County Council

Date: Thursday 8 February 2024
Time: 10.00 am
Venue: Council Chamber, Shire Hall

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

Items on the agenda: -

4. Any Other items of Urgent Business

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

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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

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

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

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

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

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County Council

Tuesday 19 December 2023

Minutes

Attendance

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

1. General

(1) Apologies for Absence

Councillors Brett Beetham, Barbara Brown and Caroline Phillips.

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

Councillors Sarah Boad, Andy Crump, Judy Falp, John Holland, Heather Timms, and Adrian Warwick declared a pecuniary interest in item 4 on the agenda - Warwickshire Pension Fund Accounts 2022/23 - indicating that they were members of the Warwickshire Council Pension Fund.

Councillors Sarah Feeney and Sarah Millar also declared a pecuniary interest in item 4 on the agenda - Warwickshire Pension Fund Accounts 2022/23 - indicating that they were members of the Local Government Pension Scheme.

(3) Minutes of the previous meeting

The minutes of the meeting of Council held on 26 September 2023 were agreed as a true record.

(4) Chair's announcements

(a) Death of Former Councillor Jenny St John

The Chair stated that it was his sad duty to inform Council of the recent passing of former County Councillor Jenny St John. Jenny, from the Labour group, served as a Warwickshire County Councillor for Warwick North between 2013 and 2017. The Chair extended condolences to her family and friends.

Councillor John Holland spoke in memory of former Councillor Jenny St John reflecting on her achievements during her four years in office.
Councillors Isobel Seccombe and Sarah Boad also expressed their condolences to former Councillor St John's family before Council stood for a
a minute's silence in remembrance.

(b) Welcome to New Councillor Dale Keeling

The Chair noted that Councillor Keeling was elected to represent the Dunsmore and Leam Valley Division in Rugby at a by-election on 14 December 2023 held following the resignation of Councillor Howard Roberts.

(c) Engagements

The Chair reflected on his year in office to date, noting that some of the occasions he had attended so far were celebrated as part of the collage of engagements which featured on his official Christmas card. He had attended some interesting events over the last quarter, including Remembrance Day services, charity events and the Annual Service for Charity Workers which had offered a unique opportunity to see the diverse groups volunteering to support the community.

(5) Public Speaking

None.

2. External Auditors' Annual Audit Report 2022/23

Councillor Peter Butlin (Deputy Leader of the Council) moved the motion and introduced this report, noting the improvement since the previous year's report. Councillor Adrian Warwick seconded the motion.

Mr Avtar Sohal was in attendance as a representative of Grant Thornton to present the report. Mr Sohal drew attention to the executive summary in the report, and noted that overall it was a good report with no significant weaknesses to be highlighted.

Councillor Holland stated his understanding that the purpose of the external auditor's report was to reassure the public and asked for comment on recent media reports describing the Audit & Standards Committee Chair experiencing 'discomfort' at the way an historic issue had been handled by the auditors. Mr Sohal explained that this related to an objection to a previous set of accounts which was being dealt with and would be completed shortly.

Vote:

A vote was held. The recommendation was agreed by a majority.

Resolved:

That Council:

1. Notes the Annual Audit Report of the External Auditors, attached to the report at Appendix A; and
2. Requests that Audit and Standards Committee review the delivery of the management action in response to the recommendations in the Annual Audit Report.

3. Warwickshire County Council Statement of Accounts 2022/23

Councillor Peter Butlin (Deputy Leader of the Council) moved the recommendation and was seconded by Councillor Parminder Singh Birdi. Councillor Butlin observed that the report clearly demonstrated the Council's financial position and how it was intended to meet the Council's financial commitments.

Councillor Bill Gifford commented on the difficult financial landscape and expressed concern regarding the Council's responsibilities to provide funding for SEND with little control over the expenditure in this area. Councillor Butlin acknowledged these concerns and noted that the situation was reflected in authorities across the country.

Vote:

A vote was held. The recommendation was agreed unanimously.

Resolved:

That Council approves the Warwickshire County Council Statement of Accounts for 2022/23.

4. Warwickshire Pension Fund Accounts 2022/23

Councillor Christopher Kettle moved the recommendation set out in the report and the additional recommendation that had been tabled at the meeting. Councillor Brian Hammersley seconded.

Councillor Bill Gifford commended the Pension Team and Fund Advisors for the good health of the Fund, which was well managed with the careful assessment of risks. He also noted that the Pension Fund Investment Sub-Committee had taken a keen interest in seeking improvements in the pension fund's responsibilities in terms of climate change and sustainability.

Councillor Ian Shenton welcomed the growth that had been seen in recent years and was reassured that the fund was stable for its members.

Councillor Hammersley assured Members that the fund was being properly managed and the Pension Fund Investment Sub-Committee was ably supported by a number of independent advisors.

Councillor Christopher Kettle noted that the Fund was in an excellent position and reflected on the Pension Fund Investment Sub-Committee's areas of focus in terms of climate change, cyber security and business continuity. He also expressed thanks to the officer support team, some of whom were leaving the authority (Andy Felton, Victoria Moffat and Vicky Jenks) and acknowledged the contribution that they had made to the Sub-Committee's meetings.

Vote:

A vote was held. The recommendation was agreed unanimously.

Resolved:

That Council:

1. Approves the Warwickshire Pension Fund Statement of Accounts for 2022/23; and
2. Authorises the Executive Director for Resources in consultation with the Chair of the Council to amend the accounts for any final adjustments requested by the external auditors prior to the accounts being formally published and requires a report to the next Audit and Standards Committee setting out the changes.

5. Annual Governance Statement 2022/23

Councillor Isobel Seccombe (Leader of the Council) moved the motion and introduced this report, which presented the 2022/23 Annual Governance Statement for consideration by the Council. The motion was seconded by Councillor Yousef Dahmash. There were no questions or comments on the report.

Vote:

A vote was held. The recommendation was agreed unanimously.

Resolved:

That Council approves the 2022/23 Annual Governance Statement.

6. Education Capital Programme 2023/24

Councillor Kam Kaur (Portfolio Holder for Education) introduced this comprehensive report relating to projects at Wharton Nethersole CofE Primary School and St John's Primary School in Kenilworth and moved the recommendations as set out in the report.

Councillor Peter Butlin (Portfolio Holder for Finance and Property) seconded the recommendation and reserved the right to speak.

Councillor Tracey Drew welcomed the statement in the report that "all future school capital projects will be developed in accordance with statutory regulations which include the revised Building Regulations 2021" and sought more detail regarding the challenges set out in section 5 of the report.

Councillor Dave Humphreys welcomed the project in Wharton Nethersole, but noted that much of the housing development in the area was already complete and he asked if the possibility of receiving Section 106 monies at an earlier stage could be considered for future projects so that amenities were available at an early stage in the development not at the end.

Councillor Jonathan Chilvers welcomed additional places in Kenilworth given the amount of growth, but expressed concern that St John's was some distance from the new growth which led him to believe that this would raise questions regarding transport at the planning stage. Additionally, whilst these places were needed, he noted that there were two new junior schools to be built in the east of Kenilworth which seemed some time away from being in place.

Councillor Marian Humphreys welcomed the project in Wharton Nethersole.

In seconding the recommendation, Councillor Butlin commented on the three developments taking place in Wharton, including one where the Council was the developer, and how much the area needed this project. He also considered that the project at Kenilworth demonstrated how much growth was taking place in Warwickshire, a reflection that it was a good place to both develop and live.

In response to the debate, Councillor Kaur stated that if sufficient funds and time were available, then the Council would seek to complete projects with full green sources but, in this case, providing the places was of paramount importance. The Council would endeavour to use fossil fuel-free and zero carbon wherever possible but older buildings presented challenges in this regard. In terms of development funding and section 106 monies, she was only aware of one area where the developer had provided school amenities prior to building homes (Houlton). She explained that the sufficiency team was a small unit consisting of just four individuals who undertook forecasting of demand for the whole of Warwickshire. In-year changes, as a result of development, was causing some pressure but prioritisation would be given to those areas where demand was generating a need for school places.

Vote:

A vote on the motion took place which was carried unanimously.

Resolved:

That Council:

1. Approves the addition of £2.868m to the capital programme to deliver the scheme at Warton Nethersole CofE Primary School, to be funded by developer contributions and the Department for Education (DfE) Basic Need Grant.

2. Approves the addition of £6.335m to the capital programme to deliver the scheme at St John's Primary School subject to Cabinet's approval to increase the capacity of the school and establish specialist resourced provision.

7. Petitions Scheme

Councillor Yousef Dahmash (Portfolio Holder for Customer and Transformation) introduced this comprehensive report which followed a Motion to Council in March 2023. Councillor Pete Gilbert seconded the recommendation and reserved the right to speak.

Councillor Sarah Feeney stated that the proposed revisions to the scheme did not meet the ethos of the motion that had been put forward in March 2023, which was to ensure that residents received a meaningful response. Whilst she acknowledged that the revisions provided more clarity around member engagement, she did not think it offered a better service. Whilst she understood the time sensitivities involved in preparing reports for debate, she considered this could have been built into the process. She noted that under the provisions of the scheme, only the person who submitted the petition received a response, not those who signed it. She was also of the view that the scheme did not provide an opportunity for petitions to hear an acknowledgement from the Council, however, she did welcome the provision to inform the Local Member who may wish to submit a motion in support.

Councillor Pete Gilbert considered that the revised scheme provided for more flexibility and continued the Council's tradition of listening to residents.

Councillor Dahmash reflected on the comments made during the debate and considered that it would be possible to learn from the changes after they had been introduced and there would be opportunities to make further changes in future as a result. However, he noted that the scheme made provision for the Local Member to speak on petitions presented at Council and expressed the view that there were logistical challenges which prevented a response to all signatories to a petition.

Vote:

A vote on the motion took place which was carried by a majority.

Resolved:

That Council approves the proposed changes to the Council's Petitions Scheme as set out at Appendices 1 and 2 to the report and delegates the consequent amendment of the Constitution to the Monitoring Officer

8. Appointment to Local Pension Board

Councillor Yousef Dahmash (Portfolio Holder for Customer and Transformation) introduced this report and moved the recommendation. In doing so, he explained the structure of the Local Pension Board and the robust process followed to make this appointment.

Councillor Brian Hammersley seconded the recommendation and reserved the right to speak.

Councillor Sarah Millar supported the appointment and welcomed the gender diversity being introduced into the Board as a result.

Councillor Andy Crump also expressed support for the appointment and congratulated Councillor Dahmash for improvement in the recruitment process which had resulted in the appointment.

Councillor Dahmash noted that the best candidate had been selected for appointment.

Vote:

A vote on the motion took place which was carried unanimously.

Resolved:

That Council approves the appointment of Mrs Beverley Farmery as a Scheme Member representative on the Local Pension Board.

9. Notices of Motion

(a) Care Experience as a Protected Characteristic

Councillor Jerry Roodhouse moved the following motion, which was seconded by Councillor Kate Rolfe:

“This Council recognises that the Equality Act 2010 currently protects people against discrimination for protected characteristics including age, race, gender and sexuality, but not care-experience.

The council notes that there is research suggesting that those who are care-experienced are more likely than the general population to face significant challenges in their life, such as mental health issues, barriers to further education, prison sentences and early mortality.

This council will therefore write to the Government asking them to amend the Equality Act 2010 to include care-experience as a protected characteristic and commits that Warwickshire County Council will ensure that in designing its policies and undertaking any form of Equality Impact Assessment care experience is considered as a protected characteristic pending any change to legislation.”

Debate:

Councillor Sue Markham explained the work that the Council already undertook with care leavers, including a wide range of financial support, guaranteed interview schemes and support for young parents. She noted that this provision provided care leavers with a level of protection and the opportunity to build a prosperous, healthy, and happy future. She asserted that widening the number of protected characteristics gave them less meaning and children did not need further labelling.

Councillor John Holland considered that the Council would not be making the provision described by Councillor Markham if it was not needed. In terms of widening the number of protected characteristics, he asserted that the introduction of the Equality Act in 2010 listed the lowest number of protected characteristics in order to smooth its path through to assent but there was evidence to show that wider definitions needed to be added.

Councillor Penny-Anne O'Donnell drew on her experience sitting on the Corporate Parenting Panel to highlight that the robust support available demonstrated that the voices of care experienced individuals and care leavers were already central to any policy considerations.

Councillor Isobel Seccombe welcomed the support that the Council was delivering for young people in Warwickshire and noted that the Council's practice was to speak to, listen to, and react to the needs of children. She did not consider that the Council needed to adopt care leaver as a protected characteristic simply because other councils had done so and, in so doing, create a label for young people who had not been asked if they wanted it. She considered the best course of action was to continue to deliver in the right place, at the right time.

Councillor Marian Humphreys recollected her visit to the House project and meeting members of the Youth Council and how proud she was of their achievements and enthusiasm. She did not consider that they needed to be labelled.

Councillor Kam Kaur noted that the Chamber had previously spoken about issues of equality and diversity but she agreed with the list of protected characteristics as it stood at the time of this meeting. She considered it was more important to take time and focus resources on engaging with young people to find out what their needs were.

Councillor Jonathan Chilvers sought an understanding of what the motion would mean in practice and how an equality impact assessment would influence the Council's work.

Councillor Sarah Feeney expressed her support for the motion and did not consider that it would 'label' care leavers, but rather influence the treatment that they received. She considered the motion sought to influence systemic responses, making sure that they were fit for purpose and the affected individuals were protected in such a way that their care experience did not cause discrimination.

Councillor Peter Butlin thanked Councillor Markham for sharing details of the Council's work as a corporate parent and expressed his dislike for labels, preferring to view each child as an individual. He did not consider that adding care leaver to the list of protected characteristics would achieve any more than had already been achieved by the Council as corporate parent.

Councillor Pete Gilbert recognised both sides of the debate but sought to understand what the motion would positively achieve. He considered that the Corporate Parenting Panel listened to care leavers and applauded their efforts to move on with their lives. He did not think that labelling these individuals would resolve anything. Instead, he considered it was important to celebrate the achievements of care leavers and help them to move on in their lives without label or stigma.

Councillor Brian Hammersley reflected on his experience as a businessman employing individuals and how the relationship between employer-employee did not need to focus on characteristics, but more about mutual support to achieve business and individual goals.

Councillor Kate Rolfe stated that she had anticipated some of the comments made in the debate and the motion was not tabled as a criticism. She expressed her pride in the work the Council conducted for children and young people. She considered that the Council's best practice should be shared with the government.

Councillor Jerry Roodhouse responded that the motion did not intend to label individuals, but to provide them with a level of protection. He stated that the young people he had spoken to were supportive and viewed the outcome as a way for them to have more consideration in reports and policies. He reiterated Councillor Rolfe's assurance that the motion was not intended as a criticism, but rather to underscore the good practice that was taking place and provide an extra layer of support.

Vote:

A vote was held and the motion was defeated.

(b) Average Speed Cameras

Councillor Sarah Feeney moved the following motion, which was seconded by Councillor Sarah Millar:

"There are areas of the County where residents have raised significant concerns about excessive speeding by drivers.

There has also been a report published by the RAC Foundation on the effectiveness of average speed cameras. On average, the permanent average speed camera sites analysed saw a reduction in injury collisions, particularly those of a higher severity:

- Fatal and serious injury collisions fell by 25-46%
- Personal injury collisions fell by 9-22%

The report also suggested that average speed cameras are becoming more cost effective.

The Council's pilot of average speed cameras was approved in November 2022.

This Council resolves that:

1. A report is brought to Communities Overview and Scrutiny Committee in Summer 2024 to update on findings of the pilot and explain the policy for installation and operation of average speed cameras, and
2. Consideration is given to increasing average speed camera use across the county as part of the MTFS budget proposals"

In moving the motion, Councillor Feeney noted that all Members of the Labour Group had recently received complaints about speeding. She noted the increasing number of accidents and casualties on roads in Warwickshire and considered that average speed cameras would have a positive impact. The motion sought to shorten the existing timescales for a proposed speed trial and consider how funding for a scheme to introduce average speed cameras could be introduced into the MTFS. The motion was seconded by Councillor Sarah Millar.

Debate:

Councillor Sarah Boad noted that she received more complaints about speeding than any other issue. She noted that it was possible to hold a speed survey on a road for a small sum which was good value for money and provided high quality data. She noted that average speed cameras were located at each end of many villages in Cornwall and when she had made enquiries with Council officers about their installation, the key differences in geography had been explained to her. She considered that further investigation was required and if average speed cameras could be implemented at reasonable cost, it would be a very positive outcome.

Councillor Jan Matecki highlighted the good work the Council had done undertaken to reduce accidents on Warwickshire roads, the scheme in place with Warwickshire Police, and the funding levels that would be required to implement average speed cameras on all routes. He noted that a report to Overview and Scrutiny was already scheduled for 2024 and considered that the motion reiterated the work that the Council was already committed to undertake.

Councillor Adrian Warwick agreed that all councillors would like to reduce speeding but did not consider that this was the right methodology. He considered that the data in the RAC report referred to was aged and car safety technology had since improved, so he would have liked to see more recent evidence to support the motion. Whilst he agreed with the sentiments of the motion, he noted the costs of introducing Average Speed Cameras including maintenance and running costs and expressed a preference for the use of intelligent speed assistance technology, compulsory for all new cars since July 2022, which monitored position and limited speed. This helped to ensure safety on all roads, not just those which met the criteria to fund an average speed camera.

Councillor Jeff Clarke noted that the work sought by the motion was already underway and it had been on the Scrutiny Work Programme for some time. He considered the trials should take place as planned so that the data was available to inform policy moving forward.

Councillor Judy Falp shared her experiences of volunteering with Speed Watch, considered it was important to reduce speeding in the county and welcomed the debate to raise awareness.

Councillor Andy Crump, the portfolio holder with responsibility for community safety, noted that road traffic injuries were now almost at the levels seen pre-Covid-19 pandemic. However, he explained that speeding was not the only reason for road deaths and cited driving under the influence, undue care and attention, poorly maintained cars, and poor parking as other possible causes. He agreed with the need to raise awareness but did not think this was the right time to consider this motion, and preferred to wait for the evidence base from the trial to be considered by Scrutiny as planned.

Councillor Daren Pemberton shared his personal experience of the impact of speeding and expressed the opinion that it was important to gather evidence and data as planned. He noted that average speed cameras were only one of the tool available to address speeding and considered that three elements were needed for success: enforcement, engineering and education. He considered that the motion therefore missed the point as cameras were not the whole solution with speeding also needing to be considered socially unacceptable. He called on all councillors to call out residents in their division on poor driving behaviour.

Councillor Tim Sinclair reiterated the view that the motion was redundant as the work was already taking place and funding streams would be considered at the budget meeting in February 2024.

Councillor Peter Butlin considered that both Labour motions were seeking funding in a way that should be debated as part of the MTFS and suggested that the group consider this as part of their budget in February 2024. He echoed comments from other councillors about the improvements in car safety being a major driver for the reduction in road deaths over the years, and around the poor timing of the motion.

Councillor John Holland expressed the view that car technology did not help pedestrians or cyclists and did not support the Highway Code's hierarchy of road users. He considered that the proposal supported the Police in their duty to enforce speed limits which would enable them to focus resources on other crimes.

Councillor Dave Humphreys commented on the availability of funding for average speed cameras and that this could not be covered by delegated budgets. He went on to note the improvements in road safety that had been achieved, particularly when compared to countries like the USA. He was of the view that the pilot schemes needed to take place as planned.

Councillor Tracey Drew shared her own personal experience of the impact of speeding and considered that relying on car design at the expense of increasing personal responsibility was a mistake. She supported the motion.

Councillor Ian Shenton also noted the need to have more evidence and research to make a decision and noted that the RAC report ended by saying there was a need to understand the cost benefit ratio. He noted that cameras were not always suitable and methods such as Speed Watch, which Councillor Falp had referred to, were also helpful.

Councillor Hammersley shared his personal experience of the impact of speeding and considered that drivers taking personal responsibility played a key part.

Councillor Sarah Millar thanked councillors who had brought their lived experiences to the debate. She considered that it was important to address rising road casualty figures and pointed out that improved car design protected those inside the vehicle, not outside it. She acknowledged that whilst education for drivers was needed, it was also important to make it difficult to speed and average speed cameras could play a part in that as the evidence suggested that they were more effective in influencing driver behaviour as well as offering the complimentary benefits of supporting better traffic flow, less congestion and less road rage.

Councillor Feeney also thanked those Members who had shared their personal experiences as part of the debate. She stated the view that the Council was behind the curve on this issue and the reality of the motion was about road safety and commencing the proposed trial at an earlier time so that the data would be available before 2025. She understood the cost considerations, but was not proposing to cover every centimetre of road in the county, rather to identify problem roads and find the funding to pay for cameras.

Vote:

A vote was held and the motion was defeated.

(c) Electric Vehicle Charging

Councillor Sarah Millar moved the motion below, stating that areas with terraced housing in particular did not have access to EV charging. She noted that one in four registrations in 2023 were for hybrid/electric vehicles and the Council needed to respond to demand. The Motion was seconded by Councillor Sarah Feeney.

“Electric Vehicle numbers are on the increase in Warwickshire (and across the country there are more than 1 million plug in vehicles according to figures from the Society of Motoring Manufacturers and Traders).

There are concerns that the rate of uptake is not being matched by the availability of chargers. In some of Warwickshire’s towns there are specific off street vehicle charging challenges.

Whilst innovative technologies exist and others are emerging, like lamppost chargers and pavement cable bays, attempts at deployment have been challenging.

This Council resolves that:

1. Consideration is given to accelerating the implementation of EV charging facilities across the county as part of the MTFS budget proposals;
2. A report is brought to Cabinet before the end of March 2024 recommending an electric vehicle charging policy; and
3. A strategic approach to the procurement of charging technology is taken to support a flexible roll out that identifies community need and engages local members in identification of additional sites.”

Debate:

Councillor Tim Sinclair highlighted that this work had already been undertaken by the Communities Overview and Scrutiny Committee’s Electric Vehicle Charging Points Task and Finish Group which had reported to Cabinet in December 2022 and he encouraged councillors to read the report.

Councillor Bill Gifford had read the report of the Task and Finish Group and, whilst officers were doing a good job, he believed there were constraints in terms of what could be done and the pace of work had slowed. He appreciated the spirit of the motion and was minded to vote in favour. Councillor Gifford noted that the government had previously suggested no petrol or diesel vehicles should be sold after 2030 and lamented the fact that this had been pushed back to 2035. As well as the costs involved, one of the reasons that put people off buying a hybrid or electric vehicle was the fear of not being able to charge.

Councillor Richard Baxter-Payne spoke on behalf of the Portfolio Holder for Transport and Planning, Councillor Jan Matecki, who had left the meeting due to an urgent engagement and had left his response with Councillor Baxter-Payne. He highlighted the work the Council was doing to encourage drivers to switch to electric vehicles, including ease of access to charging points at home and other locations, reviewing parking arrangements at charge point locations, securing £3.3m of levy funding to produce additional publicly available charge points for residents without access to off street home charging, a new EV webpage offering information and guidance and the opportunity to suggest sites for charge point installation, work with district and borough councils to understand beneficial locations and the equitable distribution of charging opportunities across the county, and work with partners to explore the deployment of new technology. Procurement rules did provide some constraints but officers were in the process of drafting a specification to go out to the market in the new year. He advised that local members would be kept appraised of any trials and deployments in their divisions.

Councillor John Holland considered that there was not a credible strategy to provide sufficient charging points and consultation with local councillors was required.

Councillor Jonathan Chilvers considered that the correct strategy, considering the Council's sphere of influence and budget envelope, was in place following the work of the Electric Vehicle Charging Points Task and Finish Group. He considered that large/long charges were best done from supermarket charging points, but street furniture could be utilised to support those residents who could not benefit from off street parking and it was important to implement this as fast as possible. He welcomed the motion.

Councillor Adrian Warwick noted that war in Ukraine had caused a shift in the electric vehicle market. He noted that over a quarter of properties could not easily charge and many people wanted to be able to charge at home. In terms of street furniture, in some areas lamp posts were owned by the parish councils but at circa 7kwh this would take some time to charge. The Council was working to find solutions, as had already been outlined by the Task and Finish Group, but it was important to be sensible in terms of the time frame.

Councillor Sarah Feeney considered that the motion recognised that efforts to introduce electric vehicle charging had stalled and residents were frustrated and not aware of schemes and trials available. She believed that residents wanted to charge from home but did not always have access to their own drive or off-street parking and, whilst the Portfolio Holder had recognised this, she had not heard a solution in the debate. She questioned Councillor Baxter-Payne's comments about the meaning of an equitable distribution of charging since the county was very diverse and some areas would not need it as much as others. It was important to support those residents who wanted to get a modal shift away from fossil fuels to do so without the current difficulties. A flexible policy was needed as well as power for officers to have a purchasing solution in place without the need for special permissions.

Councillor Sarah Millar responded that a plan wasn't implementation, which was what the motion was seeking. She considered that the price rise for fossil fuels because of war in Ukraine was a driver for seeking electric/hybrid alternatives. The motion also recognised that the Council had declared a climate emergency and the net zero targets that had been set, which she considered meant that a faster roll out and better implementation was required. Whilst the Council had previously been on the front foot, she considered that the pace had now stalled and the Council was not keeping pace with the uptake of electric vehicles and the associated need for services.

Vote:

A vote was held and the motion was defeated.

10. Member Question Time (Standing Order 7)

Councillor Sarah Millar posed the following question to Councillor Jan Matecki:

“Residents in Leamington Clarendon, for example on Wathen Road and Dale Street, have had to endure crater-like potholes and clanging man hole covers for weeks and months on end whilst the council argues with the utility companies as to who is responsible for their repair. What more can be done to more quickly identify the owner of such repair works so that residents don’t have to put up with these delays?”

As Councillor Matecki had left the meeting for personal reasons, Councillor Richard Baxter Payne responded on his behalf:

“The roles of the Highway Authority and the utility company in cases where utility apparatus is damaged is clearly defined in national legislation.

As the Highway Authority we are only able to make emergency repairs where there is a clear risk to road users. For example in cases where manholes are noisy, this does not constitute an emergency.

For non-emergency repairs, we inform the relevant utility of the issue, who are then responsible for remedial repairs. For these remedial repairs there is no set timescales for the repair to be undertaken by the utility. However, they do need to agree a reasonable timescale for repair.

In order to speed up these types of repair, the County will engage with utility companies in the new year to agree standard periods for these types of remedial repairs.”

Councillor Millar asserted that the issue was not the repair, but who was responsible. There was no guidance in this regard and she sought a process to easily identify who was the responsible authority at an early stage to ensure a better response on repairs.

Councillor Richard Baxter-Payne noted that non-emergency repairs were the responsibility of the utility company, and reiterated that in the new year officers would endeavour to secure a time frame for repairs to take place.

11. Any Other items of Urgent Business

None.

The meeting rose at 1.24pm

……………………………
Chair

County Council

8 February 2024

2024/25 Budget and 2024/29 Medium Term Financial Strategy

Recommendation

That Council agrees the 2024/25 Budget and authorises work to continue on ensuring the 2024-29 Medium Term Financial Strategy is aligned with and supports the delivery of the Council's ambitions as set out in the Council Plan.

1. Executive Summary

1.1 Cabinet received reports on the options for the 2024/25 budget at their meeting on 14 December 2023 and a further update at their meeting on 23 January 2024. Cabinet was requested to use this information to issue their 2024/25 revenue and capital budget proposals. These form part of the agenda papers for this meeting and the statement from the Executive Director for Resources that accompanies the resolutions comments on the robustness of the proposals.

1.2 At the time of publication, information from the district/borough councils on the County Council's share of business rates income for 2024/25 is still outstanding. The statutory deadline for the receipt of this information is 31 January 2024. However, it is recommended that the Council use the current estimates of business rates income for the purposes of budget setting. Specific Taxbase Volatility Reserves are held to manage this risk and therefore the Executive Director for Resources is able to reassure Members that this approach does not impact on the robustness of the budget or the adequacy of financial reserves.

1.3 Members are reminded when making decisions of the need to take into account their statutory public sector equality duty under the Equality Act (2010) and consider any relevant Equality Impact Assessments (EqIAs) when formulating proposals. The EqIAs in relation to the budget proposals are therefore drawn to Members' attention for consideration alongside the budget information provided with this report.

2. Financial Implications

2.1 The 2024/25 revenue and capital budget resolutions that are part of the agenda papers for this Council meeting will, once approved, form part of the Council's budget and policy framework for 2024/25. All financial decisions made during 2024/25 will be in accordance with these resolutions, unless otherwise agreed by a subsequent Council meeting.

2.2 As outlined above final figures for the 2024/25 business rates income are still outstanding. Any material variation between the final figures and the estimates included as part of the resolutions will be reported to Cabinet as part of the Service Estimates report in April 2024.

3. Environmental Implications

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

4. Timescales associated with the decision and next steps

4.1 Following this meeting the formal 2024/25 precept notifications will be sent, under seal, to the District/Borough Councils to allow them to prepare consolidated council tax bills for households across Warwickshire.

4.2 Services will complete their work on how they intend to use the resources allocated in the budget resolution to deliver the core purpose and priorities in the Council Plan. The information will be reported to Cabinet in April 2023, seeking their agreement to the detail of the proposed use of resources. The agreed use of resources will then form the basis of budget monitoring reports to Members during 2024/25.

Background Papers

1. The EqIAs can be found as exempt "Background Papers" for today's meeting on modern.gov. The EQIAs and their content are exempt documents and must be kept confidential as they contain a number of commercially sensitive and confidential matters.

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The report was not circulated to members prior to publication.

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2024/25 Revenue Budget Resolution

Recommendations to County Council

The County Council is recommended to plan its budget framework for 2024/25 on the following basis:

1. Financial Direction of Travel

1.1. We plan our budgets over the medium term, ensuring we have a clear financial strategy that underpins the delivery of the outcomes we set out in our Council Plan. The decisions we make will ensure Warwickshire's finances are robust and sustainable whilst being ambitious in our plans to make Warwickshire the best it can be, now and for future generations.

1.2. We will sustainably tackle the major financial and demand challenges we continue to face as demand for services is rising much more quickly than our resources. We will respond to the demographic growth in adult social care, the increasing numbers of children and families needing support, Special Educational Needs and Disabilities (SEND), home to school transport and delivering on the challenges of climate change and commitment to strive to have net zero carbon emissions by 2030. We will do this by resourcing the additional costs we face now whilst retaining sufficient capacity to invest to be more efficient and effective in the future. We will drive cost reductions through investment in digital technologies and data, reducing demand through targeted prevention activity, adopting more commercial approaches setting financial returns and payback periods for our investments and continuing to support investment that provides for a buoyant taxbase.

1.3. The way we do this will recognise that we need to retain flexibility in what is an uncertain and rapidly changing economic and political environment. We continue to be dominated by fundamental financial uncertainties and our economic situation remains hugely challenging over both the short and medium term. In addition, global conflict is increasing economic uncertainty. We are faced with continuing inflationary risk and relatively high interest rates, predictions of low levels of economic growth alongside the uncertain timing and impacts of key national policy choices including adult and children's social care reform, SEND, achieving health and social care intervention and the fair funding review of central government support for local authorities. We continue to see the emergence of long-term societal impacts of the global Pandemic and rising demand for our services as households and communities struggle with the impacts of inflation and the rising costs of living. We are also seeing the slowdown in the housing market impacting on our resource levels with uncertain timing as to when it will recover.

1.4. We are confident our approach of ensuring our financial resilience and medium-term financial sustainability, whilst focussing relentlessly on our greatest issues, has placed the Authority in a strong position to respond to the uncertainty and challenges ahead.

1.5. We will remain robust, ambitious and sustainable in setting both next year's budget and our medium-term financial strategy (MTFS), with a focus on outcomes and social value. Given that current economic uncertainties remain we will continue to look for efficiencies to drive better value for money for our taxpayers. We will invest our resources to ensure:

- Warwickshire is a county where all people can live their best lives; where communities and individuals are supported to live safely, healthily, happily and independently;
- Warwickshire has a thriving economy and places that have the right jobs, training, skills and infrastructure; and
- Warwickshire is a county with a sustainable future so our generation ensures future generations can live well and reap the benefits of a sustainable and thriving Warwickshire.

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

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

- Invest £28.3m to protect our elderly citizens and vulnerable adults to fund additional demand and manage the cost of placements whilst continuing to make progress on our vision of greater integration between health and social care and the adult social care reform agenda;
- Directly invest £8.3m in our children's social care services, including investment of £4.9m for the increased cost and demand for children's placements and £2.0m for the cost of emergency provision until our own children's homes are fully operational;

- Invest £8.9m in home to school transport to ensure we continue to provide services in line with our policy whilst being able to respond to the increasing demand and cost of the service, which has been particularly impacted by inflation and the growth in the number of pupils with special educational needs and disabilities (SEND); and
- Invest £1.2m to meet the increased support services capacity needed in response to the demand pressures in children and families, education and adult social care.

1.8. We will continue to support the delivery of the 2024 business plans of the Warwickshire Property and Development Group and the Warwickshire Investment Fund. We will meet the short-term cost of ensuring there is sufficient and effective capacity to manage the financial and commercial risks from these initiatives through the Commercial Risk Reserve in the first instance.

1.9. We intend to continue the approach adopted over recent years to invest our short-term resources to support the priorities of the Council Plan and to invest in Warwickshire's future. We are determined to make the best use of the funding we have available, ensuring investments are supported by robust business cases and realise benefits and help address the long-term issues of growing demand for the services' we provide to vulnerable residents and the structural failures in the market for these services. Our Investment Funds will be refocused to support this activity with evidence-based decision-making through which we are looking to maximise impact without detriment to our medium-term financial sustainability. We will continue our current rigorous prioritisation and evaluation processes before funding allocations are confirmed.

1.10. Through the use of the Budget Reductions Revolving Fund, the Systems Replacement Fund and the funding allocated for the Digital Roadmap we expect the Chief Executive to continue to drive forward our internal organisational change programme, investing in ways to be more efficient and effective in maximising outcomes from local and national taxpayers' money, by driving savings/headcount reduction through digital, data and automation, setting financial return and pay-back periods for invest-to-save proposals and rationalising the County's estate, to meet the changing needs of our communities and the cost-effective delivery of services.

1.11. We will deliver £16.2m of budget reductions in 2024/25, increasing to £64.0m by 2029, through better procurement, improvements in efficiency, increased income and delivering reductions in demand. We all use the services the County Council provides and will ensure they deliver value for money for the taxpayers of Warwickshire.

1.12. We acknowledge the need for an increase in local council tax, which now amounts to 65% of our budget, excluding Dedicated Schools Grant, and is necessary to fund statutory duties in the main demand driven service areas like social care and home to school transport. In the absence of other funding options, we will use the opportunity provided by the Government to levy additional council tax of 4.99% (2.99% core council tax plus up to 2% adult social care levy), to provide resources to fund rising costs and demand for our services. This is equivalent to an increase of £1.59p per week for a Band D dwelling.

2. Adult Social Care

2.1. Adult social care is our highest spending service. In December 2023 the Government confirmed that local authorities could levy 2% on top of their normal council tax in 2024/25, with this additional funding to be ring-fenced for use in adult social care. We planned to take 1% of this flexibility when we set the 2023-28 MTFS in February 2023.

2.2. However, the increase in demand and cost pressures we have faced since February 2023 means we have no choice but to take the full 2% levy in 2024/25. We know that, both locally and nationally, adult social care is a top priority for citizens; we also recognise that taking the maximum 2% levy is an additional financial burden given the financial challenges for households across Warwickshire as a result of the rising cost of living. We would not be making this choice if there was an alternative that would still ensure we were able to deliver an adult social care service that meets our statutory responsibilities.

2.3. The budget being recommended provides for £28.3m demand and cost pressures in adult social care, triple the level assumed in February 2023 and means we will increase the resources available to deliver adult social care by at least the amount raised from the levy. We expect the Service to manage within the funding allocated in this resolution, including the additional funding provided by the Government through the Social Care Grant, Discharge Grant, Market Sustainability and Improvement Fund and Improved Better Care Fund to continue to work with partners to progress health and social care integration, promote healthier more independent lives for adults receiving care and support, and manage the extent of any emerging demand-led spending pressure, thereby reducing the level of savings needed.

2.4. We believe this approach provides the flexibility needed by the Service to continue to manage its resources in the most efficient and effective way. Our focus is the transformation of adult social care pathways, the enhancement of information and advice to enable people to shape their own solutions, the use of digital technology and automation to support the well-being and independence of those in receipt of adult social care and support, working with communities to build capacity to manage demand and ensure we make the most effective use of resources through our approach to the commissioning and procurement of services. This decision will protect Warwickshire’s adult social care services at a time when the population is ageing, and there are severe pressures on the wider system of health and social care.

3. Dedicated Schools Grant

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

3.2. We recognise that meeting our policy aspirations in relation to SEND represents a fundamental risk to the MTFS. We welcome the decision of the Secretary of State to approve the use of 0.5% of the DSG funding for schools to top up the funding for high needs services in 2024/25, although this only has a marginal impact on the funding gap for SEND services. In addition to this we will continue with the approach adopted in recent years and set aside £18m of one-off funding to match the forecast high needs deficit. Together we expect this funding to mean the Authority does not have to take advantage of the statutory override to carry the cumulative deficit forward to be sorted out in future years in 2024/25.

3.3. We will continue to work with schools and the Schools’ Forum to identify and implement solutions to help bring the high needs budget back towards balance. We will step-up our capital programme to invest in building capacity locally as part of our wider SEND transformation programme and require a report to be bought to Cabinet at the earliest opportunity that set out these plans.

3.4. However, we recognise that a robust and sustainable solution does not lie wholly at a local level. The magnitude of the numbers means that managing the impact of the SEND forecast deficit on the overall financial sustainability of the Council’s finances will be unaffordable beyond 2024/25. Additional Government funding or fundamental system reform is required. Working with others across local government we will continue to actively pursue opportunities to highlight the national systemic change needed before the statutory override ceases at the end of 2025/26, requiring a sustainable solution to be put in place.

4. Revenue Allocations

4.1. To reflect the significant pressures on communities and the increasing demand for services we are responsible for, whilst ensuring we continue to develop so we can deliver the public services expected for the future, we are making allocations totalling £82.943m.

4.2. We will provide £31.869m for the estimated cost of pay and price inflation in 2024/25, allocated between Services as shown in **Appendix A**. In making this allocation it is acknowledged that the allocation to Services for inflation is an approximate cost, recognising that costs will increase at different rates. Once the overall allocation has been agreed, a Service will have the opportunity to allocate the funding provided to reflect where inflation will impact at a local level.

4.3. In addition to meeting the estimated cost of inflation we will also provide £51.074m to meet additional spending need, of which £23.422m is time-limited. Details of the allocations and how we expect the funding to be used are also detailed in **Appendix A** for permanent allocations and **Appendix B** for time-limited allocations.

4.4. Allocations for future years, as listed in Appendices A and B, are indicative at this stage. They are detailed as part of ensuring that our budget proposals are robust and sustainable over the medium-term. We require the need for, and level of, all these allocations to be reviewed as part of the 2025/26 MTFS refresh.

4.5. We expect Services to manage all other issues in 2024/25 from within existing financial resource levels and support the net planned use of £4.439m of earmarked reserves to provide capacity to invest in service change and to allow space to effectively implement service redesign/reprioritisation.

5. Funding Sources

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

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

5.3. We will provide sufficient resources to ensure the level of General Reserves is at least consistent with that stated by the Executive Director for Resources as the minimum level of general reserves given the financial risks facing the authority. We will retain our Revenue Investment Funds to deliver our investment proposals over the period of Medium Term Financial Strategy and to develop the pipeline of further budget reductions.

5.4. Our plan for budget reductions will generate savings of £16.177m in 2024/25 and a further £47.868m over the period of the Medium Term Financial Strategy. Approval is given to the plans for the delivery of these savings detailed in **Appendix D**. If during 2024/25 any of the budget reductions do not materialise to the degree shown, the Director in conjunction with their Executive Director and Portfolio Holder should identify alternative proposals to ensure the required reductions in expenditure are delivered. We will report on this as part of quarterly monitoring reports to Cabinet.

5.5. We will use £0.360m of reserves to fund the deficit on previous years' council tax collection.

5.6. We will use the £118.490m of government grants to support the budget. Included within the roll-forward budgets are a number of other grants we receive from the Government for specific purposes. Any variations to the levels of funding received will be matched by an equivalent adjustment in the budget for the respective service.

5.7. We will use business rates funding of £90.709m to support the overall budget of the County Council. We recognise that the level of income we will receive from business rates remains a material financial risk. In the event of business rates funding being above or below this level the Executive Director for Resources is authorised to make an adjustment to the Business Rates Volatility Reserve during 2024/25.

5.8. We will use £15.699m of reserves in 2024/25 to fund time-limited costs and budget allocations.

5.9. **The council tax will increase by 4.99% in 2024/25, comprising 2.99% core council tax and 2% adult social care levy**. With the other funding resources identified, this will fund the proposals contained within this resolution.

6. Medium Term Financial Strategy

6.1. We will continue to operate with a rolling five-year MTFS where we can demonstrate that the finances of the authority are allocated in accordance with the priorities of the organisation and that the underpinning finances remain robust and our service delivery sustainable for the benefit of the residents and businesses of Warwickshire. Whilst this approach is more challenging than budgeting over a shorter period, it provides the lead time to manage change effectively over the medium-term. We have a strong track record of delivering savings and this has served us well as we have steered the Authority through challenging financial times. Looking forward we will be operating in an environment of increased uncertainty – in respect of funding, demand and inflationary pressures - as we strive to deliver on the three priorities and seven areas of focus set out in the Council Plan.

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

6.3. Our Council Plan sets out our ambitions and our operating model provides the framework to deliver them. Our Council Delivery Plan for 2023, which we will approve in April 2024 will set out our rolling two-year programme of deliverables against the strategic ambitions set out in the Council Plan and consistent with the available resources of the authority as set out in this resolution and the accompanying capital resolution.

6.4. The indicative future spending allocations and planned reductions we have set out deliver a balanced MTFS over the period of the Council Plan through to 2029. After 2024/25 this requires a 2.99% annual increase in the council tax, assuming future referendum limits are set at a level that permits this. We accept that if future spending needs exceed the indicative levels, further budget reductions will need to be identified and delivered or further increases in council tax agreed to ensure our finances remain sustainable.

6.5. We expect the focus of change to be on invest-to-save projects that will release the resources needed to invest in our ambitions. We require services to focus on the preventative agenda to better meet need and further improve the Council's value for money. Investment decisions should be based on a more commercial approach with greater clarity about the measurable benefits to be delivered and how these make a material contribution to the delivery of the areas of focus in the Council Plan. This work should drive the options for further budget reductions over the period of the MTFS.

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

- slow economic growth and an increase in inequalities across communities;
- a mismatch between demand and resources;
- being unable to keep children and vulnerable adults safe;
- a lack of movement towards Sustainable Futures;
- the failure to meet operational requirements;
- an insufficiently skilled and experienced workforce; and
- a successful cyber-attack.

6.7. We recognise our MTFS means significant challenges for the organisation, including the changing way in which people want to access services. Our proposals recognise that this will take time and investment and broad engagement with all those affected, both inside and outside the organisation. Our MTFS requires the use of £20.310m of reserves, including £15.699m in 2024/25. The availability of this level of reserves is consistent with our Reserves Strategy, attached at Appendix C.

6.8. Whilst we have an excellent track record of delivering savings, the level of cost and demand pressures has meant this has become more difficult during 2023/24. By the end of 2024/25 we will have used £67.443m of reserves over the last three years. Using this level of reserves on an annual basis is not sustainable. We will set up a Budget Delivery Oversight Group to work with Corporate Bord to oversee budget performance and the delivery of savings to ensure the Council delivers against its budget in 2024/25 and, where there are areas of concern, any necessary corrective action is put in place at the earliest opportunity.

6.9. As a priority, officers are asked to review and, if appropriate redesign our provision of support for bus services, early years/early help services to ensure the most effective use of resources for the long-term.

6.10. A summary of our MTFS, demonstrating how we plan to balance our spending needs and resources over the medium term is shown in **Appendix E**.

7. Executive Director for Resources: Statement

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

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

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

The external auditors have assessed the Council positively in terms of its financial sustainability and governance concluding the Council is performing strongly in terms of its financial planning and management with good processes in place for the monitoring of risks, ensuring standards, behaviour and effective decision-making. This strong financial track record provides a robust starting point from within which the 2024/25 budget and MTFS has been developed.

However, the Council has seen material overspends forecast in 2023/24 as demand and cost increases outstrip the allocations made in the budget set in February 2023. As a result the 2024/25 budget and MTFS refresh has to incorporate the medium-term implications of this position in an environment which continues to be dominated by fundamental financial uncertainties arising from the current, significant inflationary pressures (labour, supplies and services) arising from a number of factors, not least the war in Ukraine and shortages of labour and low predicted levels of economic growth, with consequent impacts on both the cost of services the Council delivers and rising demand for services as households and communities struggle with the impacts of inflation and the rising cost of living.

The key assumptions for the 2024/25 budget and MTFS in this resolution are:

- *a 4.99% council tax increase in 2024/25 and a planning assumption of a 2.99% annual increase in future years;*
- *a 1.65% increase in the council tax taxbase for the first three years of the MTFS, increasing to 1.75% for the last two years;*
- *cash flat government grants for the period of the MTFS;*
- *a 2% annual uplift in income from business rates, with a flat taxbase;*

- *a 2% provision for general pay and price inflation each year (4% for pay in 2024/25) plus additional specific inflationary increases for services above this where known, totalling £89.9m over the five years of the MTFS;*
- *provision for specific spending pressures of £94.0m plus £34.0m for future unknown or unquantified spending need;*
- *a programme of budget reductions totalling £64.0m to be delivered in the next five years; and*
- *the use of £20.3m reserves.*

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

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

In addition to this I have worked closely with members in preparing this budget resolution.

In overall terms I am of the view that this revenue budget has been prepared on realistic assumptions in an uncertain environment and that as such it represents a robust, albeit challenging, budget.

That said, the uncertainties of the economic environment mean that there are significant risks facing the Authority in delivering a balanced budget. In fulfilling the various responsibilities placed on me as Chief Financial Officer, I have set out below, what I see as the key risks associated with the proposed budget and how they can be managed, so that Members are clear on the risks associated with these budget proposals when making their budget decision.

Risk 1 – Delivery of the Planned Budget Reductions

The planned budget reductions need to be fully implemented to ensure the Council's 2024/25 budget remains balanced and sustainable into the future. In an environment of high inflation, high and rapidly increasing demand pressures, and significant workforce challenges, delivery of the savings will remain extremely challenging. To mitigate this risk:

- *Key policy changes associated with major savings proposals in 2024/25 have been identified;*
- *Directors, Executive Directors, the Chief Executive and Portfolio Holders have been charged with ensuring that processes are in place to ensure that the planned budget reductions are delivered to the required timetable, with proposals for a new Budget Oversight Delivery Group being introduced to provide additional scrutiny of the delivery of the budget;*
- *If the planned budget reductions are not delivered, Directors, Executive Directors, the Chief Executive and Portfolio Holders are required to identify alternative ways of balancing the Service and/or Directorate budgets; and*

- *Monitoring of the delivery of the planned budget reductions has been extended to include the monitoring of project delivery milestones to ensure decisions are taken in a timely manner and implementation timescales are met.*

Risk 2 – Inflationary Risk

The Authority continues to face significant inflationary risk as a result of supply/labour shortages and the general economic uncertainty. The direct and indirect impacts on the County Council are uncertain. The inflation provisions in this resolution are based on the Chancellor of the Exchequer's forecast that inflation will now return to the long-term objective of a 2% annual uplift by the end of 2025. If this forecast fall in the rate of inflation does not happen and inflation remains higher for longer, or specific inflation on local authority costs persists longer, there is a risk as to whether it will lead to additional budget pressures in future years.

The Authority, along with the wider public sector is also facing growing difficulties with recruitment and retention as well as demands for higher pay uplifts to keep pace with inflation and to deal with a shortage of skilled labour. The provisions for pay inflation in this resolution are based on a 4% uplift in 2024/25 and 2% thereafter. If nationally agreed pay settlements are higher than this then there is a risk of additional budget pressures in the future.

In addition, the planned budget reductions include contract management savings, reductions in third party spend and the delivery of small-scale efficiencies to absorb the impact of inflation on budgets that increase the risk of inflationary cost increases on financial sustainability over the medium-term.

There needs to be an awareness of additional inflationary costs as part of decision-making and potential additional costs need to be managed to ensure the Council's 2024/25 budget remains balanced and sustainable into the future. The risk has been mitigated through the allocations in this resolution, but the risk cannot be completely removed. To mitigate this risk:

- *The minimum general reserves provision includes a specific £2.3m provision for the risk of inflation, in addition to the £31.9m inflationary allocations to service budgets;*
- *Capital maintenance allocations are no longer strictly cash limited but have been uprated for inflation for the next three years; and*
- *Enhanced budget monitoring arrangements have been introduced to require corrective action to be put in place as soon as any areas of overspending begin to emerge.*

Risk 3 – Dedicated Schools Grant Deficits

Like the majority of upper tier councils, there is a material and serious financial risk to the Authority as a result of the underfunding of SEND services. Local authorities are not permitted to fund any part of the DSG deficit without the authorisation of the Secretary of

State, in the absence of any extra funding to resource any deficit. This has been mitigated by an equal and opposite provision in reserves to offset the projected deficit in 2024/25, but this does not provide a long-term solution or remove the need to identify options for bringing spending into line with the level of DSG received.

However, the underlying financial position is deteriorating as demand increases. There continues to be a growing structural deficit in the High Needs DSG, with the accumulated deficit forecast to be £52m by the end of 2024/25. The Authority has been working with the Department for Education (DfE) as part of their "Delivering Best Value" in SEND programme with authorities across the country to identify options for bringing about the required change to delivering statutory duties within allocated resources.

The outputs from this work conclude that the proposed interventions, if successfully delivered, are unlikely to fully remove the structural deficit. They will not generate sufficient underspends to repay the accumulated deficit, which will continue to grow even if all recommendations are successfully implemented. The key proposed intervention will require significant capital investment in the expansion of resource provision in mainstream schools which, in turn, will increase pressure on the Council's scarce capital resources. A sustainable national solution is required, which addresses accumulated as well as in-year deficits.

The Government has put in place a statutory override until March 2026 that means that authorities do not have to make good their accumulated deficit until this point. However, unless there are material levels of additional resources provided by the Government and fundamental system changes at a national level, it is not affordable for the Authority to make provision for the deficit beyond 2024/25 at this point in time. The financial assumption in this budget is that the Authority will take advantage of the statutory override from April 2025 onwards and commit to implementing the options available to make good the accumulated deficit (such as taking out additional borrowing or raising the council tax) when the statutory override is lifted. Without the way froward to a financially sustainable solution being clear this represents a step change in the Authority's underlying financial risk and sustainability.

Risk 4 – School Place Planning and the Affordability of the Capital Programme
The Authority will need to provide over 3,000 new school places within the next five years. This creates two critical risks – ensuring the capacity across the Authority to effectively plan and deliver school places in a timely way and then funding the required investment.

The investment to deliver sufficient school places cannot be delivered within the government grant and developer contributions that have traditionally – and rightly - been used to fund these rather than them falling to council taxpayers. These additional school places will need to be funded by increasing the Council's debt and/or prioritising this investment relative to the Authority's plans to invest to grow Warwickshire's economy.

The plans set out in the accompanying 2024/25 capital budget resolution seeking proposals to bring forward programmes of work to ensure the sufficiency of school places and resource provision to meet need across Warwickshire will help in ensuring the risk is met in a planned way. Nevertheless, the need to deliver the required school places in the absence of sufficient external funding will adversely impact on investment plans to meet the Council's ambitions in other services and require additional borrowing, with the consequent additional capital financing costs, to be included in future MTFS refreshes.

Risk 5 - Treasury Management

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

The capital programme, the Warwickshire Property and Development Group and the Warwickshire Investment Fund have created additional financial risk for the Council from the associated treasury management and investment activity. These risks have been mitigated as far as possible through the governance arrangements that have been put in place, but the risk cannot be completely removed. Collectively the proposals will see a material increase in the Council's borrowing and, alongside the significant use of reserves proposed in the Medium Term Financial Strategy, this will increase the requirement to ensure we have sufficient liquid cash balances to manage our day-to-day activity. A specific commercial risk reserve has been set up to mitigate these risks. The current balance is £8.9m.

Collectively these approaches will mean decision-making will need to take a broader range of financial risk criteria into account than has previously been necessary. Further detail on how we do this is set out in Appendix B to the 2024/25 capital budget resolution.

Risk 6 – Uncertainty about the national policy direction

There are significant uncertainties around Government policy in terms of the delayed Fair Funding review for local government, funding reforms for both business rates and Council Tax, the future of the major reforms to the funding of adult social care, the long-term sustainability of SEND and support for children and families in light of the continued growth in demand and the broken market, the Government's Net Zero strategy and planning reform.

The uncertainty about the delayed adult social care reforms, and associated funding, is especially material; initial work on the reforms suggested a potentially material and unaffordable financial risk to councils arising from the Fair Cost of Care exercise and changes to the care cap and means test, reflecting the findings of numerous national studies.

With a General Election due to take place within the next 12 months the level of uncertainty is unlikely to reduce in the short term, making it ever more important that the Council's financial plans are such that it can respond flexibly as any future direction of travel becomes clearer.

Risk 7 – Uncertainty of the National Funding Position

There is uncertainty around the national funding position for local government, with another one-year Settlement for 2024/25 as we move towards a General Election. The 2023 Autumn Statement included no additional funding for Local Government. Overall public spending will increase by 1.0% in real terms over the medium term, which implies real-terms cuts for unprotected pubic services, such as local government. The OBR forecasts that for unprotected service areas, spending will fall by between 2.3% and 4.1% in real terms each year from 2025/26.

This lack of long-term certainty and risk of reduced funding from Government means we need to maintain a higher level of general reserves and may face more significant revenue and service pressures until a multi-year spending review is received.

Risk 8 – Funding Reform

The 2024/25 provisional Local Government Finance Settlement again deferred the commitment to consult on changes to how the relative need to spend and the level of Government support needed by authorities is calculated until after the next general election, known generally as the 'Fair Funding Review'. This review may result in the level of our government funding increasing or decreasing compared to 2024/25 levels. This places greater importance on the need to maintain reserves to manage any volatility and there may be a need to identify additional budget reductions in future years.

The 2024/25 provisional Local Government Finance Settlement did include significant levels of additional grant funding for social care. In allocating this funding between authorities the Government took into account the differing capacity of authorities to generate additional council tax income. There is a risk to the Authority's financial sustainability if this approach to allocating funding is extended to other new and existing funding streams.

Risk 9 – Council Tax

The Office of Budget Responsibility's forecast, published alongside the Autumn Statement 2023, is for the 2.99% core council tax uplift plus a 2% adult social care levy for each year of the MTFS period. The Government's position is that any referendum limits beyond 2024/25 will be a matter for the new Government after the General Election which will take place no later than January 2025. It is therefore a risk-based choice for any local authority to use some/all of the potential headroom from a higher council tax increase in 2025/26 and beyond.

Officers have set out for Members to what extent Members could choose to use some of the potential (but unconfirmed) future council tax flexibility and still approve a budget and MTFS that is both balanced and sustainable but does not increase financial risk to beyond what is prudent.

This resolution is within the framework for taking advantage of the potential future council tax flexibility set out. It does not rely on any of this potential future flexibility in setting a balanced budget for 2024/25. It also recognises that if the council tax flexibility in future years does not emerge there will be a need to identify additional budget reductions. Therefore whilst the future council tax assumptions in this resolution are sustainable, the risk that the potential flexibility will not emerge cannot be fully mitigated.

Risk 10 – Council Tax Taxbase
The impact of inflation, high interest rates and cost of living pressures continues to create downward pressure on both the affordability of housing and the pace of construction of new homes. For the last two years the council tax taxbase, at 1.65%, has been lower than the historic long-term trend of an annual increase nearer 2%.

This resolution recognises the uncertainty about how quickly the pace of housing growth will recover. The MTFS is built on the rate of housing growth remaining at 1.65% for the next three years before increasing to 1.75% for the last two years of the MTFS. These assumptions are subject to review as part of the annual MTFS refresh but provide for a robust, prudent and sustainable basis for financial planning at this time.

Risk 11 – Demand Growth Risk
The Council continues to face growth in demand for services, particularly care services, at a faster rate than the general pace of demographic change. Whilst the assumptions unpinning the demand-led allocations in this resolution for 2024/25 and the level of provision for demand growth over the remaining four years of the MTFS are based on the latest available information, whether they are sufficient remains a risk. This risk is compounded by 36% of the savings plan being linked to demand management, primarily in adult social care. Arrangements will need to be put in place to monitor the rate of growth in demand relative to the assumptions made and whether any upwards variation can be accommodated within the £34m set aside in the MTFS for future unknown and unquantified spending pressures. If demand growth in excess of this provision does occur, and in the absence of long-term reform of the funding of adult social care, there will be a need to consider further budget reductions and/or future increases in council tax above the 2.99% planning assumption in future years, if permitted.

Risk 12 – Workforce Risk
The Council is faced with a growing workforce risk, similar to the position being experienced by other local authorities. There is a shortage of supply, particularly in some key service areas including social care, planning and finance. This is compounded by evidence that pay

levels are becoming a growing issue with working for the Council no longer seen as a long-term career, the movement of staff to work through agencies and short-term potentially unsustainable incentives offered by other authorities to attract staff. There is a risk that the Council will not have the capacity to deliver the plans set out in this resolution or will not be able to afford the changes that will improve its position in the recruitment market.

Risk 13 – Impact on the Medium Term Financial Strategy

The MTFS outlines the significant additional financial challenge to the authority in future years. The indicative future spending allocations and planned reductions deliver a balanced MTFS over the period of the Council Plan with a 2.99% increase in council tax plus 2% adult social care levy in 2024/25 and a 2.99% annual increase in the council tax in future years. Without this level of increase in council tax, or if future spending needs exceeds the indicative levels, further budget reductions will need to be identified and delivered to ensure the budget remains sustainable. Given this challenge Members are advised it is important that decisions taken in agreeing the 2024/25 budget do not increase this financial risk. The commitment of Members to meet the financial challenges ahead and take the decisions needed to ensure the finances of the authority remain robust into the future is welcomed.

I have also undertaken a risk analysis of the adequacy of financial reserves, taking account of the financial risks above. This highlighted the need to retain a minimum of £26.0 million in general reserves in 2024/25, in addition to the £169.7m held to manage specific risks and support the delivery of the Council Plan. This resolution makes provision for this level of reserves. I am therefore of the view that this budget does provide for an adequate level of reserves."

8. Summary of Service Estimates

8.1. Approval be given to the individual service net revenue estimates shown below, which will be finalised for the service estimates to be presented to Cabinet in April 2024 of:

	Base Budget £	Additional Investment £	Funding Sources £	Total £
Children and Families	82,432,685	8,251,000	(3,342,000)	87,341,685
Education	153,127,258	576,000	(20,000)	153,683,258
Economy and Place	22,777,924	792,000	(174,000)	23,395,924
Environment, Planning and Transport	61,411,133	12,127,000	(1,133,000)	72,405,133
Fire and Rescue	25,097,885	128,000	(71,000)	25,154,885
Strategic Infrastructure and Climate Change	1,451,000	55,000	0	1,506,000
Strategic Commissioning for People	36,286,454	534,000	(381,000)	36,439,454
Social Care and Support	205,151,318	26,047,000	(6,216,000)	224,982,318
Enabling Services	26,404,458	2,308,000	(775,000)	27,937,458
Finance	15,760,801	441,000	(348,000)	15,853,801
Strategy, Planning and Governance	5,736,924	447,000	(106,000)	6,077,924
Workforce and Local Services	10,544,482	321,000	(32,000)	10,833,482
Corporate Services – spending	38,452,058	30,916,000	(3,579,000)	65,789,058
Corporate Services - schools and funding	(144,277,029)	0	(209,199,000)	(353,476,029)
	540,357,351	**82,943,000**	**(225,376,000)**	**397,924,351**
Contributions to/(from) reserves:				
- Earmarked Reserves	4,439,305	0	0	4,439,305
- General Reserves	0	0	(15,699,464)	(15,699,464)
Budget Requirement	**544,796,656**	**82,943,000**	**(241,075,464)**	**386,664,192**

9. Council Tax Requirement

9.1. Approval is given to a council tax requirement and a Band D Council Tax for the County Council for the year ending 31 March 2025 as follows:

	£
Budget Requirement	386,664,191.95
Less Council Tax Deficit on Collection	359,765.15
Council Tax Requirement for the year ended 31 March 2025	**387,023,957.10**
Divided by aggregate Council Tax Base for the County Area	222,915.67
Basic Amount of Council Tax (Band D)	**1,736.19**

10. Council Tax

10.1. The council tax for 2024/25 is increasing by 4.99%. Therefore, approval is given to Council Tax amounts for each category of property as follows:

	£
Band A	1,157.4600
Band B	1,350.3700
Band C	1,543.2800
Band D	1,736.1900
Band E	2,122.0100
Band F	2,507.8300
Band G	2,893.6500
Band H	3,472.3800

11. Precepts

11.1. The Chief Executive is authorised to issue the 2024/25 precepts on the Warwickshire billing authorities, as follows:

	£
North Warwickshire Borough Council	37,968,843.28
Nuneaton and Bedworth Borough Council	69,596,565.10
Rugby Borough Council	71,141,965.18
Stratford-on-Avon District Council	107,130,093.47
Warwick District Council	101,186,490.07

12. Budget Management

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

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

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

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

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

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

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

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

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

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

13. Pay Policy

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

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

13.3. Our pay policy statement that meets these statutory requirements is set out in **Appendix F**. The County Council agrees the application of these remuneration policies for the financial year 2024/25 and authorises the Chief Executive to amend the Pay Policy 2024/25 to reflect any outstanding pay awards, when agreed.

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Permanent Revenue Allocations 2024/25 to 2027/28

Description	2024/25 £'000	Indicative Extra Allocation in Future Years 2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Children and Families						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	1,048	1,070	1,092	1,114	1,137	5,461
Child allowances costs - An allocation to meet the additional inflationary cost of keeping allowances competitive in the market for foster carers.	88	-	-	-	-	88
Child allowances demand - An allocation to meet the increased demand for specialist care orders to support children to leave or avoid care through allowances for extended family members caring for children.	287	38	44	-	-	369
Children's placements (exc. children with disabilities) demand - An allocation to meet the impact of fostering/placements framework contracts and changes to the placement mix on costs.	4,878	763	813	866	922	8,242
Children and Family Centres - An allocation to meet the shortfall in funding to deliver the current service offer as a result of inflationary increases in costs.	-	400	-	-	-	400
Children and Families sub-total	**6,301**	**2,271**	**1,949**	**1,980**	**2,059**	**14,560**
Education Service						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	36	36	37	38	39	186
Attendance service - An allocation to offset the loss of traded income and increase in education attendance case-workers to meet increased demand.	98	-	-	-	-	98
Education sub-total	**134**	**36**	**37**	**38**	**39**	**284**
Children and Young People Directorate	**6,435**	**2,307**	**1,986**	**2,018**	**2,098**	**14,844**

Permanent Revenue Allocations 2024/25 to 2027/28

Description	2024/25 £'000	Indicative Extra Allocation in Future Years 2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Economy and Place						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	392	400	408	416	425	2,041
Waste management - An allocation to address the increased waste management costs being incurred as a result of housing and population growth within the county.	300	300	-	-	-	600
Economy and Place sub-total	**692**	**700**	**408**	**416**	**425**	**2,641**
Environment, Planning and Transport Services						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	1,071	1,092	1,114	1,135	1,158	5,570
Street lighting energy cost - An allocation to fund the additional inflationary cost of street lighting energy.	193	208	-	-	-	401
Traffic signals cost - An allocation to fund the additional inflationary costs to maintain levels of provision following a period of increased contract and energy inflation.	250	-	-	-	-	250
Bridge maintenance cost - An allocation to fund the additional inflationary costs to maintain levels of provision following a period of inflation.	250	-	-	-	-	250
Highways maintenance contract cost - An allocation to fund the additional inflationary costs in the highways maintenance contract across routine works, road markings and streetlighting (non-energy) in each of the next two years.	303	303	-	-	-	606
Home to School transport 2023/24 - An allocation to meet the demand and inflation pressure incurred to 'catch-up' from the increase in costs/demand in 2023/24 above the allocation made as part of the budget approved in February 2023.	5,700	-	-	-	-	5,700
Home to School transport cost - An allocation, covering both mainstream and SEND transport, to fund the additional inflationary costs based on expected price increases when re-tendering services.	1,359	358	371	384	398	2,870
Children in Care transport costs - An allocation to meet the additional inflationary cost, aligned to the expected increase in home to school transport costs.	60	47	50	33	36	226
SEND home to school transport demand - An allocation to meet the increased demand for home to school transport for pupils and students.	1,643	1,617	1,130	1,186	1,245	6,821

Permanent Revenue Allocations 2024/25 to 2027/28

Description	2024/25 £'000	Indicative Extra Allocation in Future Years 2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Mainstream education transport demand - An allocation to meet the increased demand for home to school transport for pupils and students.	240	182	143	144	146	855
Children in Care transport demand - An allocation to meet current and future levels of provision based on a 1.6% medium term increase in the number of children in care.	606	41	44	44	46	781
Traffic Signals - An allocation to reflect the growth in traffic signal assets having to be adopted, including Real Time Information Displays signs at bus stops, as a result of increased capital activity both through Council and developer-led schemes.	100	-	-	-	-	100
Environment, Planning and Transport Sub-total	**11,775**	**3,848**	**2,852**	**2,926**	**3,029**	**24,430**
Fire and Rescue						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	68	69	70	72	73	352
CSW Resilience Service cost - An allocation to fund the Council's increased contribution to the staff and running costs of the Coventry, Solihull and Warwickshire Resilience Service.	60	-	-	-	-	60
Fire Protection - An allocation to provide permanent funding for fire protection, originally funded temporarily through the Improvement Plan. Following changes to fire safety legislation charging businesses for fire protection advice is no longer possible.	-	187	38	-	-	225
Fire and Rescue sub-total	**128**	**256**	**108**	**72**	**73**	**637**
Communities Directorate	**12,595**	**4,804**	**3,368**	**3,414**	**3,527**	**27,708**

Permanent Revenue Allocations 2024/25 to 2027/28

Description	2024/25 £'000	Indicative Extra Allocation in Future Years 2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
People Strategy & Commissioning						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	534	545	556	567	578	2,780
Strategic Commissioner for People sub-total	**534**	**545**	**556**	**567**	**578**	**2,780**
Social Care and Support						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	3,523	3,594	3,666	3,739	3,814	18,336
Provider cost - An allocation to fund the additional cost of provider inflation, mainly reflecting the impact of the increase in the National Living Wage.	12,994	1,700	1,693	1,799	1,835	20,021
Discharge Grant - An allocation to match the increased ring-fenced Discharge Grant pending agreement with Health as to how the funding will be used.	1,415	-	-	-	-	1,415
Adult social care demand - An allocation to meet the cost of increased demand due to population growth, the length and intensity of care need as a result of increased life expectancy and the estimated reduction in people who can fund their own care.	8,066	4,307	4,548	4,788	5,029	26,738
Children with disabilities care demand - An allocation to meet the expected demand for future placements and increases in unit costs.	16	158	312	69	706	1,261
Children with disabilities direct payments - An allocation to meet the growing demand to support children and young people with disabilities who already receive a direct payment.	33	35	38	-	-	106
Social Care and Support sub-total	**26,047**	**9,794**	**10,257**	**10,395**	**11,384**	**67,877**
Social Care and Health Directorate	**26,581**	**10,339**	**10,813**	**10,962**	**11,962**	**70,657**

Permanent Revenue Allocations 2024/25 to 2027/28

Description	2024/25 £'000	Indicative Extra Allocation in Future Years 2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Enabling Services						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	235	240	245	250	255	1,225
Data and analytics platform - An allocation to meet the operating cost of implementing the data and analytics platform.	28	32	4	63	-	127
Fire and Rescue IT Support Team - An allocation to provide increased capacity in IT to provide adequate cover, including ensuring staff are only on call one week in three.	68	-	-	-	-	68
Business Intelligence - An allocation to provide capacity to deliver data insights from the Education Management Information System.	46	-	-	-	-	46
Synergy Delivery Unit - An allocation to provide permanent funding for the Synergy team.	172	-	-	-	-	172
Utilities - An allocation to fund the expected long-term increase in utility costs with a time-limited allocation reflecting assumptions about continued volatility in earlier years.	-	-	900	-	-	900
Enabling Services sub-total	**549**	**272**	**1,149**	**313**	**255**	**2,538**
Finance						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	15	15	15	16	16	77
Benefit Assessment & Income Control capacity - An allocation to provide additional capacity to meet the increase in demand from adult social care.	45	-	40	-	20	105
Business Support capacity - An allocation to provide increased capacity in business support to reflect the increase in demand for support services from social care services.	225	-	-	-	-	225
Finance sub-total	**285**	**15**	**55**	**16**	**36**	**407**

Permanent Revenue Allocations 2024/25 to 2027/28

Description	2024/25 £'000	Indicative Extra Allocation in Future Years				Total £'000
		2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	
Workforce and Local Services						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	9	9	9	9	9	45
Specialist Recruitment Team - An allocation to provide increased capacity to manage the complexity and growth in demand for recruitment support, including specialist recruitment advisors for Children and Families and Fire and Rescue.	151	-	-	-	-	151
Workforce and Local Services sub-total	**160**	**9**	**9**	**9**	**9**	**196**
Resources Directorate	**994**	**296**	**1,213**	**338**	**300**	**3,141**
Corporate Services						
Price inflation - An allocation to meet the cost of net price inflation across the Service.	112	93	95	97	98	495
Coroner - An allocation to meet the increase in post mortem and area coroner costs (shared with Coventry) and to resource the phased transfer of staff into the Council from Warwickshire Police to align service provision with national norm.	235	75	50	-	-	360
Capital financing costs - An allocation to meet the additional capital financing costs of the Authority based on planned borrowing requirement of the capital programme.	-	-	-	3,964	4,777	8,741
Provision for winter pressures - A provision to mitigate future potential winter pressures costs in Social Care and Support.	2,300	-	-	-	-	2,300
Provision for pay inflation - A provision for the cost of pay uplift for all Services.	9,269	4,462	4,551	4,642	4,735	27,659
Provision for future indicative spending pressures - A provision for future unknown and unquantified spending need to mitigate future potential costs as part of ensuring the Council's services are sustainable over the medium term.	1,000	10,500	7,500	7,500	7,500	34,000
Corporate Services	**12,916**	**15,130**	**12,196**	**16,203**	**17,110**	**73,555**
Total Annual Additional Permanent Allocations	**59,521**	**32,876**	**29,576**	**32,935**	**34,997**	**189,905**
Total Cumulative Additional Permanent Allocations	**59,521**	**92,397**	**121,973**	**154,908**	**189,905**	

Time Limited Revenue Allocations 2024/25 to 2028/29

Description	2024/25 £'000	Indicative Allocation in Future Years 2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Children and Families						
Children in Care placements - A two-year allocation to meet the cost of emergency provision until our own children's homes and joint provision with the NHS to manage mental health issues is fully operational.	1,950	2,028	-	-	-	3,978
Children and Families sub-total	**1,950**	**2,028**	**0**	**0**	**0**	**3,978**
Education						
Outdoor Education capacity building - Final year of the time-limited allocation to support the development, implementation and embedding of the Outdoor Education and Learning Strategy.	53	-	-	-	-	53
SENDAR - A two-year allocation to fund the cost of approved mediators and tribunals where the Council's decisions regarding children and young people with SEND are challenged.	389	195	-	-	-	584
Education sub-total	**442**	**195**	**0**	**0**	**0**	**637**
Children and Young People Directorate	**2,392**	**2,223**	**0**	**0**	**0**	**4,615**

Time Limited Revenue Allocations 2024/25 to 2028/29

Description	2024/25 £'000	Indicative Allocation in Future Years 2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Economy and Place						
Coventry & Warwickshire Growth Hub (CWGH) - A two-year allocation to match fund at the current level of delivery, in partnership with Coventry the CWGH, following the closure of the Local Enterprise Partnership (CWLEP)	100	70	-	-	-	170
Economy and Place sub-total	**100**	**70**	**0**	**0**	**0**	**170**
Environment, Planning and Transport						
Gypsy and Traveller sites - A two-year allocation to fund additional maintenance costs while capital project to improve the sites is completed.	70	30	-	-	-	100
Highways Maintenance Contract Procurement - A two-year allocation to fund the cost of consultancy advice and support during procurement of the new 10-year highways maintenance contract when the contract comes to an end in 2026.	200	200	-	-	-	400
Domestic Homicide Reviews - An allocation to meet the cost of the increased number of reviews each year.	82	-	-	-	-	82
Environment, Planning and Transport sub-total	**352**	**230**	**0**	**0**	**0**	**582**
Strategic Infrastructure and Climate Change						
HS2 - Years three and four of a four year allocation to continue work to mitigate the impacts of HS2 on Warwickshire residents and communities, maximising contributions from HS2.	55	55	-	-	-	110
Economy and Place sub-total	**55**	**55**	**0**	**0**	**0**	**110**
Communities Directorate	**507**	**355**	**0**	**0**	**0**	**862**

Time Limited Revenue Allocations 2024/25 to 2028/29

Description	2024/25 £'000	Indicative Allocation in Future Years 2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Enabling Services						
Utilities - A two-year allocation to meet higher wholesale utility costs whilst the costs remain volatile before gas, electricity and water prices fall back to the underlying trend over the medium term.	1,400	1,100	-	-	-	2,500
Resource to support corporate and adult social care projects - Final year of a two-year allocation to provide capacity to support projects including the contact centre telephony system, the replacement customer records management system and adults and children's transformation programmes.	169	-	-	-	-	169
Customer Service Centre capacity - A two-year allocation to increase capacity in the Customer Service Centre 'one front door' for social care to manage demand, improve the answer rate and the process of non-telephony referrals.	130	133	-	-	-	263
Customer Relations capacity - A two-year allocation to increase capacity in the Customer Relations Team to manage the transition of a new customer feedback system to recognise the increased number of complex cases.	60	61	-	-	-	121
Enabling Services sub-total	**1,759**	**1,294**	**0**	**0**	**0**	**3,053**
Finance						
Invest to save for redesign - Final year of a three year allocation to provide additional capacity for process redesign and to implement the new digital and automation technologies required to support the delivery of the Finance Service savings proposals.	100	-	-	-	-	100
Vehicle management strategic approach - Final year of a three year allocation to deliver a project that will realise savings from the consolidation of spares, parts and tyres spend, changes to delivery models and reducing demand on fuel.	56	-	-	-	-	56
Finance sub-total	**156**	**0**	**0**	**0**	**0**	**156**

Time Limited Revenue Allocations 2024/25 to 2028/29

Description	2024/25 £'000	Indicative Allocation in Future Years 2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Strategy, Planning and Governance						
Community Partnerships capacity- Final year of a two-year allocation to allow for a further 18 month delay in the delivery of the Community Partnerships redesign where demand and activity has yet to settle down post Covid.	145	-	-	-	-	145
Community Pantries (Supermarkets) - A two-year allocation to enable the pantries to move to a more sustainable long-term delivery model.	302	239	-	-	-	541
Strategy, Planning and Governance sub-total	**447**	**239**	**0**	**0**	**0**	**686**
Workforce and Local Services						
Recruitment Team -A four-year allocation to bring back the temporary specialist recruitment advisors for Children and Families and Fire and Rescue to manage the complexity and growth in demand for recruitment support in these areas.	109	132	132	132	-	505
Your HR support costs - A three-year allocation to increase the capacity and capability to deliver medium to large scale restructure work within the system.	52	52	52	-	-	156
Workforce and Local Services sub-total	**161**	**184**	**184**	**132**	**0**	**661**
Resources Directorate	**2,523**	**1,717**	**184**	**132**	**0**	**4,556**
Corporate Services						
DSG deficit offset funding - An allocation to ensure that the Authority's overall financial position is sustainable by setting aside resources to meet the 2024/25 forecast shortfall in the High Needs Dedicated Schools Grant (DSG) compared to the estimated need to spend.	18,000	-	-	-	-	18,000
Corporate Services	**18,000**	**0**	**0**	**0**	**0**	**18,000**
Total Annual Time Limited Allocations	**23,422**	**4,295**	**184**	**132**	**0**	**28,033**

Reserves Strategy 2024-29

Introduction

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

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

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

Rob Powell
Executive Director for Resources

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

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

This reserves strategy sets out why effective management of reserves is important and how we make decisions about the level of reserves to hold. Our approach will be a success if, across the Council, it is understood that the money we have in reserves is proportionate to the risks and uncertainties we face, promotes financial resilience and is actively managed to identify where one-off resources that can be invested in support of the Council's outcomes and key objectives.

Section 1: The Purpose of our Reserves Strategy

What are Reserves?

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

What is a Reserves Strategy?

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

1. Our strategic intent – what we are seeking to achieve through holding reserves;
2. Our programme – the level of reserves we hold and our plans for their use over the period of the 2024-29 Medium Term Financial Strategy (MTFS); and
3. Our framework – the way we will determine the level of reserves we need, manage those reserves and plan for their use in line with best practice and statutory requirements.

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

Why do we need a Reserves Strategy?

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

There will always be events that occur in an unplanned and unpredictable way that will have financial consequences for the Authority and respond in a prompt and timely way. To ensure we can manage these financial risks whilst being able to maintain services requires that the Authority holds funds in reserve to meet these costs as and when they arrive. A reserves strategy enables us to do this in a planned way.

How does it fit with our other strategies?

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

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

Section 2: Our Reserves

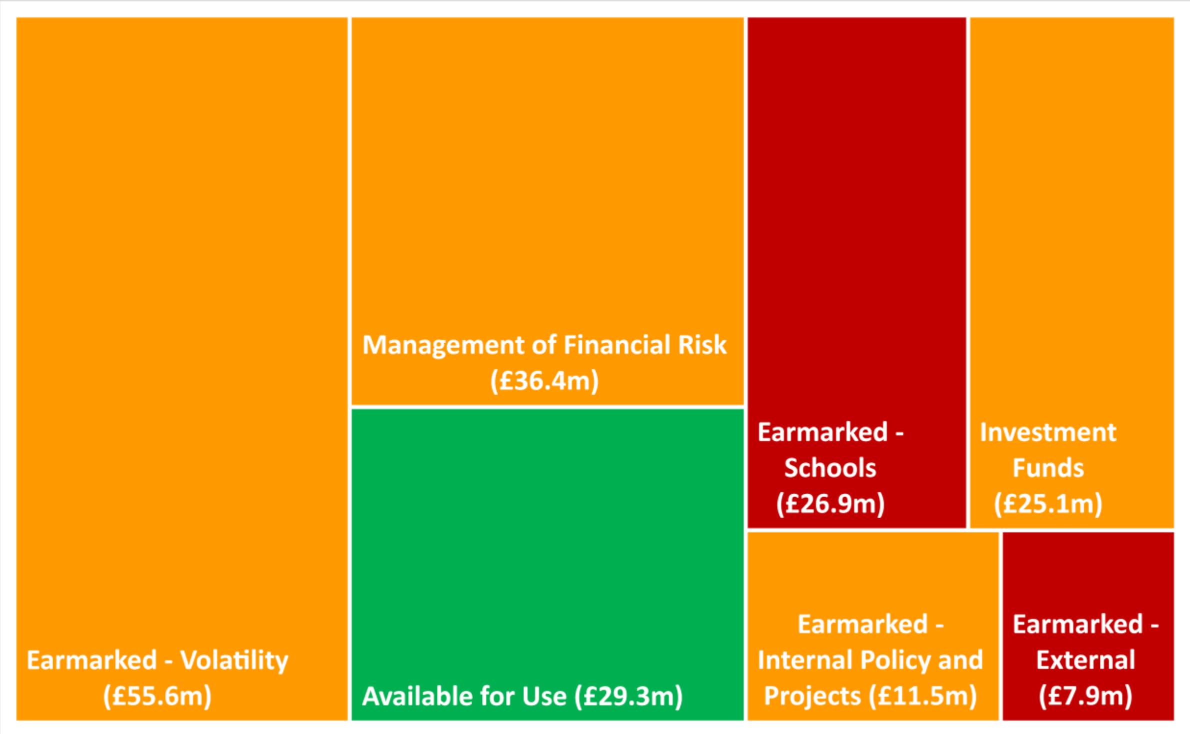
Our drivers for holding reserves are to:

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

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

Our reserves are forecast to be £192.7m at the end of 2023/24. We are holding the £192.7m for the following reasons:

a) £92.0m to manage financial risk, including volatility;
b) £36.6m for investment in projects to drive forward the delivery of the Council's objectives;
c) £34.8m to meet externally set funding conditions; and
d) £29.3m available for investing to pump-prime the delivery of the Council's core outcomes and to support the resourcing of the MTFS by managing timing differences between spending need and the delivery of budget reductions.



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

Section 3: Our Reserves Framework

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

Guiding principles for managing and using Reserves

Our guiding principles for managing and using reserves are:

- The primary purpose is to manage financial risk and promote financial sustainability.
- Subject to meeting this requirement we will:
    - maximise the ability to use reserves flexibly to deliver the organisation's priorities;
    - control the amount of scarce resources held in reserves; and
    - hold reserves at a corporate level unless there is a business/technical reason for not doing so.
- The planned use of reserves, for the following financial year, will be agreed as part of the annual budget setting and medium-term financial planning process. Other than in exceptional circumstances the planned use of reserves is only expected to change in year as a result of:
    - investment projects and projects to deliver budget reductions in future years approved by Members/Corporate Board; and
    - adjustments to reflect the impacts of the previous year's outturn that were not known at the time the budget for the year was agreed, where this aligns with the approved Council Delivery Plan or is an invest-to-save project.
- All reserves will be subject to a year-end review to ensure the reason for holding the reserve and the plans for its use aligns with the Council Plan, the Council Delivery Plan, MTFS and this strategy.
- Reporting on each reserve and seeking approval for any variations or to create a new reserve will form part of the quarterly monitoring report to Cabinet.

Year-end review of reserves

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

- plans for use of the reserve including sunset clauses/closure dates; and
- benefits to be delivered from the investment.

Without an approved delivery plan in place a reserve cannot be accessed.

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

Governance Framework

Managment of Financial Risk - Corporate

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

Management of Financial Risk - Services

- To manage in-year financial variations e.g. fluctuations in demand, financial risks associated with the delivery of the savings plan and to manage any overspend
- Maximum of 2% of Services net revenue budget
- Held as a single corporate reserve with the Executive Director for Resources accountable
- Decisions and proposals on its use reported to Cabinet as part of the outturn report each year with any use replenished as part of financial planning for the following financial year

Volatility

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

Earmarked

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

Investment Funds

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

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Budget Reductions 2024/25 to 2028/29

Description	Annual Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Saving £'000
Children and Families						
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(240)	-	-	-	-	(240)
Reduce spend on residential care - Reduce the cost of care/services including the increased use of our internal children's homes and boarding and residential schools.	(2,361)	(1,571)	(1,171)	(1,281)	(581)	(6,965)
External foster care - Reduce the cost of care/services by reducing spend on external foster care through increasing number of internal foster carers.	(200)	-	(100)	-	-	(300)
Grant income - More effective use of grant income to support the core activity of the service and contribute to the service overheads.	(100)	(100)	-	-	-	(200)
Third-party contributions - Maximise contributions from other agencies for care packages for children in care.	(250)	(300)	(200)	-	-	(750)
House project - Reduce the cost of 16 plus supported accommodation through the expansion of the House project.	(100)	-	(100)	-	(200)	(400)
Reduction in staff costs - Reduction in staffing costs flowing from the successful implementation of the Sustainability Plan	(91)	(194)	(1,126)	(656)	-	(2,067)
Youth and Community Centres - Increase income from third party use of centres.	-	-	(20)	(50)	(50)	(120)
Children and Families sub-total	**(3,342)**	**(2,165)**	**(2,717)**	**(1,987)**	**(831)**	**(11,042)**
Education						
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(15)	(10)	-	-	-	(25)
Traded income - Increase traded income from Governor and Attendance service as well as review and modernise music services.	(5)	-	-	-	-	(5)
Education sub-total	**(20)**	**(10)**	**0**	**0**	**0**	**(30)**
Children and Young People Directorate	**(3,362)**	**(2,175)**	**(2,717)**	**(1,987)**	**(831)**	**(11,072)**

Budget Reductions 2024/25 to 2028/29

Description	Annual Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Saving £'000
Economy & Place						
Country parks income review - Apply commercial approach to Country Parks income streams.	(25)	(25)	(50)	-	-	(100)
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(59)	-	-	-	-	(59)
Business centres portfolio - Increased income through the introduction of virtual office space and additional rental income following additional capital investment to expand the business centres portfolio.	(50)	(275)	(150)	(150)	-	(625)
Rural agenda service review - Rationalise staffing resource covering rural agenda.	(40)	-	-	-	-	(40)
Waste strategy - Estimated reduction in cost as a result of the implementation of the Government's resource and waste strategy.	-	(1,000)	(2,000)	-	-	(3,000)
Parking income - Increased income from changes to Pay and Display charges and resident parking permits as well as additional third party procurement savings and the implementation of business parking permits.	-	-	(445)	(445)	(885)	(1,775)
Economy & Place sub-total	**(174)**	**(1,300)**	**(2,645)**	**(595)**	**(885)**	**(5,599)**
Environment, Planning & Transport						
Traded income - An expansion of traded income including increasing income from external contracts, new external contracts and MOT sales to public, enforcement income from network management, ecology surveys and the forestry service.	(80)	(80)	(40)	-	-	(200)
Savings on third party spend - Review of services purchased from third parties to ensure value for money, including from the new highways contract.	(29)	-	-	(150)	-	(179)
SEND Home to school transport - A reduction in the cost of the service as a result of service/route redesign and the positive impact of the SEND Change and Inclusion Programme on both demand and the length of journeys.	(1,024)	(546)	-	-	-	(1,570)
Home to school transport - Applying the learning from the SEND transport project to make efficiencies in home to school mainstream operations.	-	(500)	-	(116)	-	(616)

Budget Reductions 2024/25 to 2028/29

Description	Annual Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Saving £'000
Winter gritting service - Review of the operation of the winter gritting service to reduce expenditure through more efficient delivery of services following capital investment for the construction of salt barns.	-	-	(250)	-	-	(250)
Street Lighting - Reduction in energy costs through use of dimming technology.	-	-	-	(200)	-	(200)
Trading Standards - Review and prioritisation of the work of Trading Standards.	-	-	-	-	(100)	(100)
Gypsy and Traveller sites - Externalise operation of Gypsy and Traveller sites, reducing in-house costs.	-	-	-	-	(150)	(150)
Environment, Planning & Transport sub-total	**(1,133)**	**(1,126)**	**(290)**	**(466)**	**(250)**	**(3,265)**
Fire and Rescue						
Savings on third party spend - Review of services purchased from third parties to ensure value for money	(71)	-	-	-	-	(71)
Fire training - Income generation from taking advantage of commercial training opportunities linked to completion of new training facilities.	-	(50)	(100)	(50)	-	(200)
Fleet transport savings - Revenue savings from purchase of Fire transport vehicles, ending lease agreements	-	(60)	-	-	-	(60)
Administration review - review of administrative roles across WFRS. This saving will have no impact on operational service delivery.	-	-	-	-	(64)	(64)
Fire and Rescue sub-total	**(71)**	**(110)**	**(100)**	**(50)**	**(64)**	**(395)**
Strategic Infrastructure and Climate Change						
HS2 - removal of non-funded activity.	-	-	(48)	-	-	(48)
Strategic Infrastructure and Climate Change sub-total	**0**	**0**	**(48)**	**0**	**0**	**(48)**
Communities Directorate	**(1,378)**	**(2,536)**	**(3,083)**	**(1,111)**	**(1,199)**	**(9,307)**

Budget Reductions 2024/25 to 2028/29

Description	Annual Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Saving £'000
People Strategy & Commissioning						
Health, wellbeing and self-care - Rationalise the public health offer, preserving budgets for mandated public health functions, consolidating use of the Warwickshire Cares Better Together Fund and spend on the Wellbeing for Warwickshire offer.	(306)	(100)	(185)	(390)	(60)	(1,041)
Management of Strategic Commissioning for People costs - Rationalise budgets across a range of areas including staffing, travel and conference budgets, central recharges and contributions.	(75)	-	(40)	(50)	-	(165)
Housing related support - Further decommissioning of the housing related support service offer.	-	(1,000)	-	-	-	(1,000)
Vacancy factor - Application of an additional 5% vacancy factor/turnover allowance in Public Health and People Strategy and Commissioning.	-	-	-	(235)	(235)	(470)
Provider Learning and Development Partnership - Increase income through the approach to charging for the learning and development offer.	-	-	-	(55)	-	(55)
People Strategy and Commissioning sub-total	**(381)**	**(1,100)**	**(225)**	**(730)**	**(295)**	**(2,731)**
Social Care and Support						
Savings on third party spend - Review of services purchased from third parties to ensure value for money.	(204)	-	-	-	-	(204)
Housing with support for older people - Further develop the housing with support offer to reduce reliance on residential provision for all ages; including consideration of capital investment to secure revenue savings.	(500)	-	-	-	-	(500)
Management of cost of adults service provision - Management of the budgeted cost increases of externally commissioned care.	(2,000)	(1,000)	(1,064)	-	-	(4,064)

Budget Reductions 2024/25 to 2028/29

Description	Annual Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Saving £'000
Prevention and self-care - Deliver a prevention and self care strategy implementing the service change and transformation activities underway across adult social care, including an improved early intervention and prevention offer, further refinement of the in-house reablement offer, further development of assistive technology and investment in programmes, projects and services that reduce people's reliance on care and support.	(1,706)	(935)	-	-	-	(2,641)
Integrated commissioning with Health - Efficiencies through joint working and increased purchasing power for externally commissioned care. Arrangements will form part of the Coventry and Warwickshire Integrated Health and Care Partnership and associated system plan.	(200)	(267)	-	-	-	(467)
Management of care demand - Rephasing the demand and cost pressures for adults social care based on expected growth as informed by national and local data.	(1,356)	(2,389)	(4,416)	(3,507)	(3,320)	(14,988)
Increase in client and external income - Increase in income as a result of taking into account expected growth of adult social care services and in-year unplanned income from the Department of Health and Social Care.	(250)	(900)	(1,000)	(1,300)	(1,300)	(4,750)
Review of support for children with disabilities - Implementing the service change and transformation activities services supporting children with disabilities.	-	(750)	(500)	-	-	(1,250)
Social Care and Support sub-total	**(6,216)**	**(6,241)**	**(6,980)**	**(4,807)**	**(4,620)**	**(28,864)**
Social Care and Health Directorate	**(6,597)**	**(7,341)**	**(7,205)**	**(5,537)**	**(4,915)**	**(31,595)**

Budget Reductions 2024/25 to 2028/29

Description	Annual Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Saving £'000
Enabling Services						
Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied.	(7)	(25)	-	-	-	(32)
Enabling Services delivery review - Review of expenditure on staffing, expenses and projects in Enabling Services.	(50)	(150)	-	-	-	(200)
Estates rationalisation - Reduction in rates, utility costs, facilities management and maintenance costs from the disposal of surplus assets, the effective mix of staff and agency use and increased income from capital fees and rental income from the effective use of our residual estate.	(200)	(181)	(233)	(867)	(1,060)	(2,541)
ICT Service delivery review - Review past ICT budget growth and focus on efficiencies through development projects.	(125)	(54)	(108)	(107)	-	(394)
ICT applications migration and rationalisation - Migrating workloads to Azure to derive efficiencies from ICT application management alongside an on-going focus on the rationalisation of applications to reduce licence and maintenance costs.	(120)	(50)	-	-	-	(170)
Digital roadmap - Savings as a result of a three year programme of investment in digital technology and automation and the on-going service redesign and automation both within the Service and across the organisation more widely.	(273)	(284)	(364)	(55)	-	(976)
Voice of Warwickshire - Review of the use of the Voice of Warwickshire.	-	(21)	-	-	-	(21)
Data Strategy - Implementation of the Data Strategy to improve data, data literacy and tools that better equip the council to be data led and self-serving to enable efficiencies in our data workforce.	-	-	-	-	(63)	(63)
Enabling Services sub-total	**(775)**	**(765)**	**(705)**	**(1,029)**	**(1,123)**	**(4,397)**

Budget Reductions 2024/25 to 2028/29

Description	Annual Saving					Total
	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Saving £'000
Finance						
Process efficiencies - Efficiencies through ongoing service redesign, automation, AI and self-service across finance and business support.	(149)	(250)	(162)	(312)	(81)	(954)
Third-party spend - Savings and rebates from externally purchased services and a commercial approach to contracting, to be co-produced and co-owned with Services, with activity to be led by Procurement to ensure value for money.	(199)	(167)	-	-	(300)	(666)
Vacancy factor - Application of a vacancy factor/turnover allowance where not already applied.	-	(19)	-	-	-	(19)
Finance sub-total	**(348)**	**(436)**	**(162)**	**(312)**	**(381)**	**(1,639)**
Strategy, Planning & Governance						
Vacancy factor - Application of a vacancy factor/turnover allowance where not already applied.	(34)	(40)	-	-	-	(74)
Third party spend - Review of services purchased from third parties to ensure value for money and management of the budgeted cost increases of externally purchased services.	(32)	(23)	-	(15)	(15)	(85)
Legal services trading income - Additional surplus from external trading with other local authorities and public sector bodies, including Warwickshire Legal Services dividends	(40)	(40)	(110)	(30)	(30)	(250)
Service efficiencies - Right-sizing of budgets across the Service following the prioritisation of activity and more effective channels of service delivery including electronic record keeping, consultancy and change programme activity.	-	-	(4)	(94)	-	(98)
Strategy, Planning & Governance sub-total	**(106)**	**(103)**	**(114)**	**(139)**	**(45)**	**(507)**

Budget Reductions 2024/25 to 2028/29

Description	Annual Saving					Total Saving
	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	£'000
Workforce and Local Services						
Vacancy factor - Application of a 2% vacancy factor/turnover allowance where not already applied.	(4)	(19)	-	-	-	(23)
Registration Service - Increase registration revenue through the optimisation of service delivery locations.	(28)	(20)	-	-	-	(48)
Pro-active use of apprenticeships - Closer integration of apprentices into service workforce structures.	-	(165)	-	-	-	(165)
Service redesign - Generic saving target for new service at the end of Year 5. New Director to generate options and ideas and firm up by 2025/26 MTFS refresh.	-	-	-	-	(100)	(100)
Workforce and Local Services sub-total	**(32)**	**(204)**	**0**	**0**	**(100)**	**(336)**
Resources Directorate	**(1,261)**	**(1,508)**	**(981)**	**(1,480)**	**(1,649)**	**(6,879)**

Budget Reductions 2024/25 to 2028/29

Description	Annual Saving 2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total Saving £'000
Corporate Services						
Savings on third party spend - Review of services purchased from third parties and the increased take-up of early invoice payment. (Delivery will be the responsibility of the Director of Finance).	(3)	(202)	(100)	-	-	(305)
Treasury management returns - A target to increase investment returns through a more pro-active approach to treasury management and a rebate from the early repayment of borrowing due to favourable gilt rates with the annual benefit realised over 10 years. (Delivery will be the responsibility of the Director of Finance.)	(314)	-	-	-	-	(314)
Warwickshire Property and Development Group - Forecast income stream from the successful delivery of the company business plan.	(2,856)	(433)	-	-	-	(3,289)
Capital financing costs - Reduction in the Authority's borrowing costs as a result of using capital receipts from the sale of surplus assets. (Delivery will be the responsibility of the Director of Enabling Services).	(16)	(120)	(70)	(24)	(64)	(294)
Members allowances - Reduction in the cost of Members allowances due to reduced travel/mileage and other expenses.	(140)	-	-	-	-	(140)
SCAPE dividend - Additional income from including the average annual SCAPE dividend in the Council's core budget.	(250)	-	-	-	-	(250)
Increase in Council tax Income - No win, no fee work to identify properties that should be liable for council tax but not currently charged.	-	(200)	-	-	-	(200)
Resources Directorate efficiencies - Staff reductions and structural efficiencies in the Directorate. (Delivery led by the Executive Director for Resources).	-	-	-	-	(400)	(400)
Corporate Services	**(3,579)**	**(955)**	**(170)**	**(24)**	**(464)**	**(5,192)**
Annual Budget Reductions Total	**(16,177)**	**(14,515)**	**(14,156)**	**(10,139)**	**(9,058)**	**(64,045)**
Cumulative Budget Reductions Total	**(16,177)**	**(30,692)**	**(44,848)**	**(54,987)**	**(64,045)**	

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Appendix E

Medium Term Financial Strategy 2024-29 - Summary

	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Spending					
Base Budget - on-going spend from the previous year	544.8	588.1	606.5	621.9	644.7
Provision for pay and price inflation	31.9	14.2	14.9	14.3	14.6
Demand and other permanent increases in spending need	27.6	18.7	14.7	18.6	20.4
Time-limited spending allocations	23.4	4.3	0.2	0.1	0.0
Savings plan	(16.2)	(14.5)	(14.2)	(10.1)	(9.1)
Total Net Spending	**611.5**	**610.8**	**622.1**	**644.8**	**670.6**
Resources					
Government grants	(118.5)	(109.6)	(109.6)	(109.6)	(109.6)
Business rates	(90.7)	(92.5)	(94.3)	(96.1)	(97.9)
Council Tax	(387.0)	(405.2)	(424.2)	(444.6)	(465.9)
Deficit on the collection of council tax in previous years	0.4	0.0	0.0	0.0	0.0
Total Resources	**(595.8)**	**(607.3)**	**(628.1)**	**(650.3)**	**(673.4)**
Use of/(contribution to) reserves	**(15.7)**	**(4.3)**	**(0.2)**	**(0.1)**	**0.0**
Net (surplus)/deficit	**(0.0)**	**(0.8)**	**(6.2)**	**(5.6)**	**(2.8)**

Appendix F

Warwickshire County Council – Pay Policy Statement 2024/25

1 Statutory Requirement

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

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

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

1.3 The pay policy statement must state:

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

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

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

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

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

2 Remuneration Policies

2.1 The Council operates the National Living Wage for all staff including Apprentice rates where applicable.

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

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

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

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

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

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

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

2.9 The policy of the Council is to evaluate the following posts using the Hay Grading Scheme:

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

2.10 Any pay awards to the salary levels attached to each Management Band are reviewed in line with the pay awards agreed by the relevant national negotiating bodies (which in respect of all Chief Officers except the Chief Fire Officer is the National Joint Council) and where applicable they are applied with effect from the 1st January each year. Currently, the pay framework for Management Band staff covers a salary range from £47,989 to £207,805 per annum.

2.11 The above policies apply save in cases where the operation of the Transfer of Undertakings (Protection of Employment) Regulations 2006, or other statutory provisions, dictate otherwise.

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

2.13 The County Council will apply the remuneration policies set out above for the financial year 2024/25.

3 Relationship between the highest and lowest paid employees

3.1 The policy of the Council to pay employees in accordance with the NJC pay framework means that its ‘lowest paid employees’ are paid an annual salary of £22,366 per annum or on a pro-rata basis if they work for less than 37 hours per week. This definition does not include those working as apprentices undergoing a recognised national training scheme, those on work experience or those on other placements related to training, which are not established posts within the Council. The reason for excluding those individuals from the definition of ‘lowest paid employees’ is that the primary aim of their engagement is training and as such, they are not considered to be carrying out the full range of duties when compared to employees in established posts.

3.2 This means that the ‘salary ratios’ between the Council’s lowest paid staff and its Chief Executive and Strategic Directors are 1:9.3 and 1:7.2 respectively.

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

3.4 The salary ratios between the Council's median salary level (£31,364 per annum) and that of the Chief Executive and Executive Directors are 1:6.6 and 1:5.1 respectively.

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

4.1 The Chief Executive is paid on a four-point incremental scale (£191,515 - £207,805 per annum). Progression within the scale is determined by a performance management framework. No other salary payments are made to the Chief Executive. The Chief Executive is the Council's Returning Officer. The Returning Officer is eligible to receive a fee for undertaking this role. The Council does not include the fee in the Chief Executive's overall salary. The Chief Executive has declined to take the fee.

4.2 The Chief Fire Officer is paid a 'spot' salary of £139,407 per annum based on Hay evaluation. No other salary payments are made to the Chief Fire Officer. A car is provided for this role.

4.3 Each of the Executive Directors are paid on the same five-point incremental scale under Hay as agreed in December 2015 and in accordance with independent advice from Hay Management Consultants. The incremental scale is currently £145,399 - £161,066 per annum. Progression within the scale is determined by a performance management framework. No other salary payments are made to the Executive Directors.

4.4 Directors are paid on a twelve-point incremental scale (£95,094 - £128,584 per annum. Progression within the scale is determined by a performance management framework.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.1 The performance progression of staff, in positions within Tiers 0-3 of the organisational structure, will be managed by the performance management framework. For all other staff this is managed via the appraisal process. Pay progression for all positions below Tier 3 level is to be through incremental pay scales and is on an annual basis, subject to satisfactory performance.

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

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

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

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

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

9.2 In the case of an employee whose employment is terminated on grounds of efficiency, Executive Directors (or where the employee is an Executive Director, the Chief Executive; or where the employee is the Chief Executive, the Staff & Pensions Committee) have discretion to make severance payments up to the levels described above, taking into account all relevant factors including: whether the payment is necessary to address a situation where there would otherwise be a significant risk of harm to the County Council's services or objectives; whether to make a payment could lead to a serious loss of confidence in the public service; whether the payment is reasonable and affordable.

9.3 Regulation 31 of the LGPSR 2013 allows a scheme employer to award to a) an active member or b) a member who was an active member who was dismissed by way of redundancy or business efficiency additional pension (currently to a maximum of £7,579). It is the County Council's Policy that the award of additional pension should only be applied in exceptional circumstances where this is necessary to address a situation where there would otherwise be a significant risk of harm to the County Council's services or objectives.

9.4 The County Council will not apply the abatement rule to LGPS pension benefits save in exceptional circumstances where it determines that not to abate the pension in payment could lead to a serious lack of confidence in the public service.

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

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

9.7 The Council will comply with statutory guidance on the making and disclosing of Special Severance Payments by Local Authorities in England, published on 12 May 2022.

9.8 In the event of any legal restriction on the value of exit payments coming into force in 2024-25, where it is within its power to do so, the Council will dis-apply or relax such restriction (or will propose that ministers agree to dis-apply or relax any such restriction) in circumstances where:

- the Chief Executive is satisfied that the proposal is being made on one or more of the grounds permitted by the relevant government departments from time to time (if a permitted ground is required to be identified); and
- the savings which the relevant exit contributes to need to be made to ensure the delivery of the service within budget and that the payment concerned will be recouped within two years or in exceptional circumstances, with the approval of the relevant Portfolio Holder, within three years.

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

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

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

11.1 Except in respect of pay and any such other arrangements negotiated locally:

- the terms and conditions that apply to the Chief Executive, Executive Directors and Directors are those agreed by the National Joint Council for Local Government Services; and
- the terms and conditions that apply to the Chief Fire Officer are those agreed by the National Joint Council for Brigade Managers of Fire and Rescue Services.

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2024/25 Capital Budget Resolution

Recommendations to County Council

1. Financial Direction of Travel

1.1. The value of our assets is £1.4 billion. Each year we need to spend money to ensure these assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements and deliver the Council's vision to make Warwickshire the best it can be, sustainable now and for future generations. This investment forms the basis of our capital programme, maximising value for money for our residents and the taxpayer pound.

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

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

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

1.4. We will continue to build a more strategic and commercial focus to our approach to our capital investment, aligned to the medium and longer-term place-shaping of Warwickshire. We will move towards an approach where services are required to bring schemes forward for consideration where they deliver on the priorities set out in this resolution, the commitments in the Council Plan and the areas of focus.

1.5. We will use our capital resources to deliver capital schemes that support the vision, three priorities and seven areas of focus set out in the Council Plan. The prioritisation of our capital investment will reflect the level of choice for the Authority in the decision being made. Capital investment schemes will in future fall into one of three categories:

- **Category A – 'Must Do', highest priority** – those schemes where the Authority has minimal choice about whether to invest, with the focus being on ensuring value for money in how the scheme is delivered. The main areas of capital investment in this category are expected to be the sufficiency of school places and investment required to ensure the continued delivery of existing services.
- **Category B – 'Should Do', secondary priority** – invest-to save schemes that deliver savings in the Authority's revenue budget and/or generate additional income to support the revenue budget. The main areas of investment in this category are expected to be expanded resource provision in schools to reduce the deficit on the DSG High Needs block, the expansion of our own children's homes to reduce the reliance on the independent sector and estate rationalisation.
- **Category C – 'Optional', third priority** – investment to deliver on the Council's wider ambitions and support the delivery of the Council Plan.

1.6. There are two areas whether we expect Corporate Board to bring forward proposals for a programme of capital investment covering the five years of the MTFS at the earliest opportunity. These are the investment programmes needed to ensure the sufficiency of school places and the expanded resource provision in schools to reduce the deficit on the DSG High Needs block.

1.7. Looking further ahead we will create a long-term Infrastructure Strategy for Warwickshire that extends beyond the five years of our capital programme. This will bring greater focus to our benefit-driven, strategic approach to determining our capital investment priorities, ensuring our scarce resources are used in the most effective way.

1.8. All proposals will continue to be subject to a robust scrutiny process prior to approval to ensure widespread support for capital investments, a strong business case and the deliverability of the project to ensure benefits for those who live, work and visit Warwickshire.

1.9. Our focus for 2024/25 will be the delivery and impact of the schemes already in the approved capital programme until we have greater clarity as to the extent our scarce capital resources will be required to deliver on our highest priorities of the provision of school places and the resource provision in schools to support pupils with SEND.

1.10. Over the next 12 months, our priorities for new capital investment are:

Best Lives	• Investment to ensure the sufficiency of school places, and in particular special educational needs provision within the county. • Investment in alternative in-house options for children in care and our care leavers. • Investment as part of a holistic approach to demand management for those in receipt of adult social care support including, assistive technology to support health, care and well-being.
Sustainable Futures	• Defending Warwickshire against flooding. • Investment to reduce the Council's carbon footprint. • A sustainable transport network that supports a low carbon future and rural connectivity to places of work, improving air quality, active travel to deliver the positive benefits of outdoor activity, reducing congestion and enabling growth in housing. • A safer schools programme that encourages sustainable and healthy travel to school for pupils across Warwickshire and reduces the cost of home to school transport.
Thriving Economy and Places	• Investment to expand the provision of business centres across Warwickshire to grow the economy and increase rental income. • Ambitious schemes to shape Warwickshire and individual parts of it, progressing housing and area regeneration schemes, including though the activity of the Warwickshire Property and Development Group. • Supporting business innovation, investment and inward investment to drive economic growth through the Warwickshire Investment Fund.
Invest-to-Save	• Investment to maximise the effectiveness of our property estate as part of a future plan for the use of our buildings. • Investment in the construction of salt domes as part of delivering increased efficiencies in winter gritting services. • Investment in vehicles to support improvements in the cost effectiveness of home to school transport and daytime demand response transport

1.11. We will supplement our externally leveraged capital resource with £30.6m a year of borrowing. We will continue with the separation of maintenance, asset replacement and investment programmes that has brought benefits by reducing bureaucracy.

1.12. We will maintain the approval of £100m over the next five years to support Warwickshire Property and Development Group (WPDG), of which £59m is approved for delivery of the 2024 business plan, and £50 million for the Warwickshire Investment Fund (WIF). These investments are a demonstration of our commitment to support the recovery and growth of Warwickshire for the benefit of residents and communities.

1.13. We require £3 million of the schools' capital grant to form a contribution towards the cost of maintenance of the school estate, with the balance of the grant to be used to meet the growing demand for school places, alongside contributions from developers.

2. 2024/25 Capital Programme

2.1. Approval is given to a capital programme of £655.503m. Of this £250.611m is planned for 2024/25 and £404.892m for future years. There is £104.934m in the Capital Investment Fund that will be allocated to specific schemes, in line with our priorities, as bids are developed and considered over the five years of the 2024-29 Medium Term Financial Strategy, in line with the priorities set out above.

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

Table 1: Capital Programme

Service	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Best Lives	76.649	7.469	-	-	-	84.118
Thriving Economy and Places	38.457	74.309	12.318	0.090	-	125.174
Sustainable Futures *	3.671	0.526	0.148	-	-	4.345
Great Council and Partner	2.262	-	-	-	-	2.262
Maintenance Programme	45.755	36.282	36.714	36.714	36.714	192.179
Developer Funded Programme	7.777	0.002	0.001	0.008	-	7.788
Total Allocations	**174.571**	**118.588**	**49.181**	**36.812**	**36.714**	**415.866**
Capital Investment Fund	29.442	18.873	18.873	18.873	18.873	104.934
Warwickshire Investment Fund	20.000	15.000	15.000	-	-	50.000
Warwickshire Property and Development Group	15.726	11.420	11.367	15.013	5.555	59.081
Other Corporate Investment Funds	10.872	5.790	7.708	1.252	-	25.622
Total Programme	**250.611**	**169.671**	**102.129**	**71.950**	**61.142**	**655.503**

*Note: * Our capital investment in Sustainable Futures extends beyond the focussed schemes summarised here. All schemes are required to consider sustainability, climate change and environmental impact as part of the evaluation and due diligence process prior to approval.*

3. Financing the Capital Programme

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

Table 2: Financing the Capital Programme						
Service	**2024/25 £m**	**2025/26 £m**	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**Total £m**
Capital grants and contributions	74.340	42.035	36.916	36.064	35.966	225.321
Capital receipts	9.103	17.537	26.803	28.352	25.171	106.966
Revenue contributions	0.272	0.000	0.000	0.000	0.000	0.272
Borrowing	166.896	110.099	38.410	7.534	0.005	322.944
Total Financing	**250.611**	**169.671**	**102.129**	**71.950**	**61.142**	**655.503**

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

3.2. We recognise that the expansion of our investment programme will result in additional borrowing costs, and we have made full provision for this within our revenue budget resolution. Our modelling of future debt levels leaves the Council with significant headroom against its Operational Boundary and Affordable Limit, two of the key indicators within the Prudential Framework. Our approach of determining borrowing affordability from the position of ongoing revenue resource availability ensures that we will not commit the Council to future costs it cannot afford.

3.3. Where there is a need to deliver capital projects in the "Category A – 'Must Do', highest priority" that are to be funded by developer contributions where the developer agreements are in place, but the funding is yet to be received and there is no other source of funding available, the use of temporary borrowing to forward fund developer contributions will be considered on a case-by-case basis. As part of the decision provision will be made in the revenue budget for any additional capital financing costs incurred. £4.2m has been set aside in reserves to meet these additional revenue costs, should the need arise.

4. Prudential Guidelines and Limits

4.1. The Affordable Borrowing Limit and other Prudential Indicators consistent with the capital programme for 2024/25 are agreed as part of the Treasury Management and Investment Strategies.

5. Executive Director for Resources: Statement

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

"As "Chief Finance Officer" the Local Government Act 2003 requires me to report on the robustness of the estimates made for the purposes of the budget calculations.

The Authority continues to face inflationary risk as a result of supply chain/labour market issues, with £7.716m funding remaining in the Capital Inflation Contingency Fund to meet the impact of exceptional inflationary costs on the approved programme. There needs to be an awareness of potential inflationary costs as part of decision-making and the impact on both the costing of projects brought forward for approval and the deliverability, within the approved limits, of schemes already in the capital programme.

There is considerable pressure on capital resources not least because of the need to fund school places and SEND provision from the Council's capital resources in the absence of sufficient Government grants and developer contributions to fund them fully. This will require a greater degree of prioritisation to maximise the benefits delivered by the capital programme and, longer-term, a wider national solution to the funding of core infrastructure.

The introduction of the new, three stage approval process, and the creation of the Investigation Design Fund to provide up-front funding for work to give greater cost certainty when a full business case is submitted for approval is assisting in providing greater cost certainty and supporting the effective prioritisation of scarce capital resources.

The retention of the Capital Investment Fund means that in overall terms I am of the view that this capital programme has been prepared based on realistic assumptions about risk and affordability and that it represents a robust and realistic programme."

6. Delegations

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

- That the Leader or person(s) or body nominated by her are authorised to:
  - Agree any increases or reductions in capital starts/payments totals as part of the quarterly capital review process;

- Approve the addition to the capital programme of projects (other than those delegated to the Chief Finance Officer) costing less than £2 million, that are fully funded from external grants, developer contributions, approved revenue budgets or from other funds or borrowing previously approved;
- Approve individual projects of less than £2 million within the allocations made by Council, including schemes that are an allocation from the Capital Investment Fund;
- Approve capital loans to the Warwickshire Property and Development Group, triggered by the approval of a site development plan by Cabinet, where this still enables the delivery of the approved Warwickshire Property and Development Group business plan and is within the provision in the capital programme; and
- Approve capital loans and investments through the Warwickshire Investment Fund, following approval of a business case by Cabinet, where this is within the provision in the capital programme.

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

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

7. Budget Management

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

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

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

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

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

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

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

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

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

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

7.9. The Chief Executive, with approval from the Executive Director for Resources, is given approval to make allocations from the Asset Replacement Fund based on the needs driven from asset management plans.

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

8. Managing the Maintenance Programme

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

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

9. Managing the Investment Programme

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

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

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

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Investing in Warwickshire –

Capital Strategy 2024-29

Contents

Introduction

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

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

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

Together, these factors influence our approach to capital investment. To respond effectively, we need to take a strategic and holistic approach to the use of our capital resources and assets to deliver our key priorities and to ensure all Warwickshire residents share in the County's economic success.

Our Capital Strategy 2024-29 aims to optimise the way in which we generate, manage and allocate the capital funds at our disposal.

It forms a critical part of our policy and financial planning process. It is an integral part of the Medium Term Financial Strategy that underpins the delivery of our Council Plan.

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

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

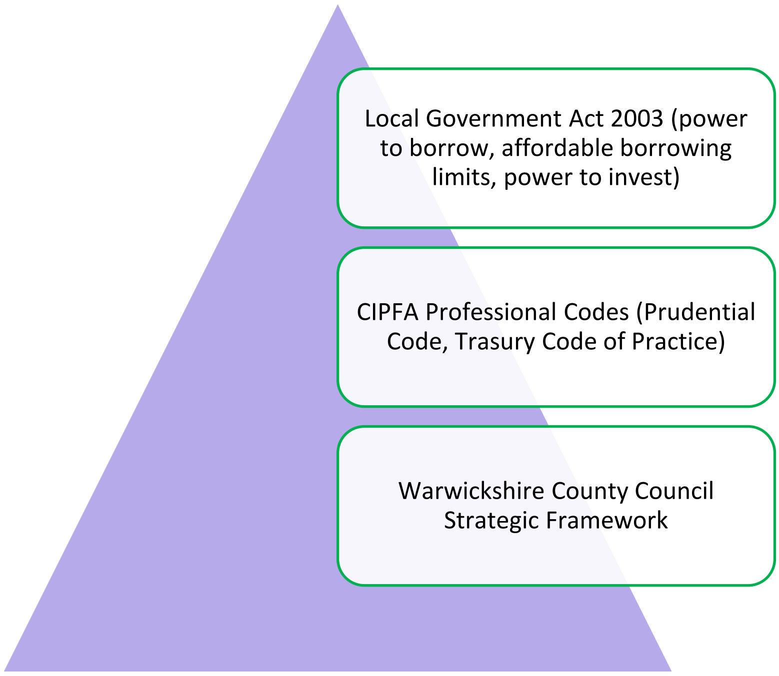
Together these ensure compliance with the CIPFA Prudential Code and HM Treasury rules on financing our borrowing.

We recognise the lasting impact and legacy of good, evidence-based capital investment and the Capital Strategy 2024-29 sets out our approach to making this happen in and for Warwickshire.

Policy Context

Legislative background and the CIPFA Professional Codes

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



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

The purpose of the capital strategy is to place decisions about borrowing in the context of the overall longer- term financial position of the authority and to provide improved links between the revenue and capital budgets.

The guidance is not prescriptive and allows the capital strategy to be tailored to the individual authority's circumstances. The Council has adhered to this guidance in this Capital Strategy.

Internal Policy Framework

The capital strategy is a key part of our strategic framework and a critical element of our Medium Term Financial Strategy (MTFS), which is in turn aligned to the Council Plan. It sets out the choices we make in relation to the amount and nature of the capital investment we make and provide a link between capital and revenue budgets.

The Strategy is made up of three key elements:

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

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

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

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

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

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

Strategic Context

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

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

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

Economic Challenges

The almost unprecedented fall and recovery in the economic activity caused by the covid pandemic previous years, was followed by the Russian invasion of Ukraine in February 2022. The war led to a spike in global gas (and oil) prices that compounded UK inflationary pressures that had already been building due to supply bottlenecks and a tightening labour market in the wake of the pandemic. Consequently, we have seen a difficult economic picture emerge this year placing additional burden on our businesses and residents as costs for energy, food, fuel, and raw materials remain high. Despite Warwickshire's strong economic foundations, the impact of the external economic factors presents challenges for our key sectors.

The capital strategy can play a key role in supporting key sectors such as construction, as well as playing a role working with partners to invest in projects and infrastructure which will give the local economy the confidence and certainty to invest and grow. It will do this through the prioritised allocation of resources to initiatives which best meet recovery outcomes and support for businesses that are in need. Our longer-term ambitions for Warwickshire are being driven through our place-based programme which will identify specific opportunities for investment and growth.

Social changes – a growing and ageing population

Warwickshire continues to be an attractive place to live, work and visit, which is forecast to experience significant population and housing growth. By 2030 population growth is forecast to increase by 5.2% on the mid-2021 population estimates. The fastest growth is expected to take place in older age groups: those aged 70 and over are projected to increase by almost 15.3% by 2030 and those aged 85 plus will increase by 42% over the same period. By the end of the decade there will be an estimated 4,935 residents in care homes aged over 65, which represents a 35.7% increase from the 2025 estimate.

A growing ageing population is likely to see increases in those living with disabilities and other long-term health conditions. Overall, dementia represents the biggest growing cause of disability and rates are predicted to increase by 28% in people aged 65 or over in Warwickshire between 2020-2030. This will lead to additional demand pressures on public services including health, social care and fire to protect, prevent and support vulnerable people, and will require us to work differently; to invest in early interventions, demand management encourage service innovation, reduce costly care packages and enable more self-help and resilience in our communities.

Our school age population is projected to increase by 4.8% on the mid-2021 population estimate for 4-17 year-olds by 2030 and will increase the demand for nursery, primary and secondary school places and services that support the needs of young people. Warwickshire's growth is scattered across the county and growth is often not in locations where surplus capacity exists, as a result this Council expects to plan for / build at least another seven new schools in the next 15 years.

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

Financial sustainability

We need to work in different and innovative ways to reduce costs and optimise use of our assets to aid our sustainability in the face of growing demand and an uncertain financial climate for local authorities.

There are opportunities and challenges to leverage external contributions (grants, developer contributions etc.) for our capital programme.

We need to optimise our commercial approach and activities to generate income and grow the tax base to deliver wider outcomes for Warwickshire.

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

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

Technology and automation – 'the fourth industrial revolution'

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

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

Inclusive Growth and Levelling Up

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

The Climate Change Emergency

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

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

The Council has declared a climate change emergency and has developed an action plan in recognition of its role as community leader, service provider and estate manager. We have published our Sustainable Futures Strategy which sets out our council vision and action plan to make Warwickshire a Net Zero county by 2050, this will need to take significant investment and require us to consider the environment in all decisions we take.

Asset Management Planning

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

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

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

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

Risk Appetite

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

Capital investments can be broadly split into four types:

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

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

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

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

Governance and Decision Making

Capital Programme approval process

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

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

Project approval

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

Financial Monitoring

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

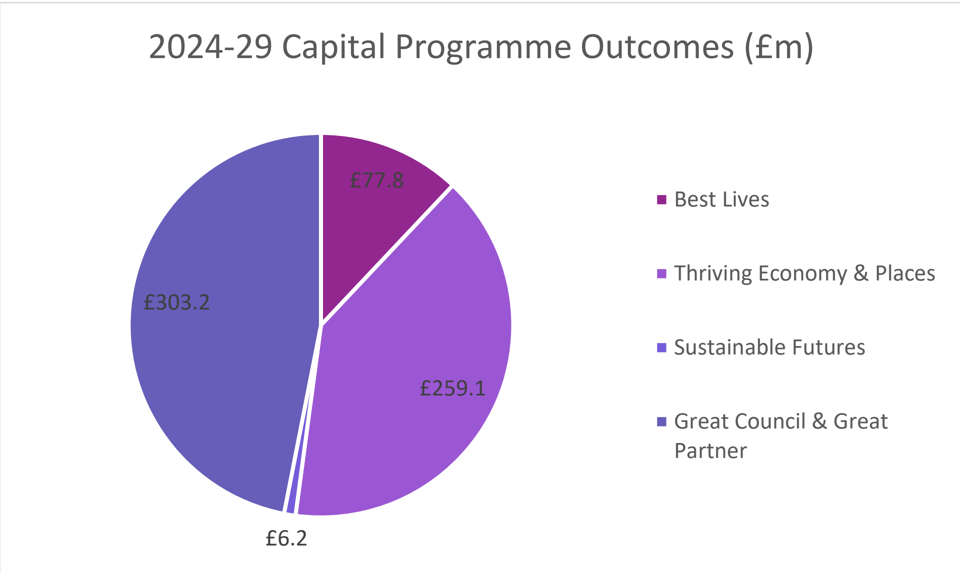
Capital Programme

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

The capital programme incorporates:

- Roll forward of existing approved capital
- Annual 'rightsizing' of approved capital budgets to ensure optimal allocation of corporate resources and review of lending profile to WPDG and the Warwickshire Investment Fund
- Allocations for rolling, annual maintenance programmes and review of inflation
- Allocations for business-as-usual replacements
- A prioritised Capital Investment Fund for new investment setting out a) unaviodable projects that must be delivered to enable the Council to meet it's statutory objectives, b) invest-to-save initiatives that will contribute to the long term sustainabiity of the organsiation and c) other optional capital investments.

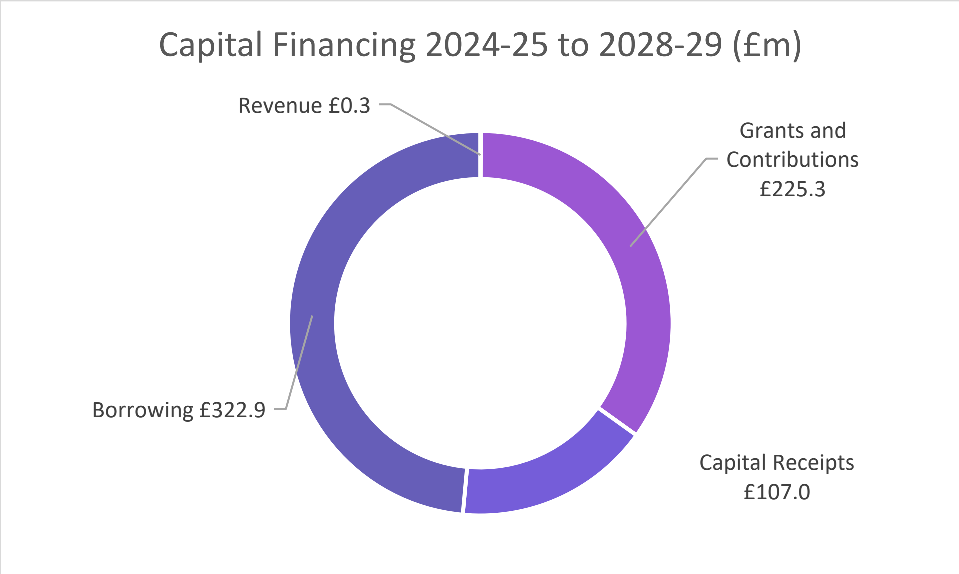
The current Capital Programme is summarised, per the Council's Outcomes, in the table below:



In comparison, actual capital expenditure in 2022/23 was £117.352 million and projected capital expenditure in 2023/24 is £183.666 million.

Funding the Strategy

Our main capital resources are service specific grants, third-party contributions, capital receipts, contributions from revenue and borrowing. When assessing the level of planned capital investment to undertake, we make a judgement about the level of capital resources that are likely to be available over the period of the programme. We aim to optimise the use of all other available sources before using borrowing to fund our capital programme. The funding of the capital programme is outlined in the chart below.



Based on current estimates, we expect to spend £655.5m capital over the next 5 years. A breakdown of the capital programme is attached to the capital budget resolution and analysis of the allocations is included in the technical appendix. Future capital priorities not yet included in the capital programme are included in the capital budget resolution and Appendix E to the technical appendix.

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

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

- £30.6million new borrowing annually, funded as part of the revenue proposals for the 2024-29 Medium Term Financial Strategy.

- £11.7 million of maintenance allocations funded from a top slice of this borrowing, uprated annually for inflation and strictly cash limited. Inflation allocations expected to increase to £12.8m by the end of 2026/27.

- The balance of the £18.9 million annual borrowing will be allocated to the Capital Investment Fund where services will be commissioned to prepare business cases relating to pipeline projects for funding throughout the year.

- All capital receipts (excluding those from the disposal of schools) are used to offset the need for additional borrowing. Exceptions to this policy are only considered when as part of an invest-to-save project such that investing the capital receipt will result in larger levels of offsetting additional borrowing or greater revenue savings than would have been achieved by simply offsetting planned debt (or if previously agreed by Members as being earmarked for a particular purpose).

- The disposal profile of capital receipts will be used to inform the MTFS and revenue savings targets by offsetting the revenue cost impact of new borrowing.

- The base level of investment in the school stock is fixed at the level of government capital grant for schools plus receipts generated from the sale of school assets and developer contributions. Circa £3 million of the government grant forms an annual contribution to the cost of school maintenance. The remainder of funding is used to invest in the provision of additional places.

- The base level of investment in the maintenance of Warwickshire’s highways and street lighting and casualty reduction is fixed at the level of government grant for this purpose.

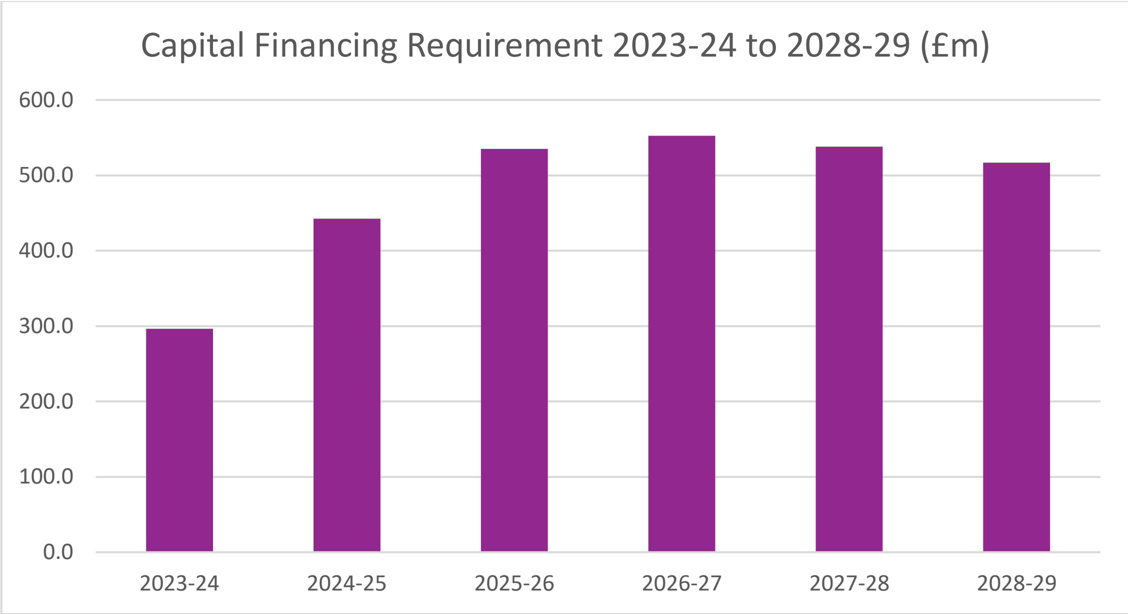
- Contributions from developers are maximised and applied to appropriate schemes ahead of Council resources whenever possible.

Managing the Borrowing Requirement

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

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

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



By 2028/29 the CFR is forecast to increase to £524.4m. This would place the Council's level of debt in the upper quartile of shire counties, but the CFR would remain within our debt capacity (the amount of debt we can take on without jeopardising our financial position). The MTFS projections include the costs of servicing the borrowing requirement. The Treasury Management Strategy addresses how the Council will meet the borrowing requirement including any external borrowing. The Council can consider various debt instruments, with the main source of long-term borrowing for local authorities historically being the Public Works Loan Board.

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

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

Affordability

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

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

- The costs of operating / maintaining new assets.

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

- The revenue costs of preparing and delivering projects.

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

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

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

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

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

Future Strategy Development

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

We expect to commission business cases to support investment in the areas of focus set out in the Council Plan and through this develop a long-term pipeline of projects that will form the basis of our capital programme going forward.

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Appendix B

Investing in Warwickshire
Capital Strategy 2024-2029 – Technical Appendix

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

What is Capital?

Spending is included within the capital programme where we expect it to result in future economic (asset value) or service (asset performance or life) benefits. This covers both the purchase of new long-term assets and improvements to existing ones and is consistent with the approach required in the CIPFA Code of Practice on Local Authority Accounting.

Some of our spending allocations are to either purchase or improve an asset belonging to another organisation or individual; in these circumstances, we include the expenditure in the capital programme for budget setting and monitoring processes but follow the CIPFA Code requirements for accounting treatment to ensure it does not increase the net assets shown on our Balance Sheet.

Some of our assets we lease or have use of through service contracts. From 1 April 2024, but under accounting rules, we are required to show these as Fixed Assets on our Balance Sheet as if we own them. The costs of these assets are not included in the Capital Programme and do not impact on capital budgets.

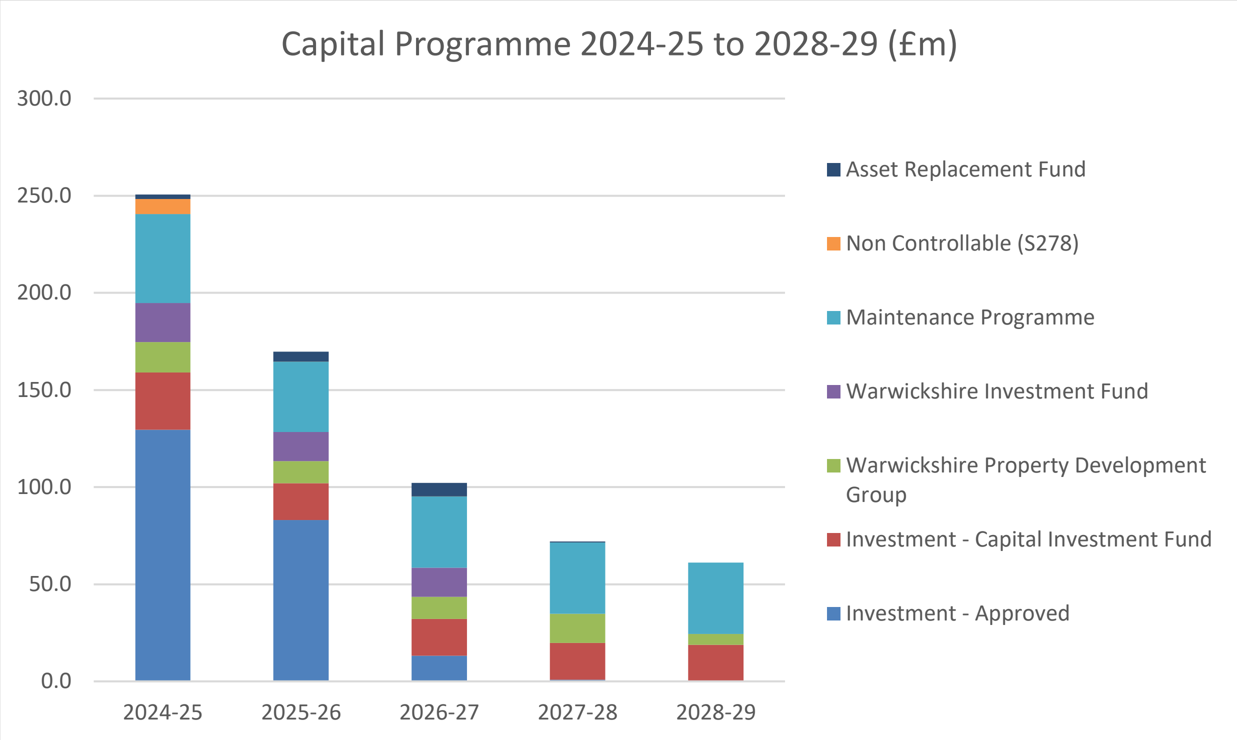
We operate a general de minimis of £6,000 on a project-by-project basis (£3,000 where the spend relates to primary schools or nurseries); expenditure below this level is treated as revenue and not part of the capital programme, unless under exceptional circumstances. Further details of our capitalisation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

Our Capital Programme

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

- Approved Maintenance Programme - Expenditure on existing assets to ensure they meet the requirements of service delivery, are fit for purpose, meet health and safety guidance, and reduce future costs.
- Approved Investment Programme - Expenditure on specific projects to meet strategic objectives and to enable the organisation to save revenue resources.
- Non-Treasury Capital Investments - To meet strategic aims. These investments could include loans towards capital expenditure incurred by external bodies or acquiring equity in Council subsidiaries or joint ventures.
- Corporate Capital Funds - Expenditure to enable the organisation to save revenue resources such as asset replacement and capital design funding.
- Developer Funded Programme – Expenditure on WCC assets which are directly funded by developers via Section 278 agreements.

The chart below shows our planned capital programme over the next five years across the four strands of the capital programme. Future non-controllable (developer-led) spend cannot yet be timetabled with accuracy and so has been excluded from future years capital programmes at this time. Overall, we would expect the level of spend on such schemes to be broadly comparable with forecasts for 2023/24 of around £140m.



The reduction in forecast investment capital spending does not represent a planned reduction in activity, it merely represents the capital planning horizon. Actual planned spending for each year ahead is expected to rise to a higher level by the time planning for that year arrives. Also, the high level of investment expenditure planned for 2024-25 and 2025-26 reflects investment schemes approved in, and reprofiled from, earlier years.

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

Guiding principles for our Annual Capital Maintenance Spending

Each year the capital programme includes allocations that relate to the routine maintenance of our existing asset base. It represents the level of spending which we are required to incur over the medium term to keep such assets operational. Each element of the maintenance programme has a fixed annual allocation, uplifted for inflation. This approach allows Services to plan their maintenance programme over the medium term in a structured way that reduces bureaucracy, subject to the agreement of a consistent and transparent methodology for the prioritisation of maintenance spending.

Appendix B

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

- Structural maintenance cost of maintaining our assets to ensure services can continue to be delivered;
- Statutory health and safety and other regulatory requirements; or
- Annual cost of equipment and/or vehicle replacement programmes (Which don't form part of the Asset Replacement Fund)

Our annual maintenance programme totals £35.6m of which £11.7m a year is funded from borrowing. The remainder is funded from grants of up to a maximum of £3.0m from the Government's Schools Condition Grant and the grant received from the Department for Transport for Highways Maintenance of £20.9m (including additional grant of £2.1m from 2024/25). The split of this annual maintenance allocation between Services, including schools' elements, is shown below:

Service	Project	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Children & Families	Adaptations to support child placements	0.143	0.149	0.156	0.156	0.156
Economy & Place	Country Parks	0.229	0.239	0.250	0.250	0.250
	Household waste recycling centres	0.091	0.096	0.100	0.100	0.100
Enabling Services	Non Schools building maintenance	2.425	2.537	2.648	2.648	2.648
	Non Schools asbestos and safe water	0.371	0.389	0.405	0.405	0.405
	Schools building maintenance	4.557	4.767	4.976	4.976	4.976
	Schools' asbestos and safe water	0.852	0.892	0.931	0.931	0.931
	Rural services	0.407	0.426	0.444	0.444	0.444
Environment, Planning & Transport	Gypsy and traveller services	0.023	0.024	0.025	0.025	0.025
	Area delegated funding	2.285	2.391	2.495	2.495	2.495
	Flood defence	0.229	0.239	0.250	0.250	0.250
Fire & Rescue Service	Equipment for fire engines	0.137	0.143	0.150	0.150	0.150
	Funded from Borrowing	**11.749**	**12.292**	**12.830**	**12.830**	**12.830**

Environment, Planning & Transport	Highways maintenance, street lighting and casualty reduction	20.884	20.884	20.884	20.884	20.884
Enabling Services	Schools building maintenance	3.000	3.000	3.000	3.000	3.000
	Funded from Grant	**23.884**	**23.884**	**23.884**	**23.884**	**23.884**

Total Maintenance Programme	**35.633**	**36.176**	**36.714**	**36.714**	**36.714**

In addition to these core allocations, an uplift on the allocations funded from corporate borrowing, has been set aside up to 2026/27 to provide funding for inflationary increases in the capital maintenance programme. Inflation beyond this point is expected to settle to Bank of England forecast levels and, therefore, the maintenance allocations remain cash flat from 2027/28.

Appendix B

Guiding principles for our Capital Investments

Capital Investment: Non-Schools

Any capital spending not included in the maintenance programmes mostly forms part of our capital investment programme. Investment schemes are, by their nature, not routine and are only considered if they move the Authority towards the delivery of the Council's outcomes and ambitions.

The capital investment programme contributes to the delivery of these outcomes through invest-to-save projects and projects that enhance and grow the assets of the authority, delivering benefits for people, communities and businesses across Warwickshire.

For vehicles, plant and equipment approval is delegated to the Director of Finance. Schemes costing above £2.0m require the approval of Full Council, regardless of funding source or expenditure type, this includes any schemes that are an allocation from the Capital Investment Fund.

Capital Investment: Schools and Educational Facilities

It is the Council's role to plan, commission and organise education places in a way that promotes improved standards, manages supply and demand and creates a diverse infrastructure. The Council's sufficiency strategy supports the provision of accommodation, whether permanent or temporary, that is high quality, fit for purpose, provides value for money and ensures flexibility to respond to changes in need and curriculum.

School-level forecasts of future pupil numbers are produced each year on the receipt of the latest population data from the health authorities and the latest data on parental preferences and housing development numbers. There is a need to maintain a certain amount of capacity within a given area to allow for flexibility to enable in-year movement of pupils, to meet parental preference as much as possible, and allow families moving to an area to be able to secure a place at a local school or for each of their children at the same school. Consideration for the quality of the education provision available in any area is also included when planning for sufficient places.

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

Warwickshire is in a period of significant growth, with large scale housing development proposed across the county over the next 10 years and beyond. It is expected this will require additional education provision for Warwickshire children. As development progresses across the county there will be a need for the delivery of new provision during the next 5 years and effective planning for further new provision beyond that period.

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

Capital Investment Fund

The Capital Investment Fund is a fund held separately within the capital programme, its purpose is to drive forward investment which supports the Council Plan and Delivery Plans.

We would therefore expect to commission business cases that demonstrate the investment in new assets to the delivery of the corporate outcomes and the delivery plans, the financial costs and benefits over the short, medium and long term in the following areas:

1) **'Must Do'** - Schemes where the Authority has minimal choice about whether to invest, with the focus being on ensuring value for money in how the scheme is delivered. Unavoidable due to minimal choice or statutory requirements.
2) **'Should Do'** - Invest-to save schemes that deliver savings in the Authority's revenue budget and/or generate additional income to support the revenue budget.
3) **'Optional'** - Investment to deliver on the Council's wider ambitions and support the delivery of the Council Plan

A pipeline of potential projects underpinning these areas of focus has been provided by services and will continue to be monitored and amended by the Capital Strategy Group. However, there is a high probability that the emerging pipeline will exceed the available CIF resources over the MTFS period, therefore, prioritisation of which schemes the Council invests is very important.

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

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

The overarching governance structure is designed to ensure the most effective use of the available resource and organisational capacity required to see capital schemes through to implementation. A summary of the evaluation criteria and their relative weighting is attached at **Annex A.**

Our flexible approach to utilising the Capital Investment Fund requires revenue funding to be set aside to meet the cost of borrowing prior to knowing how the capital resources generated will be used. This approach has the benefit of retaining the ability to bring projects forward for inclusion in the capital programme as opportunities arise, not just once a year through the budget setting process, through the agreed capital framework. It also provides confidence that developing positive and innovative schemes to support the delivery of the Council's core outcomes can be delivered within the amount of funding available. As the Capital Investment Fund is financed from borrowing, the level of the fund is reviewed on an annual basis to ensure the requisite borrowing costs remain affordable within the revenue budget.

Appendix B

Guiding Principles for Non-Treasury Capital Investments

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

Where the approval of a Warwickshire Property and Development Group site development plan by Cabinet triggers a loan from the provision in the capital programme further Full Council approval is only required where the loan would take lending above the provision in the capital programme.

Where the approval of a Warwickshire Investment Fund lending proposal by Cabinet triggers a loan from the provision in the capital programme further Full Council approval is only required where the loan would take lending above the provision in the capital programme.

The Council owns a small number of assets classified as Investment Properties, but these are primarily assets whose usage has changed over time and that now fall into this category. Income from these assets is immaterial.

Warwickshire Property and Development Group

On 28 January 2021 Cabinet approved the first business plan for the Warwickshire Property and Development Group to increase the value generated through a more effective use of our land and property assets in support of the Council's key objectives and outcomes. This business plan is updated annually to reflect changing assumptions and direction of the Group and the latest proposals are reflected within the Capital Programme and Strategy.

Proposals to develop the individual sites in the business plan will go through an evaluation and assurance process by the Council, as the shareholder, that will include consideration of the affordability and prioritisation of the investment proposals relative to other elements of the Medium-Term Financial Strategy and capital investment priorities. Only once this process takes place and the individual site development plan is approved will any loans to the company that constitute capital expenditure be made from the facility in the capital programme. Current estimates based on the 2024 WPDG business plan suggest £59.1m of lending to the company will be required over the period of the Medium-Term Financial Strategy.

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

Warwickshire Investment Fund

In 2021-22, Cabinet approved the original business plan for the Warwickshire Investment Fund (formerly known as the Warwickshire Recovery & Investment Fund) to support the Council's strategic place shaping agenda and its recovery and regeneration strategies in response to the economic impacts of the COVID-19 pandemic.

Per the latest Warwickshire Investment Fund Business Plan and Investment Strategy, the fund currently totals £64m of which £50m constitutes capital expenditure which is required to be included in the capital programme and capital strategy including detail on how this will be funded. To mitigate risk and cashflow impacts of this lending the Council has provided to borrow externally to fund this activity and is therefore it will also be reflected in updated Treasury Management and Investment Strategies.

Current estimates based on the business plan suggest the full £50m capital allocation will be utilised over the period of the Medium-Term Financial Strategy.

Guiding principles for our Corporate Capital Funds

Planned Asset Replacement Programme

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

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

A review of the fund balance is undertaken annually as part of the refresh of the capital budget to ensure the level of funding is consistent with the emerging needs from Service asset management plans. Following a review as part of 2023-24 budget setting a further £3.0m was added as a 2027-28 allocation, increasing the fund to £18.0m, of which £14.7m remains. The current balance of the fund is considered sufficient to cover replacement costs of existing Vehicle, Plant and Equipment assets. The value of the fund will be reviewed as part of the 2025/26 Capital Strategy refresh.

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

Planned Asset Design Programme

A £4.0m top slice from the available CIF funding was taken in 2023-24 to establish an Investigation Design Fund (IDF). The IDF allows managers to access resources to finance and carry out the early work necessary as part of large scale, high value and/or high-risk schemes.

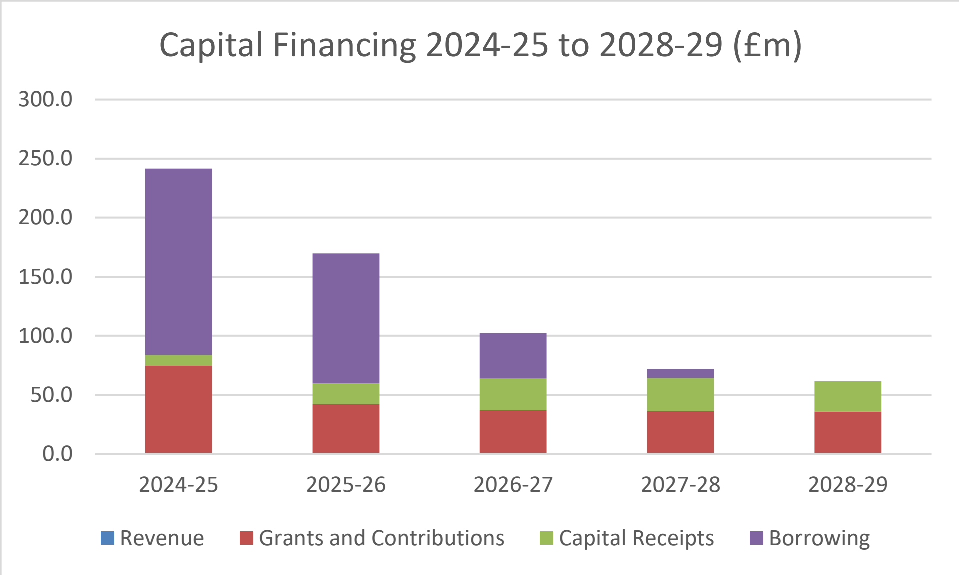
The fund’s purpose is to reduce the risk of approving projects without fully understanding the true costs of delivery, and therefore lead to a reduction in the number of capital projects which request additional funding once in the delivery stage. This is achieved via a three-stage approval process,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

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

Appendix B

Guiding principles for our Capital Funding

A summary of how the capital programme will be financed over the MTFS period is provided below:



Capital Receipts

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

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

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

Grants and Contributions

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

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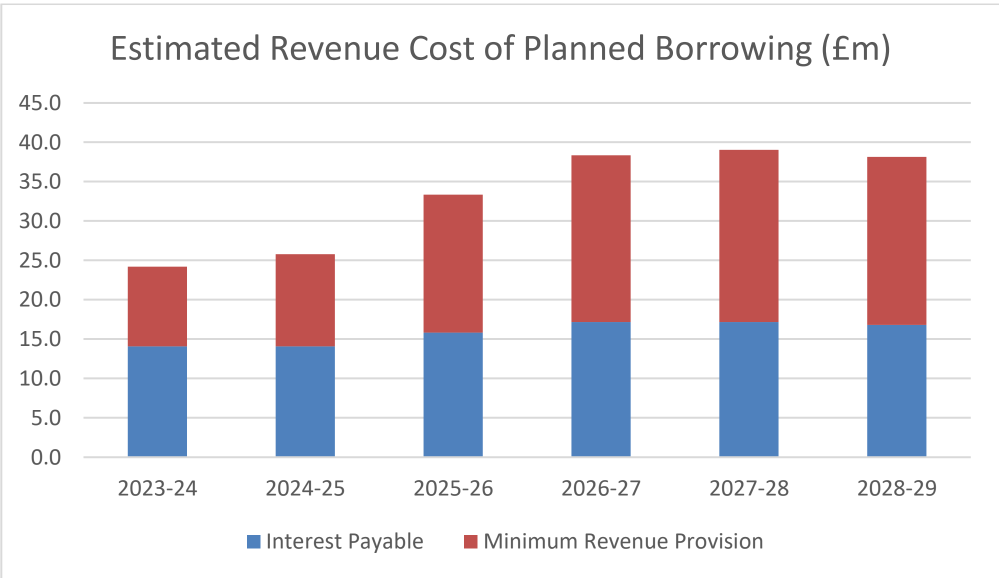
Our approach to enable flexibility in funding the capital programme is that specific grants and contributions are used first to finance spend before the used of un-ringfenced grants, capital receipts, revenue contributions and corporate borrowing.

Borrowing

We are required, by statute, to base our approach to borrowing money for financing the capital programme on a set of guiding principles (the Prudential Framework). The framework includes the principles of affordability, prudent funding, efficiency, forward planning, outcomes, sustainability and investment return.

Making additional annual borrowing allocations of £30.6m in 2024-25, increasing to £31.7m by 2028-29, is affordable within the 2024-29 Medium Term Financial Strategy and is deemed to be the minimum level of borrowing needed over the medium term to support the delivery of Council Plan objectives. The impact on the Revenue budget of borrowing is felt in two ways; firstly in real interest charges incurred on our loans and secondly in the Minimum Revenue Provision (MRP). MRP is a notional charge to the revenue budget which spreads the cost of acquiring assets across the years in which the benefits of that expenditure are felt, its main financial management purpose is to ensure sufficient funds are set aside to repay the principal amount of borrowing when loans mature.

To forecast future years' revenue costs of borrowing, we must consider both historic levels of expenditure funded from borrowing, the full cost of the existing capital programme funded from borrowing, and any decisions the Council makes to take out further borrowing in future years. We estimate that the total revenue cost of past and planned new borrowing will increase by 58% over the period of the 2024-29 Medium Term Financial Strategy, as follows:



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

Further details of anticipated borrowing levels, forecast repayment schedules, our detailed approach to the Minimum Revenue Provision and the framework within which we make decisions about debt and investments can be found within our Treasury Management and Investment Strategy (**see Annex C**). Our modelling of future debt levels, detailed within the Treasury Management Strategy, can be compared to our Operational Boundary and Affordable Limit, two of the key indicators within the Prudential Framework. This shows that our approach of determining borrowing affordability from the position of ongoing revenue resource availability ensures we will remain financially sustainable and that we will not commit the Council to future costs it cannot afford by committing to sensible, prudent levels of borrowing.

We recognise that significant drivers of additional capital spend exist both in terms of providing additional school places, growing our business rates and council tax bases and providing the additional infrastructure needed as a result of housing growth. New borrowing for capital investment is cash limited at £18.9 million.

Capital Financing Requirement

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

At 31 March 2023 our Capital Financing Requirement was £256.9m. The Council sets aside annual amounts from its revenue budget called Minimum Revenue Provision of currently circa £10.1 million to reduce this balance. This means it will take an estimated 25 years to clear the current balance. This figure is reviewed periodically to ensure it is aligned to the average useful life of our assets. The Council's current strategy to reduce this balance is to continue to set aside the annual charge whilst utilising available capital receipts to offset any further need to borrow because of increasing capital programme activity.

The planned annual increase in borrowing of £30.6m plus the WPDG and Warwickshire Investment Fund loan facilities means that capital receipts alone will not be able to finance the increased capital programme in the medium term, therefore, provision has been made in the Medium-Term Financial Strategy to increase the annual revenue charge to pay down the forecast increase in the Capital Financing Requirement.

Debt Capacity

The council's current external debt is £272.4m. The amount of debt that an organisation can take without jeopardising its financial position is, as the name suggests, referred to as its debt capacity. In practical terms it means the organisation can meet its financial obligations over the short, medium and long-term, without any operational setback.

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

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

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

Therefore, based on these ratios, with Warwickshire's current Capital Financing Requirement at £256.8m, and external debt forecast to increase by £61.0m to £333.4m in 2028/29 per current capital investment plans, there is capacity to increase the annual borrowing beyond £333.4m, without becoming an outlier, by:

1) a further £83.6m to the shire county average of £417.0m, or;
2) a further £173.6m to the upper quartile level of £507.0m.

However, the critical factor is affordability, which is limited to what can be funded from the MTFS without redirecting some of the council tax flexibility, as quantified below:

- £83.6 m of additional borrowing would equate to additional revenue costs to be provided in the MTFS of £7.5m; or
- £173.6m of additional borrowing would equate to revenue costs provided in the MTFS of £15.6m.

Accounting for Leases

On 1 April 2024 the Council is required to adopt a new accounting standard for leases (IFRS16). This means that for all leases where we are the lessee, our right-to-use the asset will be recognised and we will account for the leased asset on our Balance Sheet as though we had purchased the asset. There are two exceptions to this where the value of the asset leased is below our £6,000 de minimis or the remaining term of the lease is less than 12 months.

From 1 April 2024 existing leases will be brought onto the Balance Sheet. The introduction of increased numbers of leases onto the Balance Sheet will increase the level of capital spend to be financed i.e. the Capital Financing Requirement. Without any other change this would increase the amount we are required to set aside in the revenue budget to repay debt. However, we are already making lease rental payments from revenue budgets for these assets and therefore, to avoid double counting the cost of the leased assets, a technical adjustment will be made to ensure a “net nil” effect on the revenue budget.

For assets under lease contracts existing from 2024/25 onwards, the annual MRP charge will match the element of the rent/charge that goes to write down the lease liability. Therefore, there will be no impact on available capital resources or the capital financing requirement from this new accounting requirement.

Making It Happen

Management of the Capital Programme

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

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

The implementation of our capital framework includes a methodology to classify and define stages/ phases of delivery for our capital investments and build understanding of the quality of capital programme delivery. It will continue to use the following mechanisms to ensure our capital spending and the delivery of our capital strategy is effectively managed:

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

The procedures and mechanisms used to assist officers and members in managing the capital programme are subject to review with an aim of continual improvement.

A widespread review of the management of the capital programme led to implementation of improvements which was completed in 2023/24. Improvements have now been implemented in the following areas:

- post-contract appraisal is carried out to provide feedback on the success, or otherwise, of the design solution, procurement process and customer satisfaction levels;
- 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;
- development of skills and knowledge supported by appropriate training;
- a better understanding of the link between financial performance and operational delivery; and
- a culture which supports all of these changes

Appendix B

Annex A

Summary of Capital Investment Fund Scheme Evaluation Criteria

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

1) 40% - Evidence of Measurable Benefits and Change
2) 40% - Finance, Project Management and Risk
3) 10% - Levelling Up
4) 10% - Sustainability, Climate Change and Environmental Impact

These high-level criteria are supplemented by more detailed evaluation criteria designed for each strand of the investment programme to ensure a consistent and transparent approach. Once the strategy has been approved these more detailed evaluation criteria will be approved by Capital Gateway Group which will ensure that the commissioning/evaluation process considers:

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

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

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

The results of this evaluation process are taken forward to Capital Strategy Board who consider whether to recommend schemes to Members for approval. If the total cost of a scheme is less than £2 million this approval is by the Leader or Cabinet. Schemes over £2 million require the approval of Full Council. In response to the Council declaring a climate change emergency, the evaluation criteria specifically require that every new investment scheme explains how it will contribute to addressing climate change.

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Annex B

Prioritisation of the Annual Maintenance Programme

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

Flood Defence

Prioritisation Methodology

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

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

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

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

Household Waste Recycling Centres (HWRC) and Transfer Stations

Prioritisation Methodology

Maintenance will be prioritised as follows:

a) Health and Safety and wellbeing – for the staff employed to run the site, members of the public using the site and the District and Borough Councils who use the Transfer stations to facilitate their kerbside collections. Other statutory requirements would also fall under this umbrella;
b) Efficiency, cost effectiveness, increasing the service offer to the public (new recycling streams etc.)

Balance of Planned Maintenance and Emergency Work

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

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Highways Maintenance and Street Lighting

Prioritisation Methodology

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

Planned Versus Emergency Maintenance

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

Schools and Non-Schools Building Maintenance

Prioritisation Methodology

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

Balance of Planned Maintenance and Emergency Work

Emergency work that arises may take priority over the planned maintenance programme developed from the above methodology and therefore the plan is revised in some areas throughout the year. Projects are then reprioritised and delivered in line with the remainder of the available budget.

Country Parks Maintenance

Prioritisation Methodology

Maintenance will be prioritised as follows:

a) Health and Safety – in particular the duty of care under Occupiers' Liability. This also reduces claims against the Council;

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

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

Balance of Planned Maintenance and Emergency Work

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

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

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

Gypsy and Traveller Sites Maintenance

Prioritisation Methodology

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

Balance of Planned Maintenance and Emergency Work

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

Rural Services

Prioritisation Methodology

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

- Priority items, identified from condition surveys as D1s (urgent), will be dealt with immediately or within one year based on risk. Prioritisation is then given to Cs (poor - items identified as needing to be addressed within 2 years);
- Items that have been recommended to be removed due to potential health risks on asbestos reports are programmed as the service becomes aware of them to reduce the Council's liability; and
- Dwelling properties that do not meet Minimum Energy Efficiency Standards are prioritised based on when they are due to be re-let where they do not score the minimum rating of 'E'. Under current Government proposals, new lettings of residential properties will need to meet a rating of C and by 2028 all residential dwellings should meet this rating; therefore, further review will be necessary ahead of these proposed dates.

Balance of Planned Maintenance and Emergency Work

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

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

Prioritisation Methodology

Applications are invited from foster carers, prospective adopters, special guardians who are approved or judged to be able to provide the necessary care to the child. Social Workers of children can also apply on behalf of the birth parent following agreement from their manager. The social worker needs to be satisfied and be able to demonstrate that a real need for financial support exists and will either result in long term opportunities for additional placements or is required to ensure stability and permanence of a current placement for a child looked after. In the case of parents, it must be shown that capital investment to property for example will support a child to remain at home. There is an application process, endorsed by the relevant operations manager, which is considered by a panel which is chaired by a Head of Service (Tier 3) and includes a finance representative. The decision to award the grant is made at Head of Service level.

Balance of Planned Maintenance and Emergency Work

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

Schools and Non-schools' asbestos and safe water

Prioritisation Methodology

Asbestos

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

Water Hygiene

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

Balance of Planned Maintenance and Emergency Work

Emergency work that arises may take priority over the planned maintenance programme developed from the above methodology and therefore the plan is revised in some areas throughout the year. Projects are then reprioritised and delivered in line with the remainder of the available budget.

Climate Change Emergency

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

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

Equipment for Fire Engines

Prioritisation Methodology

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

Balance of Planned Maintenance and Emergency Work

The Fire and Rescue Service has stores which hold at least enough equipment to immediately restock a spare fire engine if a front-line vehicle should be lost along with its entire inventory. This is our emergency reserve which is maintained as part of the approved rolling capital equipment replacement programme and is also used to procure additional equipment if required following National Fire Chiefs Council guidance following a major incident.

Appendix B

Annex C

Related Documents

Asset Management Strategies

- The Asset Management Framework and Property Strategy
- The Highways Asset Management Strategy and the Highways Asset Management Policy
- The ICT Devices Strategy
- The Education Sufficiency Strategy
- County Fleet Replacement Strategy
- Fire Service Integrated Risk Management Plan
- Digital & Technology Strategy
- WCC Waste Core Strategy
- Local Flood Risk Management Strategy
- Customer Experience Strategy
- WCC Economic Strategy & CWLEP Strategic Economic Plan

Treasury Management and Investment Strategies

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

Other relevant strategies, plans and documents

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

2024-29 Capital Programme

Outcome and Service	Scheme Title	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Investment Programme - Best Lives							
Children & Families	Children´s home	1,260					1,260
	Family Village - Wheelwright Lane site	150					150
Education Services	SEND facilities	13					13
	Specialist nurture provision at Special School	20					20
	Keeping SEND pupils local	73					73
	YMCA George Williams Academy - alternative provision free school	100					100
	Lighthorne Heath Primary School - relocation preparatory work	146					146
	Long Lawford Primary School - studio hall	187					187
	Eastlands Primary School - installation of temporary classroom etc.	190					190
	Bishops Itchington Primary School - increase classroom capacity	195					195
	Planning & development block header	205					205
	Bunting Nursery @ Bishopton Primary School - building replacement	319					319
	Long Lawford - permanent expansion	400					400
	The Queen Elizabeth Academy - two storey modular classroom block	500					500
	Oakley Grove - reception contingency bulge class	508					508
	St Gabriels CofE Academy - expansion	960					960
	Education Design Development Fund	750	450				1,200
	Lower Farm - contribution	1,300					1,300
	Oak Wood Primary School - expansion and other facilities	1,997					1,997
	Oak Wood Secondary School - new centre at Bermuda Park	2,414					2,414
	Kingsway site - changes to aid Academy conversion	3,541					3,541
	Shipston High School - 1FE expansion	4,209					4,209
	Evergreen - expansion of Round Oak site	3,840	3,840				7,680
	St Johns Primary School, Kenilworth	6,335					6,335
	Warton Nethersole CofE Primary School	2,868					2,868

2024-29 Capital Programme

Outcome and Service	Scheme Title	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Education Services	Myton Gardens Primary school - new 2FE with Nursery and SRP	8,900	3,179				12,079
	Oakley Grove - new school	16,352					16,352
	Stratford upon Avon Secondary	16,622					16,622
Fire & Rescue	Fire Emergency Services Network (ESN) preparedness	25					25
	Fire Training - Paynes Lane Minerva and response point	215					215
	Refurbishment of Fire and Rescue facilities, Leamington Spa	358					358
People Strategy & Commissioning	Supported accommodation	21					21
Social Care & Support	Extra Care Housing - accommodation with care	313					313
Enabling Services	Lillington Academy - CTA works	278					278
Workforce & Local Services	Improving customer experience / one front door improvements	335					335
	Social Fabric Fund	750					750
	Total for Best Lives	**76,649**	**7,469**	**-**	**-**	**-**	**84,118**
							-
Investment Programme - Thriving Economy and Places							
Economy & Place	Bishopton Lane development - bus infrastructure	2					2
	Kinwarton Rd, Alcester - provision of replacement bus shelter		6				6
	Alderminster - bus stop enhancement works		7				7
	Ettington Road, Wellesbourne - provision of bus stops		7				7
	Burbages Lane, Ash Green - footpath & cycle path	11					11
	Knights Lane, Tiddington - upgrading bus stop infrastructure	17					17
	Land off The Longshoot - highways improvements to bus stops		19				19
	Narrow Hall Meadow nr GP Surgery, Chase Meadow - bus shelters	20					20
	Houlton to town centre, Rugby - cycle infrastructure	21					21
	Campden Road (B4035), Shipston-on-Stour New Bus Stops	31					31
	Lighthorne Heath/Jaguar Landrover to Warwick - active travel	10	31				41
	Bishopton Lane to town centre, Stratford-upon-Avon - cycle link	54					54

2024-29 Capital Programme

Outcome and Service	Scheme Title	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
	Salford Road, Bidford - bus stops & upgrade infrastructure		58				58
	A426 Leicester Rd, Rugby - southbound bus stop	64					64
	Coton Park East, Rugby - cycle infrastructure		66				66
	Red Lane/Hob Lane to Kenilworth Greenway - active travel		83	250	90		423
	A426 Gateway Rugby to Rugby town centre - cycle scheme	23	224				247
	Ashlawn Road/Dunchurch Road, Rugby - footway and cycleway	50	236				286
	Hampton Magna to Warwick town centre - cycle route	58	350				408
	Art Challenge Fund	1	10				11
	Capital Growth Fund - Access to Finance	150	109				259
	Small Business Grants	225	128				353
	A439 Southern - casualty reduction	150					150
	School Keep Clear Zone	176					176
	Community Action Grant	250					250
Economy & Place	A439 Stratford upon Avon	1,475					1,475
	Warwick, Myton Rd - cycle link		2				2
	Leamington Spa to Rugby - Lias Line eastern section	435					435
	Commissioning and major inspections	183					183
	Stoneleigh Park Link Road	209	200				409
	B4114 Coleshill Road, Hartshill - bus stops	8					8
	Meadow Road, Alcester - bus stops	8					8
	Field Barn Way, Hampton Magna - bus infrastructure	9					9
	Damson Road, Hampton Magna - bus stop improvements	9					9
	Rugby Road (B4453), Cubbington - bus stop improvements	12					12
	Temple Herdewyke - new bus stops	12					12
	Bishops Tachbrook - bus stop enhancements	15					15
	Southam Road, Radford Semele - bus stops and traffic management	28					28
	Kenilworth Station		676				676

2024-29 Capital Programme

Outcome and Service	Scheme Title	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Economy & Place	Lawford Road/Addison Road - casualty reduction	1,339					1,339
	A429 Coventry Road corridor (Warwick) - improvements	350	3,121	756			4,227
	Warwick Town Centre - transport proposals	107	1,400				1,507
	Warwick Town Centre	115	2,573				2,688
Environment, Planning & Transport	Rugby Gyratory - improvement scheme	24					24
	Green Man Coleshill - signalised junction	30					30
	Rugby area delegated funding		36				36
	Emscote Road, Warwick (Tesco Stores) - install MOVA operation	40					40
	A444 (Prologis) - install variable message signs	82	7				89
	Rugby Western Relief Road	99					99
	Weddington Road, Nuneaton - implement toucan crossing	112					112
	Replacement bollards in Stratford, Nuneaton & Bedworth	125					125
	Hunters Lane, Rugby - through route New Tech Drive to Newbold Rd	369					369
	Gypsy & Traveller sites - redevelopment & upgrade	494					494
	Nuneaton to Coventry cycle route	540	350				890
	A46 Stanks Island, Birmingham Rd - signalisation and improvement	1,400					1,400
	Bermuda Connectivity Project	1,500					1,500
	A446 Stonebridge junction, Coleshill - improvements	175	1,695				1,870
	A444 Corridor improvements - phase 2	1,450	2,204				3,654
	A47 Hinckley Road corridor scheme	1,067	3,099				4,166
	A452 M40 Spur West of Banbury Road	100	4,705				4,805
	A452 Kenilworth to Leamington cycle route	2,635	2,735				5,370
	A3400 Bham Road, Stratford corridor improvements	1,597	3,924				5,521
	A452 Myton Road and Shire Park roundabouts	4,909	804				5,713
	A46 Stoneleigh - junction improvement	5,904					5,904
	A452/A46 - improvement scheme	253	6,191	30			6,474
	A452 Europa Way Olympus Av to Heathcote Lane roundabout	750	5,824	550			7,124

2024-29 Capital Programme

Outcome and Service	Scheme Title	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Environment, Planning & Transport	Emscote Road Corridor Improvements Scheme	410	9,364				9,774
	Transforming Nuneaton - highway improvements	5,650	7,180	5,589			18,419
Strategic Infrastructure & Climate Change	Transforming Nuneaton	482					482
	Library & Business Centre, Nuneaton	850	12,748	5,143			18,741
Enabling Services	Development of Rural Broadband	1,783	4,137				5,920
	Total for Thriving Economy and places	**38,457**	**74,309**	**12,318**	**90**	**-**	**125,174**
Investment Programme - Great Council and Partner							
Enabling Services	Acquisition - land at Warwick	48					48
	Rationalisation of County storage facilities	70					70
	Strategic site planning applications	383					383
	Maintaining the smallholdings land bank	391					391
	Land at Leicester Lane - Cubbington	1,370					1,370
	Total for Great Council and Partner	**2,262**	**-**	**-**	**-**	**-**	**2,262**
Investment Programme - Sustainable Futures							
Economy & Place	Municipal Waste Strategy - waste treatment & transfer facilities	34					34
	Warwickshire cycling links - Radford Road, Leamington Spa	-	54				54
	Warwickshire cycling links - Whitley South, Baginton	139					139
	Warwickshire cycling links - Daventry Road, Southam	10	131				141
	Warwickshire cycling links - Weddington Road, Nuneaton	15	15	148			178
	Tackling climate emergency and air quality	606					606
	Land at Crick Road, Rugby	1,039					1,039
	Warwickshire cycling links - Heathcote, Leamington Spa	1,165	326				1,491
Environment, Planning & Transport	Flood Alleviation Scheme - Brailes	30					30
	Flood Alleviation Scheme - Galley Common	49					49
	Flood Alleviation Scheme - Pailton	50	-				50

2024-29 Capital Programme

Outcome and Service	Scheme Title	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Environment, Planning & Transport	Flood Defence Scheme - Filllongley	92					92
	Flood Resilience Scheme - Clifford Chambers	105					105
	Flood Alleviation Scheme - Fenny Compton	121					121
	Flood Defence Annual programme	216					216
	Total for Sustainable Futures	**3,671**	**526**	**148**	**-**	**-**	**4,345**
Investment Programme - Corporate							
Corporate Investment Funds	Capital Investment Fund unallocated	29,442	18,873	18,873	18,873	18,873	104,934
	Capital Inflation Contingency Fund	7,716					7,716
	Investigation Design Fund	800	800	800	800		3,200
	Warwickshire Property and Development Group	15,726	11,420	11,367	15,013	5,555	59,081
	Warwickshire Investment Fund	20,000	15,000	15,000			50,000
	Asset Replacement Fund	2,356	4,990	6,908	452		14,706
	Total for Corporate Investment Funds	**76,040**	**51,083**	**52,948**	**35,138**	**24,428**	**239,637**
	TOTAL INVESTMENT PROGRAMME	**197,079**	**133,387**	**65,414**	**35,228**	**24,428**	**455,536**

2024-29 Capital Programme

Outcome and Service	Scheme Title	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Maintenance Programme - Current							
Children & Families	Adaptations to support child placements	145	106				251
Economy & Place	Country Parks car parking facilities - upgrade to ticket machines	84					84
	Country Parks - annual maintenance	264					264
	All Electric Bus Initiative	1,044					1,044
	Household Waste Recycling Centres - annual maintenance	182					182
Environment, Planning & Transport	Highways area delegated funding	4,719					4,719
	Bridge Assessment Programme	20					20
	Street Lighting - annual maintenance	24					24
	Bridge maintenance - annual maintenance	297					297
	Gypsy And Traveller Services - annual maintenance	71					71
	Traffic Signals - annual maintenance	146					146
	Casualty reduction schemes	609					609
	Historic bridge maintenance programme	1,944					1,944
People Strategy & Commissioning	Adult Social Care Modernisation & Capacity	71					71
Enabling Services	Smallholdings Capital Maintenance 2022/23	229					229
	Rural Services Capital Maintenance 2023/24	273					273
Maintenance Programme - New							
Children and Families	Adaptations to support child placements	143	149	156	156	156	760
Economy and Place	Country Parks	229	239	250	250	250	1,218
	Household waste recycling centres	91	96	100	100	100	487
Environment, Planning & Transport	Highways and bridges/pothole funding - new	20,884	20,884	20,884	20,884	20,884	104,420
	Gypsy and Traveller services	23	24	25	25	25	122
	Highways area delegated funding	2,285	2,391	2,495	2,495	2,495	12,161

2024-29 Capital Programme

Outcome and Service	Scheme Title	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Total £'000
Environment, Planning & Transport	Flood defence	229	239	250	250	250	1,218
Fire and Rescue	Equipment for fire engines	137	143	150	150	150	730
Enabling Services	Non-schools building maintenance	2,425	2,537	2,648	2,648	2,648	12,906
	Non-schools asbestos and safe water	371	389	405	405	405	1,975
	Schools building maintenance	7,557	7,767	7,976	7,976	7,976	39,252
	Schools asbestos and safe water	852	892	931	931	931	4,537
	Rural services	407	426	444	444	444	2,165
	TOTAL MAINTENANCE PROGRAMME	**45,755**	**36,282**	**36,714**	**36,714**	**36,714**	**192,179**
Developer Funded Programme							
Environment, Planning & Transport	S278 Schemes	7,777	2	1	8		7,788
	TOTAL DEVELOPER FUNDED PROGRAMME	**7,777**	**2**	**1**	**8**	**-**	**7,788**
	TOTAL CAPITAL PROGRAMME	**250,611**	**169,671**	**102,129**	**71,950**	**61,142**	**655,503**

Council

8 February 2024

Treasury Management Strategy and Investment Strategy

Recommendations

That Council:

1. Approves the Treasury Management Strategy for 2024/25 (Appendix 2) with effect from 1 April 2024;

2. Approves the Investment Strategy for 2024/25 (Appendix 3) with effect from 1 April 2024;

3. Requires the Executive Director for Resources to ensure that gross borrowing does not exceed the prudential level specified (Appendix 2, Section 3.13, Table 12 "Authorised Borrowing Limit");

4. Approves the revised lending limits for the Warwickshire Property Development Group (WPDG) (Appendix 3, Annex 7);

5. Approves the revised lending limits for the Warwickshire Recovery Investment Fund (WRIF) (Appendix 3, Annex 7);

6. Requires the Executive Director for Resources to ensure that gross investment in non-Treasury investments does not exceed the prudential levels specified (Appendix 3, Annex 7);

7. Delegates authority to the Executive Director for Resources to undertake such delegated responsibilities as are set out in Appendix 2, Annex 7, and Appendix 3, Section 2.5;

8. Requires the Strategic Director for Resources to implement the Minimum Revenue Provision (MRP) Policy (Appendix 2, Section 2.11-2.26).

1 Executive Summary

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

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

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

1.3 Treasury Management activity has been focused on managing the cash balances of the Council in secure and liquid settings as needed, following the priority of security being the most important consideration, followed by liquidity, with yield being important but not as important as security and liquidity. This is covered in the Treasury Management Strategy (Appendix 2).

1.4 The strategic investments made by the Council are covered in the Investment Strategy (Appendix 3). These investments include, but are not limited to the

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

1.5 Due to the level of cash balances held by the Council, no new external borrowing has been required to finance the capital programme of the Council or its Investment activity in recent years.

1.6 The financial year 2023/24 has seen a sustained period of volatile economic activity, with inflation remaining high although it has begun to reduce and interest rates have stabilised after a period of significant increase.

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. Internal borrowing is preferred where possible because internal borrowing is cheaper than external borrowing. Appendix 2, Table 7 shows how the position will move in this direction and become increasingly “under borrowed” (i.e. the Council will be borrowing both externally and internally rather than just externally).

2.2 The need to borrow, 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.

Interest Rates

2.3 Interest rates reached a peak during the year and have remained high. The outlook for 2024/25 is expected to be that rates settle and gradually reduce during the year. The rates at which local authorities can borrow have risen from the historic lows at the end of 2021/22, in line with the trend in interest rates.

2.4 Interest returns received on treasury investments have reflected the interest rates in the marketplace. This is expected to reduce during the year 2024/25 as both the interest rates are expected to fall, and the overall treasury portfolio size will reduce.

2.5 Non-treasury investments provide financial returns that reflect market rates, having regard to covering the Council's costs and reflecting risk.

Borrowing

2.6 Taking out new PWLB borrowing is now more expensive than it has been in recent years (Appendix 2 Section 3) but it is still a relatively low cost source of financing. A key requirement will be to ensure that the Council maintains access to PWLB rates when it does need to borrow (although alternatives will also be considered when borrowing is required to ensure best value is achieved). There are two specific factors that will be managed to achieve this:

- By providing HM Treasury with a forward forecast of capital plans local authorities can maintain access to the lowest rates (referred to as the "certainty rates"); and
- By making non-treasury investments that meet PWLB lending criteria (Appendix 3, Annex 1).

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

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

2.9 The Minimum Revenue Provision (MRP) that is used to reflect the repayment of borrowing principal has been amended. For the majority of capital spending financed by borrowing the MRP remains unchanged. However, as a result of changes to government statutory guidance and regulations, from the 1 April 2024 MRP will in future only be charged for capital WPDG and WRIF loans where there is an expectation of a default (Appendix 2, Section 2.18-2.22). Separately, MRP in respect of leases accounted for under a new accounting standard IFRS16 with effect from 1 April 2024 will be managed in such a way as to avoid double counting of leasing charges in the revenue budget (Appendix 2, Section 2.22-2.24).

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

3.1 The WPDG and WRIF will continue in 2024/25. Both initiatives have refreshed strategies, including a reduction of the total WRIF budget and the closure of the Business Investment Growth (BIG) pillar of the WRIF as per the WRIF Business Plan, which is approved annually by Cabinet and the updated WRIF Investment Strategy and Business Plan are elsewhere on this committee meeting's agenda. These initiatives continue to create non-treasury investments that will be funded from internal and external borrowing.

3.2 The final WPDG and Joint Venture Business Plan for 2024/24 is not yet completed. Following completion and approval of that Plan, the Executive Director for Resources will consider whether any changes are required to the Treasury Management Strategy. Should changes be required they will be subject to a report to Cabinet and Council for approval.

3.3 An important feature of all non-treasury investments is that they are made with the primary purpose of delivering organisational objectives, and not purely or primarily to make a financial return (Appendix 3, Section 3). The objectives of the WPDG and WRIF reflect this requirement and are set out in their respective strategies.

3.4 The Council holds a small amount of other non-treasury investments, all related to the delivery of service objectives (Appendix 3, Section 14).

Risk

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

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

3.7 The financial risks and rewards involved in non-treasury investments are of a different nature to (and greater than) the financial risks relating to traditional capital expenditure and treasury investments (Appendix 3, Section 8).

3.8 The reasons for the differences are:

- Treasury investments prioritise security and liquidity to serve the primary objective of treasury management which is to ensure that cash is available when needed to serve the purpose for which that cash is held.
- Traditional capital spending is basic expenditure by nature and is fully funded as such.

- Non-Treasury investment risks are different in that although they are made with the primary purpose of delivering organisational objectives, and not purely or primarily to make a financial return, they are assumed to retain or increase their original asset value and are assumed to provide a more significant financial return than traditional treasury investments. Therefore, there is exposure to the risk of these assumptions not happening.
- The objectives of non-treasury investments by their nature are not the same as treasury investments, and therefore they may not prioritise security and liquidity as highly as treasury investments do.

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

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

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

Prudential Indicators

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

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

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

- the length of time that investments may be made for; and
- the amount of a fund that may be debt or equity investment.

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

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

- That they are primarily for the purpose of delivering organisational objectives and meeting service need.
- That they meet the revised criteria recently set out by the Government that need to be met to retain access to PWLB lending. The Government has specified the kinds of investment that may be made (Appendix 3, Section 3). It is possible to invest in other initiatives but if that were the case, the local authority would have to find borrowing sources from elsewhere and would be considered a higher risk to lend to.
- That whilst they may make a financial return, they must not be purely or primarily for the purpose of making a financial return.

Governance

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

4 Financial Implications

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

5 Environmental Implications

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

6 Timescales Associated with Next Steps

6.1 The Treasury Management Strategy and Investment Strategy will, subject to approval by Council, come into effect on 1st April 2024.

Appendices

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

Background Papers

None.

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The report was circulated to the following members prior to publication:
Local Member(s): n/a county wide report
Other members:

Appendix 1

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

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

Appendix 2

Treasury Management Strategy Statement

Warwickshire County Council
2024/25

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 costs of debt and the investment income arising from cash deposits have an effect on the Council's available budget. Since cash balances generally exist to serve specific purposes, it is paramount to ensure adequate security of the sums invested so that ultimately the cash is still available to be used for the reason it was originally being held for.

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 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.

a.) **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; and
- 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.

b.) **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 2024/25

1.8 The strategy for 2024/25 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.

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

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

1.13 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

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

1.15 The Council recognises that responsibility for Treasury Management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external service providers. All decisions will be undertaken with regard to all available information, including, but not solely, our Treasury advisers.

1.16 The Council also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources 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.

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

2.0 The Capital Prudential Indicators 2024/25 – 2028/29

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	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Capital Expenditure	183,666.00	214,885.29	143,251.03	75,761.74	56,936.62	55,586.40
Non-Treasury Investment WPDG*	10,738.00	15,725.38	11,420.13	11,367.23	15,013.46	5,555.21
Non-Treasury Investment WRIF*	-	20,000.00	15,000.00	15,000.00	-	-
Total	**194,404.00**	**250,610.67**	**169,671.16**	**102,128.98**	**71,950.08**	**61,141.61**

***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	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Capital receipts	222.91	2,683.20	144.00	192.00	-	-
Capital grants	138,221.48	74,340.38	42,035.38	36,916.38	36,064.38	35,966.38
Self Financed Borrowing	-	-	-	-	-	-
Revenue	547.00	272.00	-	-	-	-
Capital Programme Funding/Income	138,991.39	77,295.58	42,179.38	37,108.38	36,064.38	35,966.38
WPDG Receipts	5,643.00	6,419.79	12,993.40	19,610.56	18,351.55	15,171.09
WRIF Receipts	-	-	4,400.00	7,000.00	10,000.00	10,000.00
Non Treasury Investment Funding/Income	5,643.00	6,419.79	17,393.40	26,610.56	28,351.55	25,171.09
Total Funding/Income	**144,634.39**	**83,715.37**	**59,572.78**	**63,718.94**	**64,415.93**	**61,137.47**
Total Capital Expenditure	194,404.00	250,610.67	169,671.16	102,128.98	71,950.08	61,141.61
Net financing need for the year	**49,769.61**	**166,895.29**	**110,098.37**	**38,410.04**	**7,534.15**	**4.14**
Minimum Revenue Provision (MRP)	- 10,082.80	- 11,670.27	- 17,879.27	- 21,568.03	- 22,241.71	- 21,653.41
Borrowing Requirement	**39,686.81**	**155,225.03**	**92,219.11**	**16,842.00**	**- 14,707.57**	**- 21,649.27**

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	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
WPDG Capital Investment	10,738.00	15,725.38	11,420.13	11,367.23	15,013.46	5,555.21
Less: WDPG Related Receipts and Repayments	- 5,643.00	- 6,419.79	- 12,993.40	- 19,610.56	- 18,351.55	- 15,171.09
WRIF Capital Investment	-	20,000.00	15,000.00	15,000.00	-	-
Less: WRIF Related Receipts and Repayments	-	-	- 4,400.00	- 7,000.00	- 10,000.00	- 10,000.00
Net financing need for the year	**5,095.00**	**29,305.59**	**9,026.73**	**- 243.32**	**- 13,338.09**	**- 19,615.88**
Percentage of total net financing need %	10.2%	17.6%	8.2%	n/a *	n/a *	n/a *

*** Note that reciepts exceed payments from 2026/27-2028/29 so no net financing is needed for non treasury investments**

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 for the economic consumption of capital assets as they are used.

Table 4 – Capital Financing Requirement

£000's	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
CFR – Capital Programme	291,445.69	417,365.13	500,557.51	517,642.83	516,273.36	514,239.97
CFR - WPDG	5,095.00	14,400.59	12,827.32	4,584.00	1,245.90	(8,369.98)
CFR - WRIF	0.00	20,000.00	30,600.00	38,600.00	28,600.00	18,600.00
Total CFR	**296,540.69**	**451,765.72**	**543,984.82**	**560,826.83**	**546,119.26**	**524,469.99**
Movement in CFR - Capital Prog		137,589.70	101,071.65	38,653.36	20,872.24	19,620.02
Movement in CFR - WPDG		9,305.59	(1,573.27)	(8,243.32)	(3,338.09)	(9,615.88)
Movement in CFR - WRIF		20,000.00	10,600.00	8,000.00	(10,000.00)	(10,000.00)
Movement in CFR - Total		**166,895.29**	**110,098.37**	**38,410.04**	**7,534.15**	**4.14**
Movement in CFR represented by						
Net financing need for the year	49,769.61	166,895.29	110,098.37	38,410.04	7,534.15	4.14
Less MRP and other financing	(10,082.80)	(11,670.27)	(17,879.27)	(21,568.03)	(22,241.71)	(21,653.41)
Movement in CFR net of MRP	**39,686.81**	**155,225.03**	**92,219.11**	**16,842.00**	**(14,707.57)**	**(21,649.27)**

Prudential Indicator – Liability Benchmark

2.8 A third and new prudential indicator for 2024/25 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.

2.9 There are four components to the LB:

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

b.) 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.

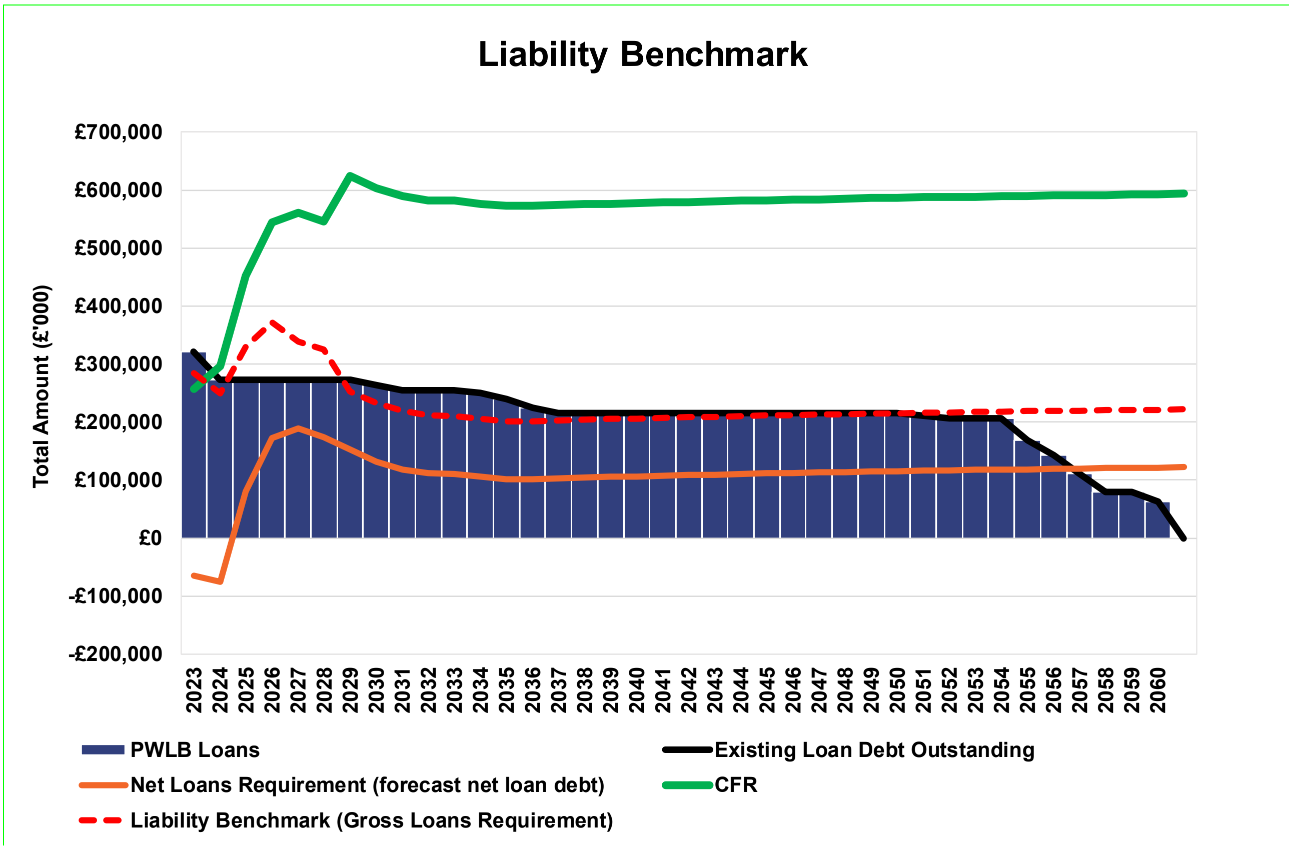
c.) Net loans requirement: this will show the Authority's gross loan debt less Treasury Management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

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

Table 6 Liability Benchmark

In £000's	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Existing Loan Debt	£272,413	£272,413	£272,413	£272,413	£272,413	£272,413	£264,413	£254,413	£254,413	£254,413	£250,413
Net Loans Requirement	-£74,965	£80,260	£172,479	£189,321	£174,614	£152,965	£132,177	£118,642	£111,200	£110,808	£105,404
CFR	£296,541	£451,766	£543,985	£560,827	£546,119	£624,295	£603,507	£589,973	£582,531	£582,138	£576,734
Liability Benchmark	**£250,035**	**£330,260**	**£372,479**	**£339,321**	**£324,614**	**£252,965**	**£232,177**	**£218,642**	**£211,200**	**£210,808**	**£205,404**
Forecast Investments	£344,320	£160,086	£106,572	£107,546	£122,121	£100,000	£100,000	£100,000	£100,000	£100,000	£100,000
(Over)/Under LB	-£22,378	£57,847	£100,066	£66,908	£52,201	-£19,448	-£32,236	-£35,771	-£43,213	-£43,605	-£45,009

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	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Fund balances / reserves	226,608.43	197,599.04	193,304.04	193,120.04	192,988.04	192,988.04
Capital receipts	-	-	-	-	-	-
Other	5,852.46	5,852.46	5,852.46	5,852.46	5,852.46	5,852.46
Total core funds	**232,460.89**	**203,451.50**	**199,156.50**	**198,972.50**	**198,840.50**	**198,840.50**
Working capital	136,000.00	136,000.00	136,000.00	136,000.00	136,000.00	136,000.00
(Under)/over borrowing	- 24,140.69	- 179,365.72	- 228,584.82	- 227,426.83	- 212,719.26	- 199,069.99
Expected treasury investments	**344,320.20**	**160,085.78**	**106,571.68**	**107,545.67**	**122,121.24**	**135,770.51**

* 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 on any amount reasonably expected to default, rather than the full value of the loan.
- 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) on any amount expected to default, rather than the full value of the loan.
- 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 charged over 25 years or equivalent to 4% per year on any amount reasonably expected to default, rather than the full value of the loan*”

2.22 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 For International Financial Reporting Standard 16 (IFRS16) - Leases

2.23 On 1 April 2024 the Council is required to adopt a new accounting standard for leases (IFRS16). This means that for all leases where we are the lessee, our right-to-use the asset will be recognised and we will account for the leased asset on our Balance Sheet as though we had purchased the asset.

2.24 The introduction of increased numbers of leases onto the Balance Sheet will increase the Capital Financing Requirement. Without any other change this would increase the MRP charge. However, lease rental payments are already made from revenue budgets for these assets and therefore, to avoid double counting the cost of the leased assets, a technical adjustment will be made to ensure a "net nil" effect on the revenue budget.

2.25 For assets under lease contracts existing from 2024/25 onwards, the annual MRP charge will match the element of the rent/charge that goes to write down the lease liability. Therefore, there will be no impact on available capital resources or the capital financing requirement from this new accounting requirement.

MRP Calculation

2.26 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.

2.27 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

3.1 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

3.2 In recent years the Council has held an over borrowed position (meaning external borrowing was greater than the total capital financing requirement), however this is forecast to change by the end of the financial year 2023/24 when we expect a marginal under borrowed postion. Going forward, the capital programme and use of internal borrowing will mean the Council expects to maintain an under borrowed position. The need for further borrowing will be kept under review.

Current Portfolio Position

3.3 The overall Treasury Management portfolio as at 31st March 2023, 30th September 2023 and 31 December 2023 are shown below for both borrowing and investments.

Table 8 – Current Portfolio Position

Treasury Portfolio						
	Actual 31.03.2023 £m	Actual 31.03.2023 %	Actual 30.09.2023 £m	Actual 30.09.2023 %	**Actual 31.12.2023 £m**	**Actual 31.12.2023 %**
Treasury investments						
Banks	38.29	8.35%	17.00	4.35%	17.17	5.11%
Building Societies	50.34	10.98%	50.00	12.79%	30.00	8.93%
Local authorities	201.14	43.86%	192.00	49.12%	172.35	51.29%
Housing Associations			30.00	7.68%	30.00	8.93%
Total managed in house	**289.77**	**63.19%**	**289.00**	**73.94%**	**249.52**	**74.26%**
Bond funds	29.40	6.41%	28.98	7.41%	29.44	8.76%
Property funds	10.02	2.19%	9.89	2.53%	9.82	2.92%
Cash fund managers	129.39	28.22%	63.00	16.12%	47.23	14.06%
Total managed externally	**168.81**	**36.81%**	**101.87**	**26.06%**	**86.49**	**25.74%**
TOTAL TREASURY INVESTMENTS	**458.58**	**100%**	**390.87**	**100%**	**336.01**	**100%**
Treasury external borrowing						
PWLB	321.406	100%	272.400	100%	272.400	100%
Total external borrowing	**321.406**		**272.400**		**272.400**	
Net Treasury Investments / (Borrowing)	**137.17**		**118.47**		**63.61**	

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

3.5 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	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt						
Current Debt	272.400	272.400	272.400	272.400	272.400	264.400
New Debt	-	-	43.000	61.000	61.000	61.000
Actual gross debt at 31 March	**272.400**	**272.400**	**315.400**	**333.400**	**333.400**	**325.400**
The Capital Financing Requirement	296.541	451.766	543.985	560.827	546.119	524.470
Under / (over) borrowing	**24.141**	**179.366**	**228.585**	**227.427**	**212.719**	**199.070**

Internal Debt

3.6 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. The level of internal borrowing will be kept under review to ensure that the level of liquid Treasury investments (a liquidity buffer) does not fall below £75m, and total Treasury Investments does not fall below £100m.

Table 10 – Internal Debt Forecast

£m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt	272.400	272.400	315.400	333.400	333.400	325.400
Internal Debt (internal borrowing)	24.141	179.366	228.585	227.427	212.719	199.070
Internal borrowing as % of CFR	**8.1%**	**39.7%**	**42.0%**	**40.6%**	**39.0%**	**38.0%**

3.7 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.

3.8 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 2024/25 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.

3.9 The Director of 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

3.10 **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	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt	393.313	496.942	598.383	616.910	600.731	576.917
Total	**393.313**	**496.942**	**598.383**	**616.910**	**600.731**	**576.917**

The Authorised Limit for External Debt

3.11 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.

3.12 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

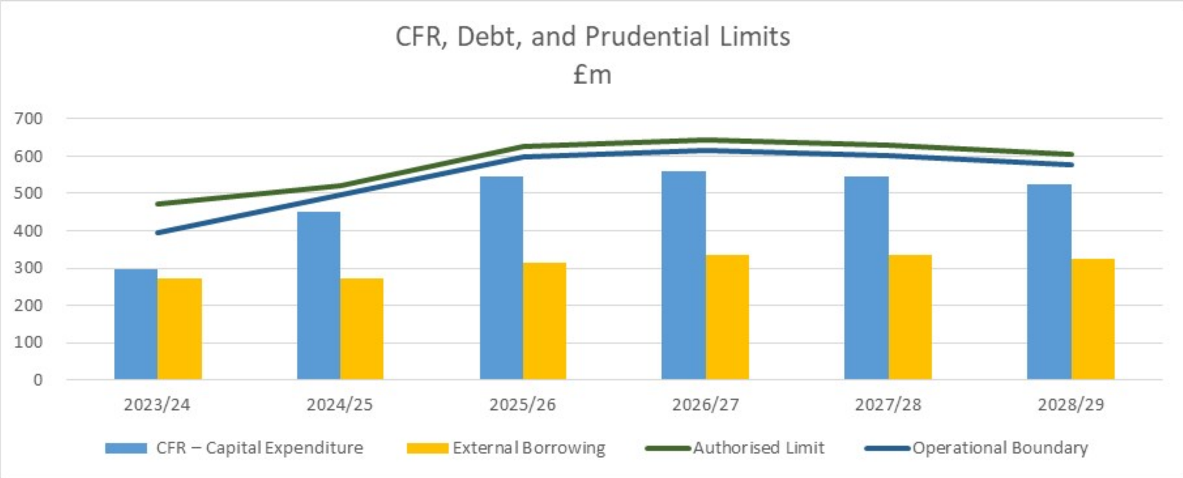
Councils' plans, or those of a specific Council, although this power has not yet been exercised.

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

Table 12 – Authorised Limit

£m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
External Debt	472.00	520.00	626.00	645.00	629.00	604.00
Total	**472.000**	**520.000**	**626.000**	**645.000**	**629.000**	**604.000**

Chart 2 - Capital Financing Requirement, Debt and Prudential Limits



Prospects for Interest Rates

3.14 The Authority has appointed Link Group as its treasury advisor and part of their service is to assist the Authority to formulate a view on interest rates. Link provided the following forecasts on 07 November 2023. These are forecasts for Bank Rate, average earnings and PWLB certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

3.15 Additional notes by Link on this forecast table:

- Our central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.

- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our 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 also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.
- On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

3.16 **PWLB Rates** – Gilt yield curve movements have broadened since our last Newsflash. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

3.17 **The balance of risks to the UK economy** – The overall balance of risks to economic growth in the UK is to the downside.

3.18 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, could keep gilt yields high for longer).
- The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession 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, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

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

- Despite the recent tightening to 5.25%, the Bank of England proves too timid in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.

- The pound weakens because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term US treasury yields rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. We saw some movements of this type through October although generally reversed in the last week or so.
- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating

Link Group Forecast

3.20 We now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

3.21 **Gilt yields and PWLB rates** – The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

PWLB debt	Current borrowing rate as at 06.11.23 p.m.	Target borrowing rate now (end of Q3 2025)	Target borrowing rate previous (end of Q3 2025)
5 years	5.02%	3.80%	3.90%
10 years	5.15%	3.80%	3.80%
25 years	5.61%	4.20%	4.10%
50 years	5.38%	4.00%	3.90%

3.22 Our target borrowing rates are set two years forward (as we expect rates to fall back) and the current PWLB (certainty) borrowing rates are set out below:

- Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, 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 will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

3.23 Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are rounded to the nearest 10bps and set out below.

You will note that investment earnings have been revised somewhat higher for all years from 2025/26 as Bank Rate remains higher for longer.

Average earnings in each year	Now	Previously
2023/24 (residual)	5.30%	5.30%
2024/25	4.70%	4.70%
2025/26	3.20%	3.00%
2026/27	3.00%	2.80%
2027/28	3.25%	3.05%
Years 6 to 10	3.25%	3.05%
Years 10+	3.25%	3.05%

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

3.25 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

3.26 Being mindful of the economic outlook for 2024/25 (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

3.27 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.

3.28 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

3.29 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.

3.30 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.

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

3.31 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).

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

4. ANNUAL INVESTMENT STRATEGY

Investment Policy – Management of Risk

4.1 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).

4.2 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

4.3 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 18 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options

4.4 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:

- 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.
- **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.

- **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- This authority has defined the list of **types of investment instruments** that the Treasury Management team are authorised to use. There are two lists in annex 4 under the categories of ‘specified’ and ‘non-specified’ investments -

4.5 **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.

4.6 **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.

- **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 £150m.
- **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in Annex 4.
- **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
- **Transaction limits** are set for each type of investment in Annex 4.
- Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.10).
- 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.

4.7 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. The Government has extended the Override for an additional two-year period until 31 March 2025.)

4.8 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.

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

Creditworthiness Policy

4.10 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.

4.11 The Director of 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.

4.12 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.

4.13 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

f.) **Social Bond Funds** - Threadneedle

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

4.14 **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.

4.15 **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.

4.16 **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 was placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. After the Sunak/Hunt government has calmed markets, the outlook of the UK sovereign debt has since been rated stable by Moody's (20 October 2023), S&P (21 April 2023) and DBRS (13 January 2023). Accordingly, when setting minimum sovereign debt ratings, the Council will not set a minimum rating for the UK.

4.17 **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 monitors 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

4.18 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 Performance / Risk Benchmarking

4.19 **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

4.20 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

4.21 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

4.22 The County Council uses a number of external managers to spread risk and obtain maximum market exposure. Current external fund managers actively used during the last year are listed below. This list is not exhaustive and new fund managers may be engaged if necessary. Officers will periodically review the position, performance, and costs of external fund managers, and may meet with client relationship managers or fund managers as appropriate.

- Blackrock
- Deutsche Bank
- Goldman Sachs

- Insight
- Aberdeen
- Federated Hermes
- CCLA
- Threadneedle

4.23 The council currently holds investments with two variable net asset value funds, CCLA and Threadneedle. Both funds have experienced volatility driven by Covid followed by a period of stabilisation. These Funds are kept under review.

Environmental, Social, and Governance Policy

4.24 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.

4.25 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

4.26 This Council will comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, implemented 1 January 2010. With effect 1 April 2010, the Council does not pool pension fund cash with its own cash balances for investment purposes. Any investments made by the pension fund directly with this local authority after 1 April 2010 must comply with the requirements of SI 2009 No 393. The council has a separate statement for Pension Fund investment purposes.

ANNEXES

1. Prudential and Treasury Indicators
2. Treasury Management - Portfolio
3. Approved Sources of Long and Short Term borrowing
4. Treasury Management - Practice
5. Approved Countries for Investments
6. Treasury Management - Scheme of Delegation
7. Treasury Management - Role of the Section 151 Officer
8. Economic background

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

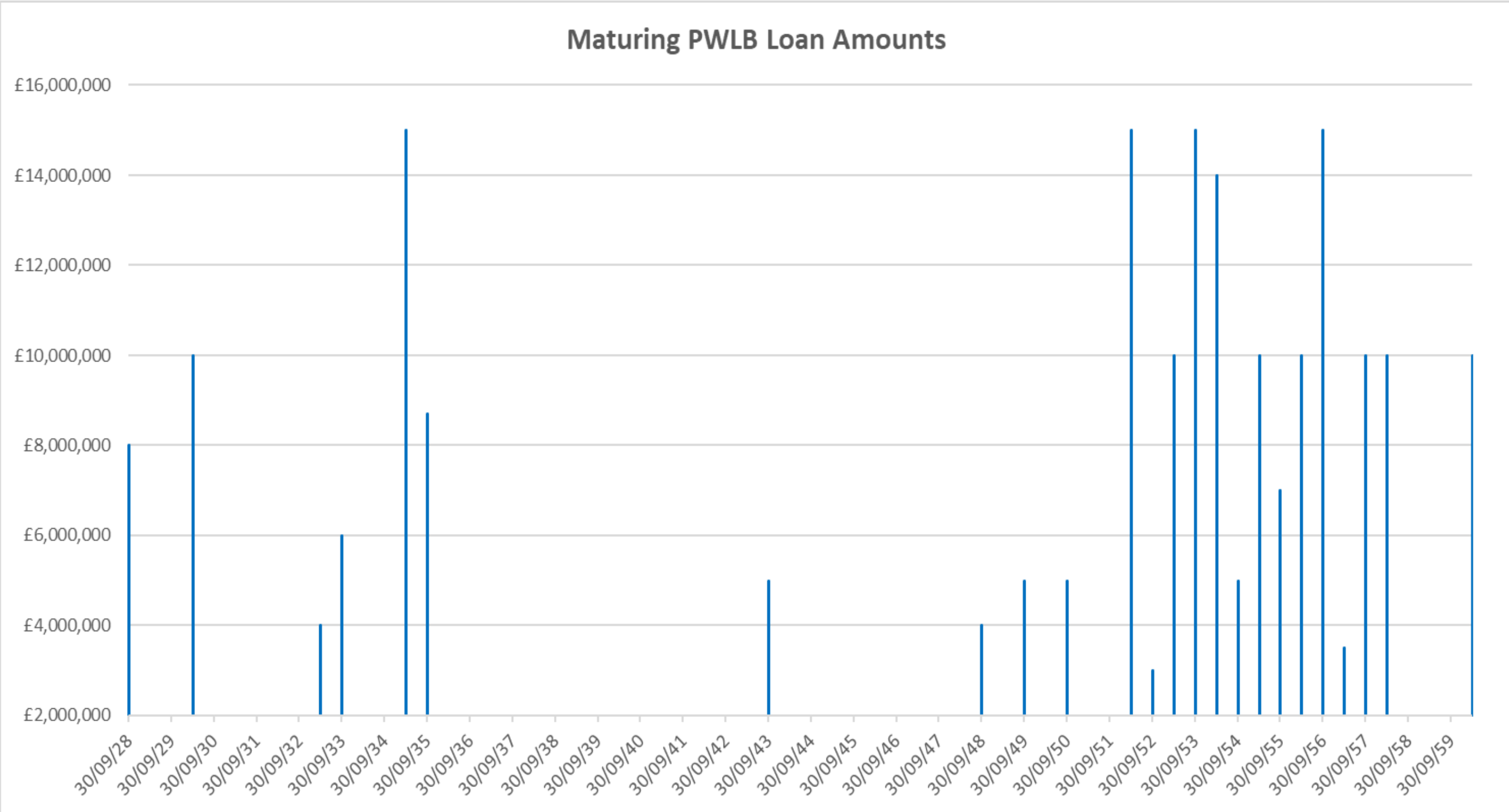
Maturity structure of new fixed rate borrowing during year	upper limit	lower limit
under 12 months	20%	0%
12 months and w ithin 24 months	40%	0%
24 months and w ithin 5 years	60%	0%
5 years and w ithin 10 years	100%	0%
10 years and above	100%	0%

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

Annex 2

Treasury Management Portfolio

1. Debt Schedule



2. Balance Sheet Forecast

Warwickshire County Council
Balance Sheet Projections

2023/24 (£'000)		2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)	2028/29 (£'000)
CAPITAL FINANCING REQUIREMENT						
296,541	CFR Relating to General Fund	442,563	535,150	552,345	537,977	516,653
296,541	Total CFR	442,563	535,150	552,345	537,977	516,653
-	Finance Lease Liabilities		-	-	-	-
296,541	Underlying Borrowing Requirement	442,563	535,150	552,345	537,977	516,653
272,400	External Borrowing c/fwd	272,400	272,400	315,400	333,400	333,400
	Loan Maturities					(8,000)
-	New Loans	-	43,000	18,000		
272,400	External Borrowing	272,400	315,400	333,400	333,400	325,400
24,141	Under / (Over) Borrowing	170,163	219,750	218,945	204,577	191,253
8%	*Borrowing as a % of Requirement*	*38%*	*41%*	*40%*	*38%*	*37%*
RESERVES / BALANCES, INVESTMENTS & WORKING CAPITAL (£'000)						
17,835	General Fund Balance	17,835	17,835	17,835	17,835	17,835
(618)	Collection Fund Adjustment Account	(618)	(618)	(618)	(618)	(618)
209,391	Earmarked reserves	180,382	176,087	175,903	175,771	175,771
-	Capital Receipts Reserve	-	-	-	-	-
3,453	Provisions	3,453	3,453	3,453	3,453	3,453
2,399	Capital Grants Unapplied	2,399	2,399	2,399	2,399	2,399
(24,141)	Over / (Under) Borrowing	(170,163)	(219,750)	(218,945)	(204,577)	(191,253)
136,000	Working Capital	136,000	136,000	136,000	136,000	136,000
344,320	Expected Treasury Investments	169,289	115,407	116,027	130,263	143,587

*Year end balances currently estimated for 2023/24

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
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
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
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

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

The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.

- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.

- CPI inflation falling from 8.7% in April to 6.7% in September, its lowest rate since February 2022, but still the highest in the G7.

- Core CPI inflation declining to 6.1% in September from 7.1% in April and May, a then 31 years high.

- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose by 7.8% for the period June to August, excluding bonuses).

• The registering of 0% GDP for Q3 suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.

• The fall in the composite Purchasing Managers Index from 48.6 in August to 46.7 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0% q/q rise in real GDP in the period July to September, being followed by a contraction in the next couple of quarters.

• The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.

• As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

• The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.

• But the cooling in labour market conditions still has not fed through to an easing in wage growth. The headline 3myy rate rose 7.8% for the period June to August, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular annual average total pay growth for the private sector was 7.1% in June to August 2023, for the public sector this was 12.5% and is the highest total pay annual growth rate since comparable records began in 2001. However, this is affected by the NHS and civil service one-off non-consolidated payments made in June, July and August 2023. The Bank of England's prediction was for private sector wage growth to fall to 6.9% in September.

• CPI inflation declined from 6.8% in July to 6.7% in August and September, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.1%. That reverses all the rise since March.

• In its latest monetary policy meeting on 06 November, the Bank of England left interest rates unchanged at 5.25%. The vote to keep rates on hold was a split vote, 6-3. It is clear that some members of the MPC are still concerned about the stickiness of inflation.

• Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. In terms of messaging, the Bank once again said that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures", citing the rise in global bond yields and the upside risks to inflation from "energy prices given events in the Middle East". So, like the Fed, the Bank is keeping the door open to the possibility of further rate hikes. However, it also repeated the phrase that policy will be "sufficiently restrictive for sufficiently long" and that the "MPC's projections indicate that monetary policy is likely to need to be restrictive for an extended period of time". Indeed, Governor Bailey was at pains in his press conference to drum home to markets that the Bank means business in squeezing inflation out of the economy.

• This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates in the future.

In the table below, the rise in gilt yields across the curve as a whole in 2023/24, and therein PWLB rates, is clear to see.

PWLB RATES 01.04.23 - 29.09.23

HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

CENTRAL BANK CONCERNS

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective 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 (just as, conversely, greater tightening may also).

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Appendix 3

Investment Strategy
(For Non-Treasury Investments)

Warwickshire County Council

2024/25

1. Introduction

1.1 Local Authorities may make investments of two types:

- Treasury Investments.
- Other Investments (also referred to in this strategy as "non-treasury investments").

1.2 This Investment Strategy covers "Other Investments" and is prepared according to statutory guidance issued under the Local Government Act 2003, the Treasury Management Code of Practice, and The Prudential Code for Capital Finance in Local Authorities. Non-Treasury Investment are policy investments made to deliver Corporate objectives as set out in the Capital Strategy and Medium Term Financial Strategy.

1.3 For the purposes of this Investment Strategy, an investment is any financial or non-financial asset of the authority which is held partially or primarily to generate a return. Investments include loans made by the local authority to wholly-owned companies or associates, to a joint venture, or to a third party. For the avoidance of doubt, the strategy does not include pension fund or trust fund investments which are subject to separate regulatory regimes, or treasury investments which are detailed separately in the Treasury Management Strategy.

1.4 Non-treasury management investments may take a number of forms, for example holding shares in companies, issuing loans to companies, promoting economic development, or holding non-financial assets (e.g. property). Details of the Council's existing and planned non treasury investments are set out in Section 12 and 13 of this strategy.

2. Transparency and Democratic Accountability

2.1 This Investment Strategy is a public document and must be approved annually by full Council, and any material changes during the year also being presented to Council for approval.

2.2 The more specific and detailed governance arrangements for any new funds will also be subject to Member approval through Cabinet or Council. For example, arrangements for the governance of the Warwickshire Property and Development Group (WPDG) and Warwickshire Recovery and Investment Fund (WRIF).

2.3 Under Regulation 17 of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 as amended overview and scrutiny committee members have right of access to any confidential information relating to any decision by the executive or any member of the executive of their council where relevant to a review or scrutiny being undertaken by the committee or included in its work programme.

2.4 Any fundamentally new or additional levels of investment outside of those specified in or delegated by this Investment Strategy for investment for non-treasury purposes will be required to have direct Council approval that would be set out in an updated Investment Strategy.

2.5 The Section 151 Officer has delegated authority to implement this Investment Strategy, with the following overarching responsibilities highlighted.

- Ensuring that due diligence is carried out on investment proposals in accordance with the risk appetite of the authority.
- Ensuring the proportionality of investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources.
- Ensuring an adequate governance process is in place for the approval, monitoring, and ongoing risk management of non-treasury investments.

3. Investment Objectives

3.1 The primary objective of all non-treasury investments will be to contribute towards the Council's core organisational objectives for Warwickshire:

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

3.2 In Addition, all Non-Treasury investments will be required to demonstrate how they contribute towards the objectives specified in the Department for Levelling Up, Housing and Communities (DLUHC) guidance which will control local authority access to Public Works Loan Board (PWLB) lending by the withdrawal of PWLB lending to authorities when not met. DLUHC's objectives are harmonious with the Council's overarching strategic objectives and powers, and are summarised below and detailed in Annex 1:

- Service;
- Housing;
- Regeneration;
- Treasury management; and
- Prevention of social or economic decline.

3.3 The principles of security, liquidity, and yield must be considered when making any investment. When considering treasury management investments, security is the highest priority, followed by liquidity, and yield is a low priority. However, for non-treasury investments, whilst all three principles matter, there is more flexibility around the relative priorities depending upon risk appetite and investment objectives. The following sections set out these principles in detail.

3.4 There have been significant changes in economic circumstances since the WRIF was created. It is no longer the case that recovery of the local economy from the impact of Covid in itself is a primary driver. Rather the drivers of the need to support the local economy are broad and complex. Therefore, it is recommended to change the title of the Fund to become simply "The Warwickshire Investment Fund". Should this be adopted the Strategy will be amended to reflect this

4. Security

4.1 The principle of security relates to the preservation of capital, i.e. ensuring that the original investment is returned.

4.2 Non-treasury investments will be categorised as a means of indicating and controlling risk as follows:

- Specified Investments;
- Loans; and
- Non-Specified Investments.

4.3 Annex 2 describes these in detail and Annex 3-5 sets out how these will be managed.

4.4 Total exposure to investments will be capped as specified by this Investment Strategy, including detailed limits specifying ceilings on different types of investment, in order to limit risk exposure. This is summarised in Section 11 and detailed in Annex 6 and Annex 7.

4.5 All investments will have a specified end date and a documented process for review and, where contractually possible, early closure and realisation of capital should the circumstances performance, or risk profile require it. Investments which are of a nature that do not have a contractual end date, for example equity, will still have a planned holding duration.

4.6 Investment cash or non-treasury assets will not be issued in advance of need, minimising third party treasury management risk and the risk of cash or assets being used for objectives other than the investment objective.

5. Liquidity

5.1 The principle of liquidity relates to how quickly investments can be returned to the Council.

5.2 In order to manage liquidity risk, this Investment Strategy will specify the maximum durations for which financial investments may be committed.

5.3 The default arrangement for loans will be annuity repayments, i.e. the payment of principal in even instalments throughout the duration of the loan term. Other profiles may be considered on an exceptional basis, however the risk of alternative profiles must be considered alongside how the profile would help to meet organisational objectives.

5.4 The contractual terms of investments made will specify repayment conditions and timing.

5.5 For non-treasury investments, medium and long-term financial planning will be used to ensure that funds can be accessed when needed to repay capital borrowed.

5.6 The level of liquidity of non-treasury assets will be assessed and monitored.

5.7 The capital programme, capital financing requirement, and treasury management activity will have regard to the planned repayment of investments relating to non-treasury investments, for example capital receipts and the repayment of loan principal.

5.8 The new investments in the Warwickshire Property Development Group (WPDG) will be relatively long term and illiquid in nature. Annexes 2 to 8 set out arrangements and controls which will be used to manage this risk.

6. Yield

6.1 Investments will not be made purely or primarily for yield. This will mean that the Council will have access to PWLB lending at the low rates available from this source. Should the Council want to consider investments purely or primarily for yield, this would require a review of the overall capital financing position for the Council, because the Council would lose access to PWLB rates and capital financing costs would foreseeably be expected to increase.

6.2 However, where investments are made, the expected rates of return will have regard to the nature of investment and the level of risk been taken by the Council. Investment returns cannot be so low as to breach state aid/subsidy rules and cannot be so high as make an appropriate investment unviable to appropriate counterparties. Investment returns will seek to align with market norms.

6.3 Net yield will be calculated after having regard to costs, fees, and expected credit loss calculations.

7. Borrowing

7.1 The Council will not borrow purely for profit and will not borrow more than or in advance of need purely or primarily to profit.

7.2 However, the Council may borrow in advance of need primarily for risk management or borrowing efficiency reasons (for example to lock into low interest rates if interest rates are expected to rise significantly).

7.3 Capital receipts shall not be repurposed from the acquisition of assets that contribute to service delivery in order to fund the purchase of investments solely to avoid borrowing in advance of need.

8. Risk

8.1 Any investment, by its nature, involves a risk that the rate of return may not be achieved, and the original investment may not be repaid. It also carries the potential risk that more than the original investment is lost if an investor for whatever reason subsequently puts additional money in above the original investment, for example if unsuccessfully attempting to turn around a failing investment.

8.2 The financial risks involved in the non-treasury investments relating to the WPDG and WRIF are of a different nature and greater than the financial risks relating to traditional capital expenditure and treasury investments. The reasons for the differences are:

- Treasury investments prioritise security and liquidity in order to serve the primary objective of treasury management which is to ensure that cash is available when needed to serve the purpose for which that cash is held. To achieve this treasury objective, relatively safe and secure investments are chosen, and consequently low rates of return are accepted.
- Traditional capital spending is expenditure by nature and is fully funded as such. A capital asset provides benefits over its financial life and the cost of the asset is spread across the life of the asset, reflecting its consumption and use. At the end of the life of the asset, a new asset would be required if the same benefits are required to continue, and in order to pay for a new asset new money is needed. This new money is prudently provided for by the Council making an annual provision called the Minimum Revenue Provision (MRP). This means that money will be available to purchase a

new asset when the time comes. There is no assumption that the asset will retain its financial value, or that the asset will provide a financial return, and therefore there is no risk of either of these assumptions not happening.

- Non-Treasury investment risks are different in that:
  - They are assumed to retain or increase their original asset value, and they are assumed to provide a financial return. Therefore, there is exposure to the risk of those assumptions not happening.
  - The objectives of non-treasury investments by their nature are not the same as treasury investments, and therefore they may not prioritise security and liquidity as highly as treasury investments do.

8.3 Although the Council will not pursue investments purely for the objective of financial return, the Council will pursue investments in order to meet objectives as set out in Section 3, and in doing so accepts higher risks with respect to security and liquidity.

8.4 Higher risk is associated with higher reward. Investors will seek to find opportunities receiving higher returns for lower risk, while organisations seeking investment will seek opportunities paying lower returns for higher investor risk. These competing requirements result in a market-norm rate of return for a given level of risk. Rates of return will have regard to this, ensuring that rates of return are not so low as to breach state aid/subsidy rules and not so high as to be unviable to counterparties. Rates should be market normative and enough to reward the investment risk taken.

8.5 The majority of traditional treasury management investment is very low risk, for example loans to other local authorities, and money market funds designed to preserve capital. There are some small investments in higher risk investments including the Threadneedle Social Bond Fund (currently £29m) and CCLA Property Fund (currently £10m). These two investments are held over a longer timeframe in order to provide access to higher rates of interest in return for accepting less liquidity and higher risk. The WPDG and WRIF investments will be further up the risk/return spectrum, however this positioning is driven by the objectives of the WPDG and WRIF being different to treasury management objectives.

8.6 Before entering into an investment, and whilst and investment is in place certain protocols will be followed to manage risks. These are detailed at Annex 3.

9. Proportionality

9.1 Any particular investment will carry its own risks, driven by the investment itself and the counterparty it relates to. The risk and return associated with any particular investment will vary.

9.2 In addition, there is the aggregate risk that the Council is exposed to when considering all investments in totality. This is a function of the total amount of assets and income at risk of loss, and the extent to which the Council is dependent upon those assets and that income.

9.3 This Investment Strategy sets out maximum limits for non-treasury investments in order to limit total risk exposure.

9.4 The Medium-Term Financial Strategy sets out the extent to which the overall Council budget is supported by income from non-treasury investments. However, when considering exposure to financial risk, there is also the risk of loss of principal, and where this occurs this may impact on the income and expenditure account directly.

9.5 Two indicators are required by Government guidance to be used to set limits that cannot be exceeded in order to manage proportionality. These measures are:

- Gross debt as a proportion of net service expenditure; and
- Commercial income as a percentage of net service expenditure.

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

10. Capacity, Skills and Culture

10.1 Non-Treasury investments carry particular risk, and the nature and scale of proposed investments in the WPDG and WRIF create new risks. We will ensure we have the appropriate capacity, culture, and skills to manage Non-Treasury investments through a range of specific actions and policies as set out in Annex 4.

11. Prudential Indicators and Limits

11.1 A range of measures will be used to report on and control exposure to financial risks from investment decisions. Annex 5 sets out definitions of the measures that will be used.

11.2 Measures are classified as either “Indicators” or “Limits” and the distinction is set out below:

- Indicators (Annex 6) – these are measures to monitor a particular financial parameter which will provide insight into performance and/or risk.
- Limits (Annex 7) - these measures which set hard limits on certain financial parameters in order to control and limit exposure to risk.

11.3 The most important measures are the limits on gross investment set out in Annex 7. These provide the fundamental control over maximum exposure to risk.

11.4 Over time, the use of measures will be reviewed and measures that are initially used for monitoring purposes may in the future used for control purposes.

11.5 The measures used, and any targets or limits, will be updated at a minimum annually when the Investment Strategy is updated.

11.6 The indicators have been chosen having regard to DLUHC guidance.

12. Warwickshire Property and Development Group

12.1 In 2019/20 Council approved a commercial strategy setting out the intention to explore new approaches to the delivery of organisational objectives.

12.2 During 2021/22, the Warwickshire Property and Development Company (WPDG) was launched and WPDG drew down the working capital facility provided by the Council.

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

12.4 During 2023/24 WPDG has drawn down a second development loan, repaid its first development loan and drawn down a further management loan.

12.5 WPDG was launched with the following objectives:

- To undertake regeneration and place making activities within the county of Warwickshire. This should include delivery of major schemes, prioritising regeneration activities and delivering specific regeneration plans across the county.
- To undertake activities that progress Warwickshire County Council's key policy objectives, for example mitigating climate change, promoting sustainable and inclusive economic growth in Warwickshire, improving quality of life, and improving Warwickshire's 5G network and connectivity.
- To undertake activities with a view to generating new short- and long-term financial returns from the Council's property assets as appropriate and establishing and maintaining momentum in such activities.
- To operate in effective partnership with public sector stakeholders, in particular district and borough councils, NHS bodies, Warwickshire Police,

universities, West Midlands Combined Authority, Coventry and Warwickshire Local Enterprise Partnership and Homes England.

12.6 WPDG investments may be of the following nature:

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

12.7 The value of any loan guarantees will be included in counting of the total value of loans issued as they allow a third party to call on a loan unilaterally.

12.8 Any investments of a convertible nature between equity and debt will be counted as the actual type of investment that they are at the given time.

12.9 For the management of risk, limits will be set by the Investment Strategy controlling the following:

- How much can be invested in each year;
- How much may be equity, capital, and revenue in nature; and
- The maximum duration of investments will be as set out in the detailed business plan.

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

12.11 The WPDG business plan includes potential investments over a significantly longer period of time, however actual approval for it is subject to viable detailed business cases for each individual investment and is also subject to the approval of an Investment Strategy with appropriate investment limits being approved at the necessary time. For completeness, the indicative total gross investment profiles proposed for the WPDG are set out in the table below. The table shows the *planned* investment. Annex 7 also sets out the *maximum* investment per year. The headroom this provides enables the Council and the company to function efficiently and effectively without the need for disproportionate governance approvals should circumstances change or opportunities arise, but at the same time keeping a hard limit to provide Council with certainty and assurance as to the maximum level of investment exposure that could be taken without further approval from members.

Table 1 – WPDG Gross Investment

Table 1 WPDG Gross Investment

Indicative Gross Investment £m	2024/25	2025/26	2026/27	2027/28	28/29	Total
Equity	15.73	11.42	11.37	15.01	5.56	59.08
Working Capital Loans (Revenue)	1.10	-	-	-	-	-
Total	**16.82**	**11.42**	**11.37**	**15.01**	**5.56**	**59.08**

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

12.13 The investment profile will be updated each year on a rolling basis. For example, before the actual investment limits for 2024/25 are proposed in the next annual Investment Strategy, they will be informed by experience to date of investments made in 2023/24.

13. Warwickshire Recovery and Investment Fund

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

13.2 A revision to the WRIF business case and strategy is being presented to Cabinet in January 2024 with updated investment levels for 2 of the pillars of the fund, and closure of 1 of the pillars.

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

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

13.5 Annex 7 sets out the limits on gross investment within each fund each year. Following a review of the WRIF, changes have been made to the original

WRIF plan. These limits are designed to control exposure to risk. The WRIF is made up of three sub funds with different risk profiles and therefore each sub fund has its own limit as follows:

	Maximum Investment over remaining 3 years of WRIF
Property and Infrastructure Fund (PIF) Capital Lending	£50m
Property and Infrastructure Fund (PIF) Revenue Lending	£4m
Local Communities Enterprise Fund (LCE) Revenue Lending	£10m
Total	£64m

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

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

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

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

14. Other Non-Treasury Investments

14.1 The Council already holds a number of investments that are non-treasury by nature. These investments are managed under existing procedures and protocols. This section sets out these investments.

Company Shares

14.2 The Council currently holds shares and debt with the following companies for the purposes of promoting the achievement of organisational objectives. These companies may provide a return on investment but that is not the primary reason for their existence.

- Warwickshire Legal Services Trading Ltd
- Educaterers Ltd
- University of Warwick Science Park Innovation Centre Ltd
- Warwick Technology Park Management Company Ltd
- Warwick Technology Park Management Company (No2) Ltd
- Eastern Shires Purchasing Organisation (ESPO)
- SCAPE Group Ltd
- Coventry and Warwickshire Local Enterprise Partnership
- Coventry and Warwickshire Waste Disposal Company
- Local Capital Finance Company Ltd
- UK Municipal Bond Agency PLC
- Border to Coast Pension Partnership Ltd

14.3 The share value relating to the above companies recorded in the 2022/23 accounts was £2.645m, with dividend income of £1.147m.

Company Loans

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

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

14.5 There is a £1.8m loan facility in place with Educaterers at a rate of return that tracks base rate to provide support to the company's cash flow.

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

14.7 The capital programme already includes allocations available for the purposes of making loans to local businesses who cannot raise funds through other means such as banks. This includes the following capital programme forecast for 2023/24.

Table 2 – Capital Programme Loans

Forecast £m	2023/24	2024/25 Onwards	Total Balance
Capital Growth Fund Business Loans and Grants	0.222	0.270	0.492
Capital Investment Fund/Duplex Fund	-	-	-
Capital Investment Fund/Small Business Grants	0.150	0.325	0.475
Total	**0.372**	**0.595**	**0.967**

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

Property Investment

14.9 The Council does not currently invest in property for the purposes of generating commercial income, however the Council does currently hold some assets for the purpose of generating future capital receipts.

Table 3 – Property Investment

£m	31/03/2023
NUNEATON/Land at former Magistrates Courts, Vicarage Street	0.238
NUNEATON/Land Adjoining 51 Queens Road, Queens Road	0.007
Attleborough Fields Industrial Estate Slingsby Close	0.907
NUNEATON/Former Manor Park Community School, Beaumont Road	3.187
ARLEY/ARC School (Former Herbert Fowler Junior School)	1.116
RUGBY/Great Central Industrial Estate, Great Central Way	1.497
ALCESTER/Former Area Library, Priory Road	0.300
Kineton/ River Meadows Care Home	0.112
ALCESTER/Meadow View H.E.P Kinwarton Road	0.721
WARWICK/Land at Heathcote Hill Farm	0.028
Former Priory Medical Centre	0.887
WARWICK/Land at Fusiliers Way	1.232
BEDWORTH/Former Manor Park Playing Field	0.192
WOLSTON/South Lodge Farm	1.689
DUNCHURCH/Blue Boar Farm, Lawford Heath Lane	0.481
DUNCHURCH/Blue Boar Farm-1	0.970
DUNCHURCH/Blue Boar Farm-2	0.041
Total	**13.387**

Investment Property as % of Total Fixed Assets	31/03/2023
Total Fixed Assets £m	1,421.05
% of Total Fixed Assets	**0.942%**

14.10 The value of these assets can change, and these assets generate a small amount of incidental income (approximately £500k in 2022/23). The properties classified as investment property had an asset value of £13.387m as at March 2023, which is 0.9% out of a full asset value in the balance sheet of £1.421bn.

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

15. Environmental, Social, and Governance Policy

15.1 As a responsible investor, the Council is committed to considering environmental, social, and governance issues, and has a particular interest in taking action against climate change and pursuing activities that have a positive social impact.

15.2 The impact of an investment in respect of climate change may be a consideration for investment decisions, with investments that help to prevent climate change, or help to cope with its impact, or which are resilient to its effects being desirable. Measurement of impact such as via carbon footprint will be undertaken where practical.

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

15.4 The ESG policy of fund managers and investment partners may be considered when making decisions, with the preference being for fund managers and partners who share similar values around ESG.

Annex 1

Public Works Loan Board – Lending Objectives

Type	Description
Service	Normal local authority capital spending, for example education, highways, transport, social care, public health, cultural services, environmental services, regulatory services, and Fire and Rescue Services, as would be captured in the MHCLG Capital Outturn Return.
Housing	Normal local authority general fund or housing revenue account activity, as would be captured in the housing sections of the DLUHC Capital Outturn Return. In principle this includes land release, housing delivery, and subsidising affordable housing.
Regeneration	• Addressing economic or social market failure by providing services, facilities, or other amenities of value to local people which would not otherwise be provided by the private sector • Preventing negative outcomes including through buying and conserving assets of community value that would otherwise fall into disrepair • Investing significantly in assets beyond the purchase price, developing assets to improve them and/or change their use • Generating significant additional activity that would not otherwise happen without the local authority's intervention, for example creating jobs and/or social or economic value • Investments that recycle income to related projects with similar objectives rather than income being applied to wider services
Treasury Management	Restructuring or extending existing debt from any source, including the restructuring of internal financing
Prevention of Social or Economic Decline	• Investments that prevent a negative outcome, for example conserving assets of community value that would otherwise fall into disrepair, or providing support to maintain economic activity that would otherwise cease • Investment where there is no realistic prospect of support from any other source • investments with a defined exit strategy so that investments are not held for any longer than is necessary to achieve their objective

DLUHC issued guidance following the 2020 PWLB consultation stating that authorities that invest make Non-Treasury investments for the above reasons will have access to PWLB lending.

Local authorities that choose to invest for other reasons, or who choose to invest purely or primarily for yield will not be allowed to access PWLB lending for a period of time. In these cases, lending will be available from other sources, however it is foreseeable that the credit rating and risk profile of a local authority will be adversely impacted where it been refused access to the PWLB, and this would foreseeably impact on the lending rates and terms made available to the local authority.

Annex 2

Investment Categories

Investment Type	Description
Specified Investments	Generally lower risk. These are sterling denominated, short-term, not capital by nature, and are made with counterparties with high credit ratings The Investment Strategy, will use the same criteria for the determination of specified investments as the Treasury Management Strategy
Loans	Generally higher risk than specified investments. In order to mitigate risk: • Credit risk and expected credit loss models will be used for loans and receivables. • Documented credit control arrangements will be used. • The value of loan guarantees will be counted against total lending exposure, whether or not a loan facility has been fully utilised. • Where a loan may be convertible to equity this can only be at the Council's discretion. No loans will be offered with any contractual commitment to convert them to equity.
Non-Specified Investments	This category covers all investments which are not specified investments, for example equity.
Non-Treasury Investments	This relates to physical assets which can be realised to recoup the capital invested. In order to mitigate risk: • The Council will monitor on an annual basis whether assets retain sufficient value to provide security. • Where security is sufficient, a statement should be made to this effect. • Where security is insufficient, a plan detailing the mitigating actions being taken to protect capital invested should be produced. • Where a loss is recognised in the accounts, the impact of this loss should be reported in an updated Investment Strategy. • Where the initial directly attributable purchase costs are greater than the realisable value of an asset, a statement setting out the timescales expected for the asset value to provide security for the sums invested will be made.

Annex 3

Risk Management

Risk	Risk Management
Business market itself is not sound	• Review of the wider market in which the counterparty operates
Counterparty is not financially sound or well governed	• Use of independent credit ratings or credit assessments • Review of published financial reports and accounts • Review of the wider business plans of the organisation • Review of the counterparty's business case for seeking Council investment • Undertaking bespoke due diligence on the counterparty's financial and governance position where appropriate. •
The counterparty investment plan is not sound	• Reviewing the specific investment business case methodology, rationale, and assumptions • Review of the specific market environment • Undertaking bespoke due diligence where appropriate.
The investment is not repaid	• Establishing security against counterparty assets where appropriate • Including appropriate wordings in loan agreements • Regular monitoring of loan repayments, with the information required from the counterparty being specified • Use of credit control processes • Regular monitoring of counterparty financial metrics • Use of shareholder powers in respect of shareholdings, for example voting rights, reserved shareholder powers, board membership rights, and access to company information. • Utilising internal expertise and external expertise to monitor and review investment risk. • Where appropriate providing information, guidance, and support to counterparties to assist them in navigating difficulties in making repayments. • Use of the expected credit loss model to account for investments. • Having exit strategies built into the investment plan.
The Council does not adequately understand an investment	• Commissioning of experts and external advisers where internal expertise is not available. • Use of competitive procurement processes to secure external advisers. • Use of specified contract terms and objectives, and proactive contract management, to direct external advisers. • Investments in new markets or endeavours will be profiled with lower investments in the initial years to provide proof of concept and organisational learning before investment levels are scaled up

Annex 4

Capacity, Skills, and Culture - Policies and Actions

	Actions
Capacity	• For investment funds ensuring adequate capacity is resourced at conception to deliver the fund objectives. • For individual investments, ensuring business cases include regard to the capacity required to deliver investment objectives for the Council and the counterparty. • Ensuring that investment costs are accounted for and covered by gross investment returns before net returns are counted.
Skills	• An annual training plan for Members closely involved in investment governance but noting that Members are not expected to be investment experts and require appropriate support and advice from experts. • Specific training on the prudential framework for officers and other stakeholders involved in negotiating investments • Commissioning of external expertise where internal expertise is not available • The use of appropriately qualified and experienced internal staff where necessary
Culture	• Reporting to Members and senior officers of lessons learned from other local authorities, where public reports are made available. • Ensuring no investment or counterparty is ever perceived to be “too big to fail”. • Ensuring that unsuccessful investments are identified and accepted as such as early as possible and that robust decisions are taken to prevent further losses, for example by investing further into an unviable project. • Ensuring a positive support and challenge culture. • A robust culture promoting consistent application of investment controls • Investment appraisals consider the long-term and the whole investment life-cycle. • Investment funds consider intergenerational fairness. • Conflicts of interest are transparent and proactively managed. • Risk management and performance management will be evidence based.

Annex 5

Indicator Definitions

Title	Purpose
Gross debt as a proportion of net service expenditure (to be monitored)	Demonstrates the scale of debt in comparison to the financial size and strength of the authority Indicates proportionality and whether the authority is taking too much risk in aggregate
Commercial income as a proportion of net service expenditure (to be monitored)	Demonstrates the dependence of the authority on commercial income associated with investments Indicates proportionality and whether the authority is taking too much risk in aggregate Note this indicator only relates to commercial income associated with non-treasury investments, therefore for example it excludes income from normal trading with third parties such as schools.
Loan to value ratio (to be monitored)	Demonstrates the amount of debt issued compared to the total associated underlying asset value Indicates risk of exposure to losses
Gross investment limits	To manage risk, limits will be set with respect to how much can be invested in non-treasury investments profiled across the medium term financial planning horizon at a high level, and provide a more detailed limits around investment durations for investments to be made in the coming year Gross limits are a hard limit in-year Net lending will be monitored and will inform the gross limits updated for following years
Non-treasury investment net borrowing as a percentage of net financing need (to be monitored)	Total non-treasury investments as a proportion of total capital financing requirement, assuming non-treasury related capital receipts reduce non-treasury related borrowing.
The expected net rate of return (to be monitored)	The overall expected net rate of return for investments This is the gross rate of return, less costs and fees, and less expected credit loss Returns are not risk-free, therefore higher rates of return indicate higher levels of risk

Annex 6

Investment Strategy Indicators

6.1 Gross debt as a proportion of net service expenditure

		2024/25	2025/26	2026/27	2027/28	2028/29
Gross Debt	£m	272.40	315.40	333.40	333.40	325.40
Net Service Expenditure	£m	610.13	606.01	616.67	635.12	658.00
Gross debt as % of net service expenditure	%	44.6%	52.0%	54.1%	52.5%	49.5%

6.2 Income as a proportion of net service expenditure

		2024/25	2025/26	2026/27	2027/28
WRIF income	£m	1.237	2.202	2.813	2.378
WPDG income	£m	1.306	3.513	3.300	6.498
Income (gross)	£m	2.543	5.715	6.113	8.876
Net Service Expenditure	£m	610.13	606.01	616.67	635.12
Commercial income as % of net service expenditure	%	0.42%	0.94%	0.99%	1.40%

Note - gross income represents income before having regard to costs

6.3 Loan to value

		2024/25	2025/26	2026/27	2027/28	2028/29
Total Loans (Capital)	£m	35.725	26.420	26.367	15.013	5.555
Asset Value	£m	to be monitored				
Loan to value	%					

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

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

		2024/25	2025/26	2026/27	2027/28	2028/29
Net Financing Relating to Non Treasury Activity	£m	29.306	9.027	- 0.243	- 13.338	- 19.616
Total Net Financing Requirement	£m	166.895	110.098	38.410	7.534	0.004
Non Treasury Borrowing as % of Total	%	17.6%	8.2%	* n/a	* n/a	* n/a

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

6.5 Expected Gross Rate of Return

	Approximate Average Rate of Return
WPDG	7%
WRIF - Property Fund	6.5%-7.5%
WRIF - LCEF	6%-15%

Annex 7 Investment Strategy Plan and Prudential Limits

7.1 Annual Gross Investment Plan - Medium Term

		2024/25	2025/26	2026/27	2027/28	2028/29	Total
WPDG - Equity	£m	-	-	-	-	-	-
WPDG - Development Loans	£m	15.725	11.420	7.365	10.661	0.150	45.322
WPDG - Owned Property Loans	£m	-	-	4.002	4.352	5.405	13.759
WPDG - Revenue Loans	£m	1.096	-	-	-	-	1.096
WPDG - Joint Venture Equity	£m	-	-	-	-	-	-
Sub Total - WPDG	£m	16.821	11.420	11.367	15.013	5.555	60.177
WRIF - BIG Fund	£m	-	-	-	-	-	-
WRIF - LCE (Revenue)	£m	3.334	3.333	3.334	-	-	10.000
WRIF - PIF Fund	£m	20.000	15.000	15.000	-	-	50.000
WRIF - PIF Fund (Revenue)	£m	1.000	1.000	1.000	1.000	-	4.000
Sub Total - WRIF	£m	24.334	19.333	19.334	1.000	-	64.000
Total	£m	41.155	30.753	30.701	16.013	5.555	124.177

Other Revenue Loans		2023/24	2024/25	2025/26	2026/27	2028/29
Other LATC Loans	£m	3.000	3.000	3.000	3.000	3.000
CWRT	£m	5.000	5.000	5.000	5.000	5.000
Total		8.000	8.000	8.000	8.000	8.000

7.2 Cumulative Gross Investment Plan - Medium Term

		2024/25	2025/26	2026/27	2027/28	2028/29
WPDG - Equity	£m	-	-	-	-	-
WPDG - Development Loans	£m	15.725	27.146	34.511	45.172	45.322
WPDG - Owned Property Loans	£m	-	-	4.002	8.354	13.759
WPDG - Revenue Loans	£m	1.096	1.096	1.096	1.096	1.096
WPDG - Joint Venture Equity	£m	-	-	-	-	-
Sub Total - WPDG	£m	16.821	28.242	39.609	54.622	60.177
WRIF - BGF	£m	-	-	-	-	-
WRIF - LCEF (Revenue)	£m	3.334	6.666	10.000	10.000	10.000
WRIF - Property	£m	20.000	35.000	50.000	50.000	50.000
WRIF - PIF Fund (Revenue)	£m	1.000	2.000	3.000	4.000	4.000
Sub Total - WRIF	£m	24.334	43.666	63.000	64.000	64.000
Total	£m	41.155	71.908	102.609	118.622	124.177

7.3 Maximum Investment Limits

	£m	2024/25	2025/26	2026/27	2027/28	2028/29
WPDG Capital Loans	£m	25.00	25.00	25.00	25.00	25.00
WPDG Revenue Loans	£m	4.00	4.00	4.00	4.00	4.00
WRIF PIF Capital Loans	£m	20.00	20.00	20.00	20.00	20.00
WRIF PIF Revenue Loans	£m	3.00	3.00	3.00	3.00	3.00
WRIF LCE Revenue Loans	£m	3.00	3.00	3.00	3.00	3.00
Other Revenue Loans	£m	7.00	7.00	7.00	7.00	7.00
Total	£m	62.00	62.00	62.00	62.00	62.00

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

7.4 Maximum Duration Limits

WPDG - Equity		Investment durations will be specified by each business case, subject to the investment limits set out in this strategy. The net investment limits above align with investment duration limits over the period of the MTFS.
WPDG - Development Loans		
WPDG - Revenue Loans		Revenue loans are short term by nature. The balance each year represents the lending facility available.
WRIF - LCEF	£m	5 years
WRIF - Property	£m	5 years

7.5 Equity Limits

		Equity Limits
WPDG		As specified by each business case, and subject to the specific limits set out in this strategy. If an equity investment is in the form of pre-existing owned property then the investment may go ahead if a higher value is due to revaluation only.
WRIF		No more than 10% of the gross investment budget for each year may be equity in nature

7.6 Maximum Investment Per Counterparty

WPDG		As per the gross investment values in Table 7.3
WRIF - LCEF		£500k
WRIF - Property		£10m