Appendix 1, showcases and celebrates the activity and performance against our organisational priorities supported by HROD over the previous year, and considers the performance data, the current context and details the key priorities for the coming year.

1.3 Following input from the Overview and Scrutiny committee, the Annual Review and 2023/24 Delivery Plan will be considered for approval by the Staff and Pensions Committee. Once approved, the Annual Review will be shared with a wider audience to support the Council's ongoing Employee Offer and the ongoing recruitment and retention of our people by continuing to confirm our commitment to making Warwickshire a great place to work.

1.4 **Our People Achievements 2022/2023** against agreed priority actions

- Leading Organisation Wellbeing - focus continues on monitoring attendance rates, wellbeing initiatives and collation of evidence to apply for Silver Thrive at Work. The annual review focus on leading organisational wellbeing was endorsed by the Staff and Pensions Committee in October 2022.
- Engagement – the new approach has been launched and the response rate and engagement score have both increased. An annual review of

engagement was endorsed by Staff and Pensions Committee in June 2022.

- Equality, Diversity and Inclusion – the focus continues on progressing the action plan. The Council was delighted to be awarded the Silver Inclusive Employer Award in Septembers, which recognised the great progress made and provides the basis for future actions. An annual review focus on EDI was endorsed by Staff and Pensions Committee in September.
- Culture – a review of the culture requirements to support the council plan has been completed. To support this we have defined our culture, pulling together our values, behaviours, Employee Offer and our people and EDI visions.
- People Metrics for managers - work continues with the development of people dashboards.
- Leadership Approach – a draft approach to leadership has been developed, which articulates the expectations of leaders, along with the leadership offer to support them. We have procured a partner to work with officers in developing our leadership offer, to be launched in April 2023.
- Agile Working Approach – has developed into How We Work Best, which captures all the working arrangements across the Council. A new intranet hub has been launched, continuing to evolve and take stock of the approach, with an appreciative inquiry to understand, celebrate and embrace different ways of working being undertaken.
- Employer Offer – is now embedded in how the organisation is promoted, and ways to use it to promote the Council as an employer of choice continue to be sought.
- Recognition Platform – the Highfive recognition platform was piloted on a trial basis, with an alternative way of enabling our people to provide peer to peer recognition and thanks, being embedded going forward.
- Induction and Onboarding – Improvements on how we induct and onboard our people have been made.
- Apprentices' Pay – has been aligned with the national minimum wage rates to address attraction and recruitment challenges.
- Recruitment, Retention and Talent – developing flexible resourcing solutions, including career pathways to address attraction and recruitment challenges.
- Tier 1-4 recruitment process – approval of a reviewed approach to recruiting to leadership and management roles.
- Apprenticeship First Approach – testing a framework so that apprenticeships are routinely considered for entry roles.
- Corporate learning and development offer has been reviewed and updated, taking on board the view and input from stakeholders so that if reflects the needs of the organisation.

1.5 Our People Priorities for 2023/2024

Having considered our achievements over the last year, along with our performance measures, the workforce planning discussions with Assistant Directors, other discussions with key stakeholders and assessing the external factors of the employment market, we have considered which actions will have the biggest impact on the issues that we are facing. The following priorities are proposed for 2023/24:

- Wellbeing – Aligned to our wellbeing offer, undertake a health needs assessment and continue to collate the evidence to apply for the Silver Thrive at Work accreditation. Procure a provider for Occupational Health and EAP.
- Our Approach to Equality, Diversity and Inclusion – Launch our approach commitment, continue with the action plan with a particular focus, working with partners, on social mobility and the levelling up agenda, the response from the Inclusive Employers feedback, the ONS Census data and the Breaking Through and Allyship programmes.
- How We Work – Undertake an appreciative inquiry into our ways of working to showcase, celebrate and embrace the different ways of working. Continue to develop and refine the Agile Working approach including a refresh of the principles to ensure effectiveness and consistency alongside exploring options for new ways of working to support recruitment and retention.
- Workload – continue through our engagement approach to enable our people to manage their workloads.
- Engaging with Off-line Colleagues – Priority focus on how we engage with our colleagues who are not on-line, as well as those who do not currently engage in the YourSay activity.
- People Metrics, Leading with Data – Launch a series of PowerBi dashboards, to provide managers with real time data an information.
- Leadership Approach – Work with our new partner Passe Partout, to co-create and deliver a leadership offer that equips leaders with the knowledge and skills to lead people to deliver our ambitions. Finalise and launch our Approach to Leadership, setting out the expectations of our leaders along with the offer of development and support.
- Performance and Appraisal Framework - business as usual annual refresh activity, including 360 feedback for tiers 0-3 leaders.
- Performance Policy – review the tone and voice of the capability policy.
- Strategic Workforce Planning – continue to develop a, including a workforce assessment, which provides insight and challenge to ensure services are able to respond to future need and provides HROD with common themes to inform priority actions.
- Contract Type Review – Review our zero hour and sessional worker contractual arrangements.
- Pay and Reward - Review our approach to Pay and Reward. Consider and plan future developments.
- Recognition / Star Award Review – making proposals for future awards and further recognition work in future years.
- Our Approach to Benefits – Consolidate the benefits offer into one document to ensure that it supports the recruitment and retention ambition.

Undertake options appraisal into implementing additional benefits, such as Electric Vehicles and Lease Car Schemes.
- Recruitment and Retention Approach – Understand better why leavers are leaving and develop a suite of recruitment and retention tools, including career pathways, career change, talent management and the re-commissioning of the temporary agency contract.
- Apprenticeship First – review the trial and develop an approach to encourage growth of the use of apprenticeships and utilisation of the apprenticeship levy, along with supporting managers with induction of first-time workers.
- Corporate menu of Learning and Development – review to ensure this meets the needs of our people.

1.6 **Our People Measures of Success**: to monitor progress and help identify challenges a number of measures are tracked throughout the year. The performance against the key business measures and indicators, is as follows:
- Sickness Absence – has stabilised throughout the year at 8.5 days per FTE, which remains in target of 8 days per FTE (+/- 1 day)
- Employee Engagement - has increased slightly to 76%, from 74% last year, but remains slightly below the target of 78%
- Gender Pay Gaps – The gender, ethnicity and disability pay gaps are all closer to 0 from last year, and all within target of 0% (+/-5%).
- Stress and Mental Health Absence – has remained consistent at 2.43 days per FTE and remains under the target of 2.5 days.
- Wellbeing Score - this new measure has set a promising baseline of 77% agreement
- Proud to work for WCC – 80% agreement, an increase from 76% in the previous year
- Safe to be authentic self – another new measure, setting a positive baseline at 79%.
- Disclosure rates – following a successful data campaign, there has been a significant increase in disclosure rates across all the main categories of disability, ethnicity, religion & belief and sexual orientation. Two new categories around carer responsibility and socio- economic background have also been introduced.
- Retention has stabilised at 86.4% and remains positively above the target of 85%

2. Financial Implications

2.1 None

3. Environmental Implications

3.1 None

4. Supporting Information

4.1 Our People Strategy provides direction and focus on the development and implementation of a range of projects and initiatives under the Strategy's six building blocks:

- Culture
- Leadership
- Performance
- Organisational Development and Design
- Reward and Recognition
- Talent Development and Career Opportunities

4.2 In this year's annual review, to strengthen the content a summary of activities, measurements of success and priority actions for 2023/2024 through the employment journey has been provided. This aligns to other service improvement work across the two arms of HROD, Strategy and Commissioning and People Solutions. The employment journey has been divided into Attracting, Joining, Wellbeing, Performing, Rewarding, Developing and Moving On, and full details can be found on page 3 of Appendix A.

4.3 Alongside the achievements against the agreed priority areas, the annual review also celebrates other service improvements, awards and recognition across both HROD services.

4.4 The annual review provides more narrative on the proposed priority areas, particularly on the difference we make, to demonstrate the desired outcome each priority will seek.

4.5 2022/2023 has been another challenging but successful year for delivery against the Our People Strategy with some emerging priorities being identified throughout the year, including Strategic Workforce Planning and the Pay and Reward review.

4.6 Across the whole Human Resources and Organisational Development, other successes have included:

- Development of Our Approach to Leadership and procuring a partner to scope and develop our Leadership Offer.
- Well received annual reviews for Engagement, Health and Safety and Wellbeing, Equality, Diversity and Inclusion. These tell our story, celebrate successes and provide focus for further work.
- The Payroll team were awarded the PPMA Award for Excellence in Service Delivery – Unsung Heroes.
- The new approach to engaging our people has been well received with an increased in participation and an increase in engagement scores, along with some positive benchmark positions, for the new measures.
- From a commercial perspective, we were successful in continuing to provide services to Wokingham Borough Council and Stratford upon Avon District Council.

- Alongside the longer-term strategic deliverables we have continued to support our people and enabled them to continually deliver for the communities that we serve.
- In addition to supporting the Our People Strategy our HROD Delivery colleagues have had another busy and successful year, with increasing demand on all its services.

4.7 Some of the major projects and initiatives will continue into 2023/2024. Some key activities have been identified to best support the delivery of the Council Plan and respond to the internal and external employment challenges being faced.

4.8 Whilst the proposed activities for 2023/2024 have not been prioritised, it is recognised that demand on HROD may mean the approach and focus will have to be flexed during the year. Should that be the case further discussions will take place with Corporate Board. However, the recommendation is that the priority focus should be on the following 5 major issues:

- Recruitment and Retention
- Pay and Reward
- Strategic Workforce Planning
- Equality, Diversity and Inclusion
- Employee Engagement

4.9 Officers will continue to develop the HR service that they can all be proud of, with exceptional service delivery for our customers.

Appendices

1. Appendix 1 – Our People Strategy Annual Review (2022/23) and Year 3 (2023/24) Delivery Plan

Background Papers

None

	Name	Contact Information
Report Author	Kate Sullivan	katesullivan@warwickshire.gov.uk
Assistant Director	Sarah Duxbury Assistant Director, Policy and Governance	sarahduxbury@warwickshire.gov.uk
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	Portfolio Holder for Customer & Transformation	

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

Local Member(s): N/a
Other members: N/a

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OUR PEOPLE

Focus on Our People Strategy

Annual Review **2022/2023 & Year 3 (2023/25) Plan**

Warwickshire County Council, a great place to work where diverse and talented people are enabled to be their best.

Our People Strategy - Warwickshire's Story

**Message from Monica Fogarty,
Cheif Executive**

I'm once again pleased to introduce Our People Strategy Annual Review which updates on progress made in the second year of the refreshed Our People Strategy, and additionally incorporates the priorities for year three (2023/24).

I talk often about how proud I am of our people, and their passion and dedication to serving our residents and communities and making Warwickshire the best it can be; and likewise we know that our people are proud to work for Warwickshire.

Our HROD service which incorporates both our Strategy and Commissioning and People Solutions Delivery teams oversees the delivery of Our People Strategy and this report sets out a number of the key service improvements that have taken place this year along with achievements and accreditations that the service should rightly be proud of. This includes The Unsung Heroes Award for our Payroll team in the PPMA Excellence in People Management Awards; and gaining the Inclusive Employers Silver Standard in recognition for our equality, diversity and inclusion approach.

Our people make us what we are and are at the heart of our success, and through Our People Strategy we continue to make Warwickshire County Council a great place to work where our diverse and talented people are enabled to be their best.

At a glance

The Our People Strategy provides direction and focus for the development and implementation of a range of projects and initiatives under six building blocks, which support the employment journey. Our Year 2 2022/23 activity, measurement of success and priority actions for Year 3 2023/2024 are as follows:

Joining

Y2 Activity – Our induction and onboarding processes have been enhanced to complement our Employee offer and Agile working.
Measures – Headcount has increased by 4.2% over the last 12 months and we have onboarded 1100 colleagues.
23/24 – we look to continue to simplify our processes to ensure a warm welcome to working for Warwickshire.

Performing

Y2 Activity – To ensure our leaders are able to enable our people to work at their best, we have developed an approach to leadership and have secured a partner to co-design our leadership offer.
Measures – HR dashboards for managers continue to be developed.
23/24 – implementation of the leadership approach and offer will take place

Developing

Y2 Activity – Development our career pathways.
Y2 Activity – Development of our career pathways. Implemented a new Learning Hub for accessing our Learning & Development activity. Introduction of Chartered Management Apprenticeship.
Measures - The Learning Hub Commissioned 290 learning events, 6517 course completions and 14598 eLearning module completions.
23/24- review of the corporate development offer and continual development of our career pathways

Attracting

Y2 Activity – Our induction and onboarding processes have been enhanced to complement our Employee offer and Agile working.
Measures – Headcount has increased by 4.2% over the last 12 months and we have onboarded 1100 colleagues.
23/24 – we look to continue to simplify our processes to ensure a warm welcome to working for Warwickshire.

Wellbeing

Y2 Activity –Wellbeing, the way we work, engagement and our approach to inclusivity, are all key to the culture we aspire to. These are now embedded in the way we work. We continue toreview the tone and voice of our policies.
Measures – attendance levels, engagement levels and EDI indicators remain positive. We have gained the Silver Inclusive Employers Award.
23/24 – Continue work towards applying for Silver Thrive at Work accreditation. Undertake an appreciative inquiry into how we work. Continue to listen and respond to

Rewarding

Y2 Activity – implementation and development of the VivUp benefits platform. Pilot of the High5 peer to peer recognition platform. Successful long service and Star Awards ceremonies.
Measures – 82% of our people are committed to working here.
23/24 – Review our approach to pay, reward and recognition. Consolidation of our benefits package to support recruitment and retention.

Moving on

Y2 Activity – Work undertaken in other areas such as Employee Offer, recognition, how we work, and wellbeing continue to support retention.
Measures – Turnover has steadied over the last year but remains higher that we would like.
23/24 – Continue to explore reasons for leaving and consider actions to address themes.

Best Warwickshire

Focus on Our People Stategy

Through the later end of 2020, the council refreshed its Our People Strategy, to drive through the vision of Warwickshire County Council, a great place to work where diverse and talented people are enabled to be their best.

Embodying our Values and Behaviours, the Our People Strategy is built on 6 building blocks:

Our behaviours

Our behaviours were first introduced in 2016 and these haven't changed. Our behaviours frame how we should behave at work. They help us to understand how we should go about our work and the way we should interact with each other and our customers.

Our values - the Warwickshire DNA

To support the achievement of our vision, five key organisational values have been identified:

Our People Strategy building blocks

The building blocks provide the foundations for the delivery of Our People Strategy vision. We have identified six key building blocks:

For each building block we have a clear set of outcomes we need to achieve so that we can fulfill our vision and transform as an organisation in a way which is sustainable.

HROD How We Work

Achievements 2022/2023

Against our Priority Project areas

Leading Organisational Wellbeing
The Sustainable and Resilient workforce project has transitioned into the business as usual Leading Organisation Wellbeing Group. Focus continues on monitoring attendance rates, wellbeing initiatives and collation of the evidence required to apply for Silver Thrive at Work Accreditation. Staff and Pensions Committee endorsed the annual review focus on leading Organisational Wellbeing in October.

Engagement
The new Our Approach to engaging with our people has been launched, which includes our YourSay engagement activity. The first of the new look survey was completed in June, with Assistant Director led Big Conversations taking place in the autumn. Engagement has increased slightly, and the new measures have provided an encouraging baseline, in which we can continue to monitor our progress in the coming years. An annual review of engagement with our people was endorsed by Staff and Pensions Committee in June.

Equality, Diversity and Inclusion (EDI)
The Council's EDI activity continues to progress the EDI action plan. In September we were delighted to have been awarded a Silver Award from Inclusive Employers, which recognises our great progress and provides the basis for our future actions. The annual review was presented to Staff and Pensions in October.

Culture
A review of our culture requirements to support the Council Plan has been completed, to support this work, we have defined our culture, pulling together the values, behaviours, employee value proposition, Our People and EDI vision. The how we work best appreciative enquiry will help shape our future work in this area.

People Metrics for Managers
Work continues with the development of People dashboards. We have now brought this work in-house and we look forward to implementing the dashboard in early 2023

Leadership Approach
We have developed a draft Our Approach to leadership, which articulates our expectation of leaders, along with our leadership offer to support them. We have procured a partner organisation to work with us in further developing our leadership development offer, which will be launched in 2023/2024.

Agile Working Approach
Agile Working has developed into How We Work Best, which captures all our working arrangements across the Council. A new intranet hub has been launched and we are undertaking an appreciative inquiry to work with colleagues to celebrate and embrace the different ways of working.

Employer Offer
Our Employee Offer has been embedded in how we promote our organisation and we continue to seek ways to use it to promote Warwickshire as an employer of choice and sell the benefits of working with us.

Recognition Platform
The Highfive recognition platform was piloted on a trial basis, with an alternative way of enabling our people to provide peer to peer recognition and thanks, being embedded going forward.

Induction and Onboarding
Improvements in how we induct and onboard our people (new to the organisation or role) have been made, taking into account our Agile Working approach.

Apprentices' Pay
Apprentices' pay has been aligned with the National Minimum Wage rates to address attraction and recruitment challenges.

Recruitment, Retention and Talent
Flexible resourcing solutions, including career pathways, have been developed to address attraction and retention challenges

Tier 1-4 Recruitment Process
The approach to recruiting and assessing Tier 1-4 leadership and management roles has been reviewed, developed and approved.
Apprenticeship First Approach
The testing of a framework so that apprenticeships are routinely considered for entry level roles is currently underway.

Corporate Learning and Development Offer
Taking on board the views and input from stakeholders, the corporate Learning and Development offer has been reviewed and updated to reflect the needs of the organisation.

Service Improvements across HROD

Some key service improvements that have taken place across our One HROD service, including both our Strategy and Commissioning team and our People Solutions Delivery team:

- **HR Scorecard** and **strategic workforce planning** discussions with Assistant Directors, the feedback from which has scoped our priorities for 2023/2024
- **Policy review Framework**, redesigning our approach to policies, to reflect the tone and voice of the Council. The grievance policy is due to be launched, following positive engagement with stakeholders, other policy review to follow shortly.
- **Intranet analytics and demand management** approached to support improved service delivery
- **Specialised recruitment team** formed to enable internal executive search and onboarding, adding greater value and saving money for recruiting managers.
- **Commercial Approach**, saw the team successfully retender for an existing contract and onboard a new customer.
- **Health and Safety team** supported the temporary move of Westgate School into Northgate House
- **HR Advisory colleagues** have launched a number of policies and approaches in terms of pension and the Service Orders for Warwickshire Fire and Rescue service
- **The Learning Hub**, implemented a new Learning Management System
- **The Organisational Development Team**, have delivered wide range of local interventions, including team development, coaching and mentoring, supporting working relationships, performance and confidence
- **Our People Voice Podcast**, produced by our Diversity, Inclusions and Wellbeing Team, with our own colleagues as guests, talking about issues that affect their daily lives and sharing their experiences.

Awards and Recognition

WARWICKSHIRE STARS STAFF AWARDS

Warwickshire County Council Star Awards

Homes for Ukraine, instrumental part of the Star Award winning team, for the DBS process.

PPMA Excellence in People Management Awards 2022

Payroll Team, PPMA award for Excellence in Service Delivery: The Unsung Heroes Award

Inclusive Employers Standard Silver Accreditation 2022

Diversity, Inclusion and Wellbeing Team, submitted Warwickshire County Council to be accredited with the Inclusive Employer Standard Silver

thrive at work Workplace Wellbeing Bronze Award

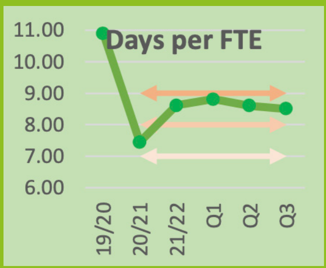
Leading Organisational Wellbeing Group, achieved Bronze status and now working towards achieving Silver.

Measuring Our Success

Across One HR the following Key Business Measures (KBM's) that are reported to Cabinet and Key Business Indicators (KBI's) reported to Corporate Board on a quarterly Basis. The following shows our performance trend.

Key Business Measures

Sickness Absence Trend



Performance has stabilised th•is year, with Q3 at 8.50 days per FTE, and remains in target of 8 days per FTE (+/- 1 day).

Engagement

Engagement Score 76%
20/21 = 74% Target = 78%
Response Rate 40%
20/21 = 39%,
2025 Target = 70%

Employee Engagement increased slightly from last year and it is pleasing to see an increased in our response rate as we continue to work towards our 2025 target.

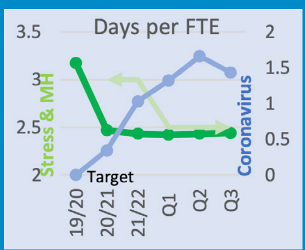
Pay Gaps

Gender 2.4%
Ethnicity 0.2%
Disability 2.4%
Target 0% (+/-5%)

All our mean pay gaps are within target and are all closer to 0% compared with 2021/22 performance is strong against comparator data where available.

- Gender down 0.2% and below the ONS national average of 14.9%.
- Ethnicity down 1.0% from -0.8 (closer to zero).
- Disability down 1.1%

High Absence Reason Trend



Stress & MH absence target reduced from 3 to 2.5 days per FTE, our position remains consistent and tracking slightly below target. Covid-19 is now our 2nd highest reason and after significant increases, has now started to fall.

Engagement Indicators

Wellbeing 77%
Proud to work for WCC 80% (76% 21/22)
Safe to be authentic self 79%

These new indicators, which combined relevant question responses from the Your Say Survey have set a baseline for future years, with an encouraging start all recording over 75% agreement.

Disclosure Rates

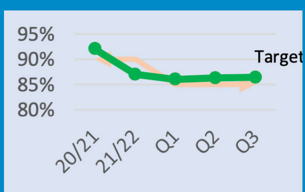
Disability
83% (+9%)
Ethnicity
96% (+11%)
Religion or Belief
94% (+14%)
Sexual Orientation
71% (+36%)

Our People Data campaign has resulted in a significant increase in disclosure rates across main our categories.

We have introduced 2 new categories around caring responsibility (22.4% disclosed) and socio- economic background (21.7% disclosed.

Of those who have disclosed, the percentage of people choosing "prefer not to say" has stayed relatively the same, which indicates that more people feel comfortable with disclosing their data

Retention

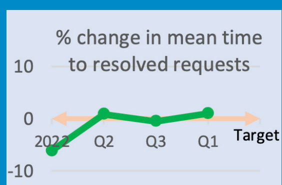


Retention has stabilised, and is currently 86.4%, compared with 87% in April 2022, and remains above target of 85%

HROD Satisfaction Score

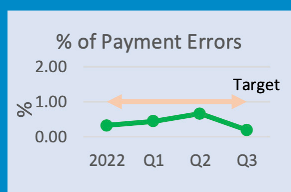
Satisfaction in both recruitment and HROD delivery are improving and above the target of 7

People Services



The target is for the time for change request to be below 0, we are currently fluctuating between +1/-1

People Services

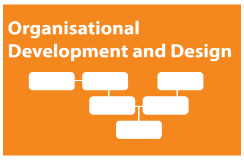


The target is for the time for change request to be below 0, we are currently fluctuating between +1/-1

Priorities for 2023/2024

Having considered our achievements over the last year, along with our performance measures, and through engagement with Assistant Directors and other key stakeholders, as well as assessing the external factors of the employment market, we have considered the following priorities will have the biggest impact on our people:

Building Block	Priority Areas	The Difference we make
Culture, values and behaviour	**Culture, values and behaviour**	
	Wellbeing – Aligned to our wellbeing offer, undertake a health needs assessment and continue to collate the evidence to apply for Silver Thrive at Work Accreditation. Procure a provider for Occupational Health and EAP.	By understanding the wellbeing needs of our people, we can design and deliver wellbeing initiatives which will maximise our people being well and in work. Achieving Silver will further demonstrate our commitment to wellbeing.
	Our Approach to Equality, Diversity and Inclusion – Launch our Approach to inclusion and continue with the actions plan with a particular focus on our Socio Economic Inclusion, the response to Inclusive Employers feedback, ONS Data and the Breaking Through and Allyship programmes	To continue our commitment to ensuring that our people feel valued, included, safe, supported and welcome', and places our approach to inclusivity at the heart of everything we do. To look for opportunities, particularly to strengthen social economic inclusion
	How we Work – Undertake an appreciative inquiry into our ways of working to showcase, celebrate and embrace the different ways of working. Continue to develop and refine the Agile Working approach including a refresh of the principles to ensure effectiveness and consistency alongside exploring options for new ways of working to support recruitment and retention.	To showcase the best of how we work and enable us to reinforce the way we need to work to deliver the Council's ambitions. Highlighting how we work will also ensure the appropriate balance for teams between the use of our office accommodation and other locations and will enable all our teams to deliver great services, whist enabling our people to work at their best.
	Workload – Continue through our engagement approach to enable our people to manage their workload.	To demonstrate to our people that we are listening to the messages regarding manageable workloads and support all our people to work smarter not harder.
	Engaging with Off-line colleagues – Priority focus on how we engage with our colleagues who are not on-line, as well as those who do not currently engage in our YourSay activity.	To ensure that engagement levels are consistent across the council are we are listening to the voice of our colleagues.
Leadership	**Leadership**	
	People Metrics – Leading with Data – Launch a series of power BI dashboards, to provide managers with real time data and information.	To enable managers to better understand the trends within their teams and to take informed decisions using the data provided.
	Leadership Approach – Work with our new partner Passe Partout, to co-create and deliver a leadership offer that equips leaders with the knowledge and skills to lead people to deliver our ambitions. Finalise and launch our Approach to Leadership, setting out the expectations of our leaders along with the offer of development and support.	To enable our leaders to be dynamic, adaptable, flexible and accountable. Alongside this enable our leaders to be proactive role models for inclusion and take a strengths-based, collaborative approach in achieving high-performance. Through their actions, decisions, and behaviours, they inspire a culture that enables people to feel valued, included, safe, supported, and welcome.
Performance	**Performance**	
	Performance and Appraisal Frameworks Business as usual annual refresh activity including 360 feedback for Tier 0-3 leaders.	To ensure that our annual performance frameworks reflect the needs to the organisation.

	Policy - review of the tone and voice of the capability policy.	To enable our leaders to manage performance in a constructive and supported way.
	**Organisational development and design**	
	Strategic Workforce Planning – continue to develop a process, including a workforce assessment, which provides insight and challenge to ensure service are able to respond to future need and provides HROD with common themes to inform priority actions.	The enable our services to have the right people in the right jobs at the right time Supporting services to successfully deliver the MTFS position, whilst ensuring plans are in place to deliver the workforce required for the future. Support HROD in prioritising the activities that will add the most value.
	**Reward and recognition**	
	Pay and Reward Review– Review our approach to Pay and Reward. Consider and plan future developments	Enable us recruit and retain the best talent and to deliver on our ambition to be an employer of choice and to respond to feedback regarding pay made through the YourSay Survey and Big Conversations.
	Pay and Reward Review– making proposals for future years and plan for further recognition work in future years.	To enable our people to be recognised by their leaders and peers in an appropriate and timely manner in a variety of ways.
	Pay and Reward Review– Consolidate our benefits into one document to ensure that it supports our recruitment a retention ambition. Undertake options appraisal into implementing additional benefits, such as Electric Vehicles and Lease Car Schemes.	To showcase the employee benefits that are available to our people and prospective employees.
	**Talent development and career opportunities**	
	Recruitment and Retention Approach – understand better why our leavers are leaving and develop a suite of recruitment & retention tools including career pathways, career change, talent management and the re-commissioning of our temporary agency contract.	Enable us to recruit and retain the best talent by offering career progression and career change opportunities that make us an employer of choice.
	Apprenticeships First – review the trial and develop an approach to encourage growth of the use of apprenticeships and utilisation of the apprenticeship levy, along with supporting managers with induction of first- time workers	To create an entry level career pathway into a diverse range of roles across the organisation that enhances the recruitment and retention of new talent.
	Corporate Menu of L&D - review to ensure this meets the needs of our People.	To allow our people to develop existing and new knowledge and skills through a range of learning and development activities that are both relevant and meet the organisation's needs.

Strategic People and HROD Service Improvements	
Policy, legal and compliance – Continuing to review our people policies to reflect the changing tone and voice of the organisation whilst ensuring they cover legal requirements, ensure recent employment law requirements are implemented.	To ensure our policies and supporting documents are concise and approachable thereby enabling managers and employees to use them more effectively.
Horizon scanning, forthcoming policy, legislation and Industrial action – Ensuring the organisation is ready to adopt any changes – examples include carers leave, flexible working rights, and a potential review of EU derived employment law along with potential industrial action.	To provide assurance that we are adopting any changes required to meet our legal obligations.
HR Commercial Strategy – Developing our strategy so our traded services remain strong in an increasingly competitive marketplace.	To continue to deliver trusted and value solutions and advice to our traded customers.
Approach to Health and Safety – review our approach and commitment, continue with our action plan, with a particular focus on the Policy framework and lone working.	To ensure that we are compliant and championing good working practices in terms of health and safety.
Data Metrics - Continue to consider our service performance metrics, ensuring this right data is collected and that we are measuring customer satisfaction across all our delivery functions.	So that we can understand how we are performing as a service and identify where we can improve our service to customers.
Agree our service offer, in line with predicted headcount, with the organisation, ensuring that we are adding the most value.	Our customers are clear on the services we offer and the roles and responsibilities associated with them.
Service Simplification - continue with simplification and addressing our failure demand	Customers see improved service performance and HR teams are able to focus on value add activities.
HROD Wellbeing - ensure the wellbeing of our teams, especially during busy periods, maximise the retention of our talent.	Ensuring that the priority the organisation places on wellbeing is focussed on the HROD service as well so that our teams are supported to do their best work.

Conclusions

2022/2023 has been another challenging but successful year for delivery against the Our People Strategy, with some emerging priorities being identified throughout the year, including Strategic Workforce Planning and the Pay and Reward review. Particular successes include:

- Development of Our Approach to Leadership and procuring a partner to scope and develop our Leadership Offer.
- Well received annual reviews for Engagement, Health and Safety and Wellbeing, Equality, Diversity and Inclusion, which tell our Story, celebrate successes and provide focus for further work.
- Our Payroll team were awarded the PPMA Award for Excellence in Service Delivery – Unsung Heroes.
- Our new approach to engaging our people has been well received with an increase in participation and an increase in our engagement scores, along with some positive benchmark positions, for our new measures.
- From a commercial perspective, we were successful in continuing to provide services to Wokingham Borough Council and Stratford upon Avon District Council.
- Alongside the longer-term strategic deliverables we have continued to support our people and enabled them to continually deliver for the communities that we serve.
- In addition to supporting the Our People Strategy our HROD Delivery colleagues have had another busy and successful year, with continued increases in headcount, meaning we are recruiting and paying more people than we were pre pandemic, which has increased demand on all our services.

Whilst some of our major projects and initiatives will continue into 2023/2024, we have identified some key activities to best support the delivery of the Council Plan and respond to the internal and external employment challenges we are currently facing, particularly regarding recruitment, retention, workload and wellbeing.

We will continue to develop the HR service that we can all be proud of, with exceptional service delivery for our customers today and tomorrow.

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Agenda Item 10

Resources and Fire & Rescue Overview and Scrutiny Committee
Work Programme 2022/2023 – February 2023

Item / Lead Officer	Report detail	Date of next report
Public Question Time/Questions to the Portfolio Holders / Work Programme	Standing items for every meeting.	* Standing item
Council Plan 2020 – 2027 Performance Report	Council Plan 2020 – 2027 Performance Report	* Standing item
Inflation Contingency Fund	To be reviewed on a quarterly basis	Standing item from 22 February 2023
Update on Levelling Up	To receive an update on the Levelling Up programme	TBC
Member Oversight Group (WPDG / WRIF)	Annual Report of the Member Oversight Group to be presented to the Committee each year to enable attention to be given to the performance, progress, and priorities of WDPG and WRIF.	TBC (recurring annually)
Estates Masterplan Update	To consider the future of the WCC estates portfolio	TBC
Sustainable Futures Strategy	Draft report being considered by all Overview and Scrutiny Committees as part of the public and stakeholder engagement programme prior to submission for consideration at May's Cabinet meeting	20 April 2023 (additional meeting)

Resources and Fire & Rescue Overview and Scrutiny Committee
Work Programme 2022/2023 – February 2023

Customer Feedback Report	To receive the annual customer feedback report for the 2022/23 municipal year	7 June 2023
Social Impact Fund Progress Report	To receive an update on the £1million Social Impact Fund that awarded funding to 21 projects in February 2022	7 June 2023
Communities and Partnership Service Grant Funding Progress Report	To receive an update report on the Communities and Partnership Service Grant Funding	13 September 2023
VCSE Sector Support Services Progress Report	To receive an update report on the support being provided by the Voluntary, Community and Social Enterprise sector	13 September 2023

Agenda Item 13

By virtue of paragraph(s) 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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