Resources and Fire & Rescue Overview and Scrutiny Committee

Date: Wednesday 21 February 2024
Time: 2.00 pm
Venue: Committee Room 2, Shire Hall

Membership
Councillor Adrian Warwick (Chair)
Councillor Parminder Singh Birdi (Vice-Chair)
Councillor Sarah Boad
Councillor Piers Daniell
Councillor Sarah Feeney
Councillor Wallace Redford
Councillor Will Roberts
Councillor Tim Sinclair
Councillor Richard Spencer
Councillor Robert Tromans

Items on the agenda: -

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

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

Monica Fogarty
Chief Executive
Warwickshire County Council
Shire Hall, Warwick

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Resources and Fire & Rescue Overview and Scrutiny Committee

Wednesday 13 December 2023

Minutes

Attendance

Committee Members
Councillor Adrian Warwick (Chair)
Councillor Parminder Singh Birdi (Vice-Chair)
Councillor Sarah Boad
Councillor Piers Daniell
Councillor Sarah Feeney
Councillor Wallace Redford
Councillor Will Roberts
Councillor Tim Sinclair
Councillor Richard Spencer
Councillor Robert Tromans

Officers
Rob Powell, Executive Director for Resources
Charles Barlow, Delivery Lead - Localities
Vanessa Belton, Business Intelligence Service Manager (Performance and Quality)
Benjamin Brook, Chief Fire Officer
Craig Cusack, Director of Enabling Services
Sarah Duxbury, Director of Strategy, Planning and Governance
Andrew Felton, Director of Finance
Liz Firmstone, Head of Finance Transformation and Transactions
Ayub Khan, Head of Libraries, Heritage and Culture and Registration Services
Chris Norton, Head of Investments, Audit and Risk
Emily Reaney, Lead Commissioner – Treasury and Investments
Mark Ryder, Executive Director for Communities
Dominika Stockham, Localities and Communities Officer (Stratford District)

Others Present

Councillor Andy Crump (Portfolio Holder, Fire & Rescue and Community Safety)
Councillor Peter Butlin (Portfolio Holder, Finance and Property)
Penny Barry (Public)
Jill Machadro (Public)

1. General

(1) Apologies

Councillor Daniell had sent apologies as he would be late for the start of the meeting.

(2) Disclosures of Pecuniary and Non-Pecuniary Interests

There were none.

(3) Chair's Announcements

There were none.

(4) Minutes of Previous Meeting

The minutes of the meeting held on 13 September 2023 were approved as an accurate record.

2. Public Question Time

Penny Barry addressed the Committee in relation to Item 4 on the agenda. She stated her belief there were anomalies in the proposals, and the evidence provided in the report did not take into account ‘over the border’ incidents that WFRS might be required to attend. She noted the report said that response times in the Stratford area would increase to an average of 13 minutes and 49 seconds for the first vehicle and to 20 minutes and 15 seconds for the second vehicle. Penny Barry stated her belief that no evidence had been provided that surge teams would be able to cover large scale incidents.

Jill Machadro also addressed the Committee in relation to Item 4 on the agenda. She stated her belief the figures used in the analysis were flawed as they did not take into the account the downturn in critical incidents during Covid lockdowns. She said there were now likely to be increased risks associated with electric vehicles and their charging points, and from a higher number of wood burners that had been installed in people’s homes. She said one of the areas that had been identified as being high risk under the modelling criteria was not showing as high risk on the heat map provided in the report. She also said there was no evidence of the costings that had been used to determine the recommendations.

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

There were no questions to Portfolio Holders.

4. Warwickshire Fire and Rescue Service: Resourcing to Risk

The item was introduced by Ben Brook (Chief Fire Officer), who reminded members the decision had been taken by Cabinet to publicly consult on option 2A. The consultation had now opened and would run until 10 March. A dedicated website had been set up that gave details of public meetings, data sets used in the modelling process, and how to take part in the consultation. Ben Brook said the costings had been independently verified by a Section 151 finance officer with more than 30 years of experience in the fire and rescue and other public sectors, and the proposals had been examined by another Chief Fire Officer. Ben Brook said the five years of data that was analysed had been broken down into two sets of two years either side of Covid and trends were looked at in these data sets, in addition to the overall figures derived from the five year period to give a clearer overall picture that took the Covid period into consideration.

Ben Brook said five public meetings would be taking place, and WFRS would be meeting with town and parish councils and business forums. More meetings could be arranged if necessary. Residents would be able to respond to the consultation online or via a paper submission if one was requested.

Councillor Boad said there had already been a lot of interest in the consultation, but this had resulted in a lot of confused and incorrect information being circulated on social media. She asked how often the WFRS social media feeds were monitored so the correct information could be put out. Councillor Boad said a lot of concerns had been raised over cover in the Stratford area, particularly as it appeared there would be three appliances covering a significant portion of the county between 10pm-8am. She said there needed to be a greater explanation as to how this would work, and also what a surge team was and how it would operate. Councillor Boad asked if members could be kept informed as to what was happening with the consultation so they would be able to answer any questions residents may have. Ben Brook said it was important the correct information was put out, which was why the public meetings and workshops were taking place. He said WFRS was open to suggestions for other methods of obtaining solutions. Ben Brook said the rationale behind the proposed reconfiguration was so greater resources could be in place where they were more likely to be used. He said there were, on average, 85 incidents in Nuneaton each year where life and/or property was in danger, compared to areas like Bidford or Fenny Compton where the number of incidents was in single figures. He said if the WFRS budget allowed for appliances to be at a greater number of locations then they would be.

Responding to questions from Councillor Feeney, Ben Brook said WFRS was receiving a large number of requests for data and other queries. It was anticipated the frequently asked questions section of the consultation website would be updated every two weeks through the cycle of the three month consultation. Ben Brook said he was co-Chair of the Local Resilience Forum with officers from the other emergency services, and they had had the opportunity to input their views into the consultation.

Responding to a question from Councillor Sinclair, Ben Brook said availability at some on-call fire stations was less than 50 per cent. Information on the surge teams and how they would work would be provided at the meetings and workshops. He said that work was already underway to analyse the results of the consultation, and for it to be reviewed by Cabinet prior to a final decision being made by Full Council in July. Members asked if the results of the consultation could be looked at by the Overview and Scrutiny Committee, and it was agreed this would take place.

Councillor Boad said it was important residents were not disenfranchised, and paper versions of response slips were available in appropriate locations such as libraries and fire stations. Members agreed to this, although Councillor Crump said not all fire stations were open all the time so it would not necessarily be feasible for people to pick up a form.

Members noted the contents of the report. They asked for the report to return to the Committee for an update prior to the decision being made by Full Council, and for copies of the consultation documents to be made publicly available at libraries and fire stations to allow as many people as possible to participate.

5. VCSE Sector Support Services Progress Report

The item was introduced by Charles Barlow (Head of Community Partnerships), who reminded members it had been agreed to review the VCSE sector support service after a year of operation. It had been in place since 1 April 2022 and would run for three years, with an option to extend that for a further 24 months. Charles Barlow said at the end of the first year all services were performing well against their outcomes in each service specification. He said this was in spite of a challenging landscape for the community and voluntary sector. There had been extensive stakeholder engagement and strong elements of coproduction with the voluntary sector had been demonstrated. Two rounds of market testing had taken place, which identified how to apply social value to a greater degree than previously and how digital delivery would be implemented as among the key factors. How services would play their part in reacting to climate change had also been considered. The service specification also took into account community power, asset-based ways of working and the levelling up agenda. The specification sought to move towards an outcome-based service. A tendering process had been carried out and all services were now being successfully delivered.

Members said the report was very positive and provided a great level of detail of the successes of the three different delivery strands. Members agreed to record their thanks to officers for their hard work and efforts.

Responding to a question from Councillor Tromans, Charles Barlow said each of the suppliers had their own boards of directors that provided an additional layer of scrutiny. The performance metrics produced by each of the suppliers was uploaded into the Council's performance management system. Charles Barlow said the national Citizens Advice Bureau had a very robust scrutiny process and local data samples would be supplied on a weekly basis and go through vigorous overview and scrutiny.

Members noted the contents of the report.

6. Warwickshire Waterways Strategy - progress report and action plan

The item was introduced by Ayub Khan (Head of Libraries, Heritage and Culture and Registration Services), who reminded members that Cabinet had agreed to the creation of a Waterways Strategy in 2021. Among its aims were the promotion of safe travelling, water safety and combatting climate change. It was also intended to develop the sense of place by encouraging more visitors to use Warwickshire's waterways, including through the use of waterside paths by walkers and cyclists. Partnerships had been created, the most notable being with the Canal and River Trust and the Warwickshire Wildlife Trust.

Ayub Khan said the biggest piece of work conducted as part of the strategy was a survey of the towpath network. This highlighted where improvements needed to be made as part of the wider strategy to make Warwickshire more accessible for walkers and cyclists, with a report of more than 100 pages being compiled as a result. Members were also told the South Warwickshire GP Federation had helped to identify ways in which the strategy could help meet social prescribing needs.

Responding to a question from Councillor Boad, Ayub Khan said there would be annual progress reports on the development and implementation of the strategy.

Councillor Feeney said it was important to ensure that towpaths were wheelchair accessible. She said it was also important to preserve buildings with a cultural or heritage significance. She said there were still active communities associated with canal locks, and some buildings alongside lock gates had been demolished.

Councillor Butlin said consideration needed to be given to joint use of some paths by cyclists and walkers, because in some places paths were not wide enough to accommodate both. Ayub Khan said the Canal and River Trust had provided the Council with ways of measuring footfall to improve knowledge of which routes were seeing the most use, and where improvements needed to be made.

Members noted the contents of the report and the action plan.

7. Library Performance and Membership

The item was introduced by Ayub Khan, who said the report had a focus on the use of Warwickshire's libraries by children and young people. He said it had been difficult to provide comparative data on library as the way they were used and organised had changed during the fallout from the Covid pandemic. Once this had settled it would be possible to have a benchmark for future reports to the Committee, and it would be possible to get trend data. However it was positive to note there had been a 15 per cent increase in the digital use of libraries, and visitor numbers had returned to pre-Covid levels. Libraries had also been used as warm hubs throughout the winter to help members of the public with the cost of living crisis. New services had been introduced that enabled people to improve access to other digital services.

Ayub Khan said the registration service had been updated, so when a birth was registered the newborn would automatically be issued with a library membership card.

Responding to a question from Councillor Feeney, Ayub Khan said the library service had succeeded in its bid to become a National Portfolio Organisation. This would enable the library service to access funding through the Arts Council to provide additional activities, programme delivery and staff training. Ayub Khan said it was the only library service in the West Midlands with this status; other organisations with NPO status included the Royal Shakespeare Company and the Shakespeare Birthplace Trust. He said libraries were not usually eligible for funding because it was a statutory service, but evidence had been provided on the additional activities and programmes delivered by the Warwickshire library service. One of the programmes that would be introduced in the new year was the human library where a person could be 'borrowed' to talk about their experiences.

Responding to a question from Councillor Redford, Ayub Khan said libraries had been supplied with books for children with dyspraxia and autism, and group reading sessions were being encouraged. There had been a move to make libraries autism friendly and improved staff training had been given. Sessions at Stratford library that included the use of blackout curtains to prevent sensory overload had been trialled and had been successful. It was hoped this could be extended to other libraries. Ayub Khan said permission had been sought to apply for funding for a sensory friendly vehicle, which could be driven to where it was needed.

Responding to a question from Councillor Boad, Ayub Khan said the number of young people using libraries tended to drop off through secondary school, before increasing again when the young people started attending college. This was a national trend. Different activities, such as video clubs, had been trialled at the libraries in Nuneaton and Rugby to encourage greater use. Ideas for further clubs was being sought.

Ayub Khan said since the Covid pandemic there had been fewer people volunteering at libraries. This was more of an issue in the south of the county compared to the north.

Regarding children who were electively home educated, Ayub Khan said they had additional privileges that enabled them to withdraw more books at a time and keep them for longer.

Ayub Khan said the library service had an existing link with the Royal Shakespeare Company, and schools could ask for an actor to attend and give a short performance and encourage children to get into acting. All libraries also had a link to the National Theatre.

Members noted the contents of the report.

8. County Councillors' Grant Fund 2020 to 2023

The item was introduced by Dominika Stockham (Localities and Communities Officer), who said the report outlined what had been covered by the Grant Fund. She said the first round of funding had been simplified to make money available more readily, and to make the eligibility requirements less onerous, to help a wider number of projects affected by the Covid pandemic. Over the last three years there had been a total of 1,494 applications for grants. Of these, 74 per cent had been successful in obtaining funding. For the 2023/24 financial year, the amount of funding available had been increased from £6,000 per Councillor to £8,000. This was a reflection of the Community Powered Warwickshire initiative. Dominika Stockham said the allocation of the grant funding had had a positive impact on residents' health and wellbeing, and this was something that had been noticed by the elected members.

Councillor Boad said the deadline for the next round of funding was June, but groups wishing to seek funding would either have to apply very early or very late as there may be issues associated with Purdah in the run-up to local elections.

It was confirmed that a joint bid for funding could be made by more than one councillor, if money was needed for a project going across more than one ward.

Members said they were unanimous in their support for the grant funds, saying they had given enormous benefits to their residents.

Members noted the contents of the report.

9. Quarter 2 Integrated Performance Report

The Chair informed members that Andy Felton (Director of Finance) would be leaving Warwickshire County Council and this was his final Committee meeting. He thanked him for his years of service and for all his help assisting the Committee.

The item was introduced by Craig Cusack (Director, Enabling Services). He said that of the key business measures relevant to this Committee, 52 per cent were not on track. Three of the measures that had been rated as being on track at the end of quarter 1 were now not on track. Craig Cusack said there had been an increase in demand, and costs and resources associated with those key business measures. This included a 59 per cent increase in the number of applications for the welfare scheme. However, there had been an improvement in the performance of the WRIF.

Councillor Boad noted that some of the targets relating to the Fire and Rescue Service were not being met, and this was why the future organisation of the service was being consulted on. She said some of the targets related to the number of casualties involved in traffic accidents, but there was little WFRS could do to prevent those accidents from occurring. Ben Brook said the number of collisions had increased, and but the severity of the injuries received had lowered. He said the information available on Power BI for members to view had helped to shape the proposed reconfiguration of WFRS that was now being consulted on. The Chair said the figures relating to traffic collisions and fires attended needed to be collated, but added that consideration should be given to the data not being used as a performance indicator.

Responding to a point raised by Councillor Sinclair, Andy Felton said it was likely there would be an increase in the number of schools that would be running with a budget deficit. Audits had been taking place to check financial processes in schools. Some had had audits that provided limited assurances. Andy Felton said support was available directly through the education finance team and the schools action group, which would look to provide interventions at as early an opportunity as possible to prevent issues from escalating.

Members noted the contents of the report.

10. Capital Financial Management Project - Closure Report

The item was introduced by Liz Firmstone (Head of Finance Transformation and Transactions). She said a review had been undertaken, which listed a series of recommendations for improving ways of working. A long-term investment in infrastructure was essential to help deliver the priorities that had been identified, although this was being done against an increasingly challenging financial landscape of increased energy costs, borrowing costs, inflation and high competition for resources. These challenges, and cost increases and delays to some major projects, were key drivers to the project. Liz Firmstone said the project's recommendations, which would reduce risk and improve governance, had now been implemented. Capital management would now be more clearly driven by the Council's priorities.

A key change had been the creation and implementation of a Capital Strategy Group, which comprised directors involved in the key elements of the capital programme. Other priorities implemented included a new fund to resource costing exercises for new projects. These schemes could bid for funding that would enable them to do more detailed design work, so that future costings would be more accurate and reliable. There was also a revised budget monitoring model that included new performance measures to assess which schemes were delivering on time and on budget. A report summarising examples of good practice and lessons learnt was due to be published in the new year.

Councillor Sinclair stated his belief there was a difference between delivery of a project, and what that project would achieve. He said future reports should outline whether a project's initial target was met. Councillor Sinclair gave the example of the Stratford park and ride scheme, which he said had had a large amount of capital spent on it but was still being under utilised. Liz Firmstone said the annual report included case study examples that showed the outcomes that were successfully delivered. Councillor Tromans said it was his understanding that it had previously been agreed that benefits realisations of capital projects were to be included in future reports. Rob Powell (Executive Director, Resources) said benefits were matters to be considered by the relevant Overview and Scrutiny Committees, but that officers could consider proportionate mechanisms to report on benefits tracking in future, taking account of the significant resource constraints facing the Authority.

Councillor Butlin said many capital projects related to schemes that were vitally important, such as schools and road improvements. In many cases the amount of funding required and timescales had been too optimistic, leading to overspends and, in two instances, requests for more funding to be made available. He explained the report sought to address these issues.

Members noted the changes implemented as a result of the project and the outputs and benefits delivered, and agreed that the project had now been completed and any further continuous improvement activity should become part of "business as usual" activity.

11. Treasury Management Half Year

The item was introduced by Chris Norton (Head of Investments, Audit and Risk). He said £49million of debts had been repaid, which meant the amount of borrowing was now under £300million and had delivered a significant revenue saving to support the MTFS. Cash balances had fallen below £400million, which meant the Council was now able to borrow against its internal resources instead of having to go to an external loan board. Investments had been made in housing associations to improve the portfolio's diversification, and other investments had been withdrawn from other funds that were no longer considered suitable. Good returns on investments were being generated, as they were low risk.

Chris Norton said there had been the option to pre-pay pension fund contributions over 90 per cent. The decision had been taken not to do this due to the volatility of the market, and this had transpired to be a sensible choice. There were £200million in loans to other local authorities outstanding, but there had been no defaults on keeping up with any payments despite financial challenges across the sector.

Responding to a question from Councillor Sinclair, Chris Norton said it was difficult to make any predictions and the Council's strategy did not rely on having to make market forecasts. The main issues relating to treasury investments were the security of the cashflow, and its liquidity as this would ensure money was available to finance what it was needed for. Andy Felton said it was anticipated interest rates would remain high for the foreseeable future, and the Council's cash balance would start to come down over time.

Members noted the contents of the report.

12. Work Programme

Members noted the contents of the work programme. It was agreed to add an update item regarding resourcing to risk to the work programme.

13. Any Urgent Matters

There were no urgent matters arising.

The Chair thanked everyone involved with the Committee for their work over the last year and wished everyone a happy Christmas.

The meeting rose at 4.30pm

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Chair

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Resources and Fire and Rescue Overview and Scrutiny Committee

21 February 2024

Warwickshire Futures – looking ahead to 2030/40

Recommendation(s)

That the Resources and Fire and Rescue Overview and Scrutiny Committee

1. Notes the trends and themes highlighted in the 'Warwickshire Futures 2030/40' and 'Warwickshire in 2030 and beyond' reports and considers how they may relate to ongoing and future policy development.

2. Considers the Committee's current work programme in light of the Warwickshire Futures work.

1. Executive Summary

1.1 Warwickshire Futures introduces an exciting new capability to the County Council for 2024.

1.2 Conducted in Summer/Autumn 2023, the exercise brings together thinking, best practice and research from across the sector, together with the insight and intelligence from our own teams and services, to give a long-term view of some of the large-scale challenges and opportunities for Warwickshire, and Warwickshire County Council, into 2030/40 and grouped into five main themes:

- Societal change
- Community and health
- Jobs, economy and technology
- Environment, climate and infrastructure
- Transport and travel

Five priority issues have also been identified, which are detailed in 4.4.

1.3 Similar exercises are conducted at national and regional level and so the intention of introducing Warwickshire Futures is to provide a specific view for the County and the Council.

1.4 In doing so, the aim is to build a perspective on the long term, stretching past current challenges and decisions, whilst helping to ensure these are made in the context of anticipated future trends and policy direction.

1.5 This allows for a consideration both of future challenges, but also opportunities, giving Members and Officers the platform to consider future policy in the context of the long term.

1.6 This is the first time that a document such as this has been developed within the Council and it should be emphasised that the Futures work is not a precise science and nor does it present a definitive position.

1.7 This exercise is intended to:

- Provide a snapshot in time, giving a flavour of some of the key issues and trends on the horizon.
- Create a lens on the long-term future challenges and opportunities based on this snapshot in time.
- Link these themes and make them real for the County Council in the context of Warwickshire.
- Create a holistic resource that can be continuously updated and regularly reviewed as part of the business planning cycle.

1.8 There is a high level of uncertainty at the local, national and global level at the current time. Futures work is therefore indicative and open to debate and interpretation in terms of what this means for the near term as well as the longer term. As stated above, it is not a precise science and provides scenarios and options, rather than definitive outcomes.

1.8 In terms of actions, there are no immediate actions required, but it is hoped that the Futures work will provide the Committee with a greater insight into future trends and challenges, and the opportunity to consider this in the context of the Committee's future work programme.

2. Financial Implications

2.1 There are no direct financial implications arising as a result of this report. However, specific themes and trends discussed within the report will be likely to have their own potential financial consequences.

3. Environmental Implications

3.1 Whilst there are no direct environmental implications arising as a result of this report, environmental changes are themselves a major theme. As such, the exercise highlights the importance of considering environmental implications when making policy decisions in the near, medium and longer term.

4. Supporting Information

4.1 The Futures exercise is made up of two main products:

- "Warwickshire in 2030 and beyond", a report from Business Intelligence which takes a data-lead approach to examine potential future changes across the county.
- "Warwickshire Futures 2030/40", a detailed briefing produced by the Corporate Policy team, that uses national data, research, and best practice examples to provide a long-term view of the policy landscape and impacts on the work of the Council.

Each of these products are provided in **Appendices 1 and 2** to this report.

4.2 In reaching this point the material and messages have been shared and tested with Strategy Network, Senior Leadership Forum and Corporate Board to ensure they provided a rounded and balanced view across all service areas.

4.3 We have identified five priority issues that are likely to have significant impact across the organisation into 2030/40 and beyond. There is a natural synergy between these themes and with the priorities and the areas of focus set out in the Council Plan 2022-27. However, it should be noted that the Futures work extends beyond this and touches more on long term, mega-trends and therefore there is not an exact match.

4.4 These five priority issues are:

- Demographic shifts
- Global economic and political uncertainty
- Climate change
- Artificial Intelligence
- Inequalities between groups and places

4.5 The 5 themes and full list of areas of analysis are set out below:

Societal changes	Community & Health	Jobs, economy & technology	Environment, climate and infrastructure	Transport & travel
• Demographic shifts • Global economic and political uncertainty • Deglobalisation • Changing footfall patterns in town centres • Inequalities within and	• Workforce challenges • Political engagement • Public trust • Future of devolution deals and combined authorities • Long-term impacts of the Covid-19 pandemic	• Digital connectivity • Local energy sources • Sustainable local economy • Artificial intelligence • Future skills • Future of workspaces • Skills gap, reskilling and	• Public support for environmental policies • Evolving national government policy • Climate change • Alternative fuels (inc. electric	• Travel and transport demand • Connectivity • Energy vectors (power sources) • Autonomy • Transport infrastructure • Active travel

between groups and places • Shifting urban/rural living patterns • Changing living situations • Ongoing impact of pandemic on educational outcomes	• Emerging health issues • Mental health and loneliness • Governance of health and social care	future employment • Town centre regeneration	charging infrastructure) • Housing pressure (green and right type)	

The emerging themes and trends identified of being of particular significance to the Resources and Fire and Rescue OSC are the following. Full descriptions can be found within the full report in Appendix 1.

- Workforce challenges – alongside challenges in particular teams, we will need to consider innovative approaches to our employee offer to attract and retain senior officers, and the next generation of staff members.

- Political engagement and public trust – a possible focus on co-production and co-delivery of services within communities to build trust, social cohesion and community relationships, building on our Community Powered Warwickshire approach. We will need to be ready to explore innovative approaches to local democracy.

- Digitalisation – as organisations shift away from a physical presence towards much greater reliance on the internet, we will need to consider the digital divide, as well as how we can maximise our own use of digital technologies across services and internally.

- Mental health and loneliness as a growing area of need – responding to demand and adapting services.

- Building a Fire and Rescue service for the future – what does a modern FRS look like, how can diversifying its role help to meet emerging challenges.

4.6 These themes will be drawn out in more detail as a presentation to the Committee.

5. Timescales associated with the decision and next steps

5.1 Following consideration of the reports across all Overview and Scrutiny Committees, the following activity is planned:

- Integration of the Futures tool into the business planning cycle, with a 6-monthly update based on input from service leads.
- Integration into the monthly Policy Bites publication, managed by the Graduate Management Trainees within the Corporate Policy and Strategy team.

- Access for all staff and Members to the key products via the Intranet.

Appendices

1. Warwickshire Futures 2030/40
2. Warwickshire in 2030 and beyond, Business Intelligence report

	Name	Contact Information
Report Author	Gereint Stoneman, Sophie Kitching	gereintstoneman@warwickshire.gov.uk, sophiekitching@warwickshire.gov.uk
Director	Sarah Duxbury, Director of Strategy, Planning and Governance	sarahduxbury@warwickshire.gov.uk
Executive Director	Rob Powell, Executive Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Yousef Dahmash, Portfolio Holder for Customer and Transformation	yousefdahmash@warwickshire.gov.uk

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

Local Member(s):N/A – county-wide matter
Other members:

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Resources and Fire & Rescue Overview and Scrutiny Committee

21 February 2024

Estates Master Planning Programme

Recommendations

That the Resources and Fire & Rescue Overview and Scrutiny Committee:

1. note the update on the current programme position for Estates Master Planning; and

2. note the current performance of the Warwickshire Property and Development Group (WPDG) against their 2023 Business Plan (January 2022-December 2023).

1. Executive Summary

Estates Master Plan

1.1 The Estates Master Planning Programme (EMP) is designing and delivering a Council countywide asset disposal programme. This programme is supporting the rightsizing, alignment, and, where suitable, disposal of assets to ensure optimal utilisation and service delivery can take place.

1.2 An EMP report was previously presented to this Committee on 15 December 2021. The report set out the continued development of the redesign of Shire Hall and Old Shire Hall, aligned to the reinstatement of services. This element was successfully delivered during the challenges of the Covid pandemic, embedding a repurposed and modernised Shire Hall that visibly supports effective agile working and exposure to new opportunities for collaboration. Benefits have been evidenced by increased utilisation of the overall site, teams exploring new ways of working, and positive outcomes for business delivery.

1.3 Since May 2022 when development of the site began, average utilisation has doubled. Further, 5 new collaboration areas have been installed and are the highest single usage of any working type of space at over 60% utilisation, reflecting the very different way in which colleagues use our shared office space.

1.4 The EMP has applied the best practices from this success in delivering a repurposing programme of the remainder of the central Warwick estate, highlighted as follows:
  a) sub-letting four floors at Saltisford Office Park with early discussions taking place of a fifth leasing opportunity;
  b) centralising conferencing and meeting facilities in Shire Hall and Old Shire Hall, resulting in the potential future disposal of Northgate House;
  c) commissioning a Shire Hall access audit and report to ensure that the property meets with the requirements of Section 3 of the Equality Act 2010 (previously Disability Discrimination Act) and taking steps to assure compliance;
  d) supporting parking with ANPR technology; and
  e) improving Council chamber technology with the introduction of large screen technology and the ability to hold hybrid meetings where appropriate.

1.5 The EMP intends to introduce a third phase to create an asset disposal programme, which provides the Council with a complete oversight of the status of all assets. The overall aims are to:
  a) ensure that the Council can confidently be assured that all assets are efficiently used from a business utilisation and fiscal perspective, and align to best practises and locations for optimum service delivery; and
  b) assets appropriate for disposal are identified at the earliest opportunity.

1.6 The objectives are as follows:
- identifying and accessing data sources to create the Council asset portfolio;
- creating a single source of accessible data, ideally a property dashboard;
- analysing data to identify current considerations for each asset;
- engaging with Services to identify and support property requirements in the short, medium, and long-term, and develop a Service Asset Management Strategy;
- making recommendations that support the optimum use of assets and identify efficiency savings and investment opportunities;
- considering opportunities with partners supporting the One Public Estate principles and aligning to future grant funding opportunities; and
- designing a phasing plan of changes to the asset portfolio, ensuring that it is aligned to the estate rationalisation savings set out in the Medium-Term Financial Strategy and contributing fully to the Sustainable Futures Strategy and 2030 net zero target.

WPDG

1.7 WPDG is an arms-length company wholly owned by Warwickshire County Council, which includes property development and property management subsidiaries in addition to a 50:50 joint venture with Countryside Homes Plc (with 30% owned by the Council and 20% by WPDG) to support the Council’s objectives in relation to regeneration and renewal, along with ensuring best use of assets. WPDG submits an annual business plan for approval by

Cabinet, and delivery against this business plan is monitored through the year via an Officer led Governance Group as well as a Member Oversight Group. It was agreed as part of the Council's governance for WPDG that an update on the financial performance would be brought for consideration to the Resources and Fire & Rescue Overview and Scrutiny Committee twice a year.

1.8 WPDG's financial performance for 2023 was positive overall; despite some delays to specific sites due to factors beyond the company's control, financial performance has been better than planned. See table below for specific key performance indicators.

WPDG 2023 Peformance Against Approved Business Plan		Full Year 2023 (1st Jan-31st Dec)			Comment
Performance Measure	Units	Business Plan	Actual	Variance	
Programme - no of Site Specific Business Cases Developed and Approved at WPDG Board	No. Business Cases	7	3	-4	Development of a few sites delayed due project issues beyond control of company (i.e. planning). 2024 Business Plan to include contingency for future similar delays in approval timetable.
Total Borrowing levels	£'000 000s	£ 13.4	£ 8.0	-£ 5.4	Borrowing profile consistent with plan against approved site specific business cases.
Working Capital Borrowing	£'000 000s	£ 1.5	£ 1.5	£ 0.0	On Track - as per Business Plan.
Finance - Profit before Interest (Cumulative year to date)	£'000 000s	-£ 0.055	£ 0.183	-£ 0.238	Variation due to timing of site specific business cases. No material impact to Council MTFS.

2. Financial Implications

EMP

2.1 Commercial lettings – EMP phase 1 has identified an income stream of c.£4m for the lease of the Saltisford offices for the current period of the MTFS (c£0.8m a year), which requires some up-front capital investment which was subject to a Cabinet decision earlier in February 2024. Where decisions have been taken the lease rental/disposal income is already reflected in the 2024/25 to 2028/29 MTFS where it is confirmed. Further opportunities with either commercial leases or disposals will be assessed and collated on each occasion an asset is disposed of.

2.2 There is expected to be a significant reduction of utility costs as assets are disposed and the overall portfolio reduces to the correct size.

2.3 There may a need for further 'spend to save' investment to fund refurbishment or dilapidations of assets before entering disposal and/or sale/lease negotiations. These will be identified and acted upon as the programme rolls out, with any need for additional resources to support this activity likely to require additional allocations from the Capital Investment Fund.

WPDG

2.4 There is no immediate impact on Council's MTFS in relation to WPDG Business Plan performance, and risks in terms of timing of dividends are covered via the Commercial Risk Reserve established for that purpose. Officers will continue to monitor Company performance on an ongoing basis.

3. Environmental Implications

3.1 The positive contributions by the EMP disposal programme are projected to be:

- contributions towards the Council's objective of reducing its environmental impact and becoming net zero by 2030;
- a reduction in the overall Council estate that will lead to reduced carbon emissions, supporting the next zero carbon targets;
- the inclusion of new ways of working, incorporating better ways of recycling, monitoring of waste and incorporating transport considerations, inclusive of electric vehicle systems where appropriate.

4. Timescales associated with the decision and next steps.

- EMP Asset Review Programme to commence from 8th January 2024.
- Data analysis to identify potential Assets for Service changes, letting and / or disposal opportunities to be completed by 31st March 2024.
- Asset changes to begin from Summer 2024.

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

NA

Resources and Fire & Rescue Overview and Scrutiny Committee

21 February 2024

Annual Review of Our People Strategy 2023/2024 and Delivery Plan 2024/2025

Recommendation

That the Committee notes the activity as set out in the 2023/24 Annual Review of Our People Strategy and considers and comments upon the proposed delivery priorities to inform the development of the Our People Strategy Delivery Plan for 2024/25.

1. Executive Summary

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

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

1.3 Whilst some of our major projects and initiatives will continue into 2024/25, we have identified some key activities to best support the delivery of the Council Plan and respond to the internal and external employment challenges we are currently facing. These include the Council's key priority themes of strategic workforce planning; reward and recognition; recruitment and retention; leadership; and EDI and wellbeing.

1.4 Following input from the Overview and Scrutiny Committee, the Annual Review and 2024/25 Delivery Plan will be considered for approval by the Staff and Pensions Committee. Once approved, the Annual Review will be shared with a wider audience to support the Council's ongoing employee offer and the ongoing recruitment and retention of our people by continuing to confirm our commitment to making Warwickshire a great place to work.

2. Financial Implications

2.1 None.

3. Environmental Implications

3.1 None.

4. Supporting Information

4.1 The following outlines our year three achievements, our measures and our proposed priorities for 2024/2025. These focus around:
- Strategic Workforce Planning
- Recruitment and Retention
- Reward and Recognition
- Leadership
- EDI and Wellbeing

4.2 **Culture Leadership and Performance**

Year 3
- Wellbeing check-in, flu vaccinations, procured Occupational Health and EAP Provider and refreshed attendance policy.
- Community teams project.
- Updated agile working principles.
- Launched approach to EDI, changes to socio mobility recording and refreshed bullying and harassment policy.

Measures
- YourSay engagement levels and EDI indicators remained positive.
- Absence has started to increase.

2024/25
- Proactive action to reduce absence, maximise wellbeing offer and gain Silver Thrive.
- Embed approach to EDI, work closer with network groups, maximise employee experience for people with disabilities and support the levelling up agenda.

4.3 Leadership

Year 3
- Launched leadership approach, offer and development programme.
- Launched first HR dashboards for managers.

Measures
- YourSay Engagement scores for our leaders and managers remained positive.

2024 /2025
- Embed leadership approach and develop a manager's guide.
- Further develop dashboards for managers

4.4 Organisational Development and Design

Year 3
- Strategic Workforce planning Pilot.
- Reviewed our Tier 1-4 job titles.

Measures
- Headcount has increased by 3.7%.

2024 /2025
- Implement our strategic workforce planning framework.
- Review our establishment process.
- Build data driven culture and develop data literacy capability.

4.5 Performance

Year 3
- Refreshed Performance Improvement Policy.

Measures
- Our YourSay High Performance culture score remained positive.

2024 /2025
- Scope our approach to performance.
- H&S performance Management system.

4.6 Reward and Recognition

Year 3
- Consolidation of benefits offer, with development of newsletter, gym memberships, share cost AVCs and lease cars.
- Started to review approach to pay and reward and updated market supplement policy.
- Updated our Star and Long Service Awards.

Measures
- 82% of our people are committed to working here.

2024 /2025
- Continue to review our reward and recognition strategy.
- Showcase our benefits offer, implement Cost Share AVCs and Lease Cars schemes and continue to review other opportunities.

4.7 Talent Development and Career Opportunities

Year 3
- Recommissioned our temporary agency workers' contract.
- Increased our work experience placements.
- Consolidation of career pathways
- Review of our Learning and Development offer

Measures
- Management of 1000+ WCC recruitment campaigns
- 91% satisfaction across all L&S programmes.

2024 /2025
- Onboard and embed our temporary agency workers' contract.
- Strategic review of resourcing model
- Scope our approach to talent development
- Develop a grow our own toolkit and widen apprenticeship and graduate opportunities.

4.8 **HR Service Improvements**
Year 3
- Refreshing key policies and legislative changes around holiday pay, Fire HMIC Spotlight requirements
- Starters Leavers and Movers (SLAM) review
- Scoping future HROD System requirements

2024/2025
- Implement SLAM outcomes.
- Changes regarding family friendly legislation

4.9 Full details of the proposed activities can be found on page 9 of appendix A.

Appendices
1. Appendix 1 – Our People Strategy Annual Review (2023/24) and Year 4 (2024/25) Delivery Plan

Background Papers
None

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

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

Best Warwickshire

OUR PEOPLE

Focus on Our People Strategy

Annual Review - 2023/24 & 2024/25 Plan.

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

Warwickshire County Council

Best Warwickshire

Our People Strategy
Warwickshire's Story

We are now entering the fourth year of Our People Strategy and I am once again pleased to introduce our annual review, which updates on progress made in 2023/2024 and the planned priorities for 2024/2025

It has been good to see so many examples of innovative activity to deliver our people strategy and continuing positive engagement and feedback from our people about the Council as a place to work. We still have much to do and are looking forward to continuing our journey to make Warwickshire a great place to work, where diverse and talented people are enabled to be their best.

Highlights from the last year have included the introduction of a new leadership offer, reviewing our benefits offer and the development of workforce dashboards, to support of workforce planning ambitions.

As we move forward, we have identified a number of priority activities under the key themes of:

- Strategic workforce planning
- Recruitment and Retention
- Reward and recognition
- Leadership
- Equality, diversity inclusion and wellbeing

Our people are at the heart of our success, and therefore prioritising their experience though the Our People Strategy, enables us to thrive and deliver great outcomes for the residents of Warwickshire.

OFFICIAL

At a glance

The Our People Strategy provides direction and focus for the development and implementation of a range of projects and initiatives under six building blocks. A summary of our year 3 2023/24 activity, measurement of success and priority actions for year 4 2024/25 are as follows:

Culture Leadership and behaviours

Year 3

- Wellbeing check-in, flu vaccinations, procured Occupational Health and EAP Provider and refreshed attendance policy.
- Community teams project.
- Updated agile working principles.
- Launched approach to EDI, changes to socio mobility recording and refreshed bullying and harassment policy.

Measures

- YourSay engagement levels and EDI indicators remained positive.
- Absence has started to increase.

2024 /2025

- Proactive action to reduce absence, maximise wellbeing offer, and gain Silver Thrive.
- Embed approach to EDI, work closer with network groups, maximise employee experience for people with disabilities and support the socio-mobility agenda

Leadership

Year 3

- Launched leadership approach, offer and development programme.
- Launched first HR dashboards for managers.

Measures

- YourSay Engagement scores for our leaders and managers remained positive.

2024 /2025

- Embed leadership approach and develop a manager's guide.
- Further develop dashboards for managers

Organisational Development and Design

Year 3 –

- Strategic Workforce planning Pilot.
- Reviewed our Tier 1-4 job titles.

Measures

- Headcount has increased by 3.7%.

2024 /2025

- Implement our strategic workforce planning framework.
- Review our establishment process.
- Build data driven culture and develop data literacy capability.

Performance

Year 3

- Refreshed Performance Improvement Policy

Measures

- Our YourSay High Performance culture score remained positive.

2024 /2025

- Scope our approach to performance
- H&S performance Management system

Reward and Recognition

Year 3

- Consolidation of benefits offer, with development of newsletter, gym memberships, share cost AVC's and lease cars.
- Started to review approach to reward & recognition and updated market supplement policy.
- Updated our Star and Long Service Awards

Measures

- 82% of our people are committed to working here.

2024 /2025

- Continue to review our reward & recognition strategy.
- Showcase our benefits offer, implement Cost Share AVC's and Lease Cars schemes and continue to review other opportunities.

Talent Development and Career Opportunities

Year 3

- Recommissioned our temporary agency worker's contract.
- Increased our work experience placements.
- Consolidation of career pathways.
- Review of our Learning and Development offer.

Measures

- Management of 1000+ WCC recruitment campaigns
- 91% satisfaction across all L&S programmes.

2024 /2025

- Onboard and embed our temporary agency worker's contract.
- Strategic review of resourcing model.
- Scope our approach to talent development.
- Develop a grow our own toolkit and widen apprenticeship and graduate opportunities.

HR Service Improvements

Year 3

- Refreshing key policies and legislative changes around holiday pay, Fire HMIC Spotlight requirements
- Starters Leavers and Movers (SLAM) review
- Scoping future HROD System requirements

2024/2025

- Implement SLAM outcomes.
- Changes regarding family friendly legislation

Focus on Our People Strategy

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

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

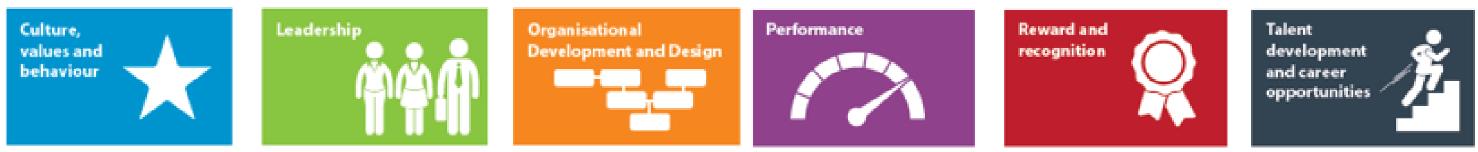
Our behaviours

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

Our Values

Our People Strategy building blocks

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



HROD How We Work

THIS IS THE DIFFERENCE YOU MAKE

Warwickshire County Council

Achievements 2023/2024 – against our Priorities

Leading Organisational Wellbeing

The wellbeing check in took place in the summer, which saw an increase in our wellbeing score, provided priority areas of focus for our wellbeing offer going forward and will support with the evidence required to apply for Silver Thrive accreditation in Summer 2024. We are now working with our re-commissioned occupational health and employee assistance providers, to maximise the wellbeing offer. The flu vaccination campaign delivered over 700 on site vaccinations, in 5 locations across the county.

Our Approach to EDI

Our commitment to EDI has been drafted and ready to be launched. In terms of social mobility, we have refreshed the questions we ask, so we can start to better understand our workforce, we have also increased the number of work experience placements offered this year.

How we work

A review of our approach to agile working has been completed.

Workload

Workload continues to be a theme from our YourSay surveys, we have developed a set of resources to support managers and teams in ensuring manageable workloads.

Community teams

Delivered a project to research engagement, wellbeing and communications experiences - and associated business challenges - experienced by Community Teams. Working towards an equitable and inclusive offer and has resulted in a number of actions for HR, Marketing and Comms and ICT to take forward and progress as well as sharing existing good practice between community teams.

People Metrics for Managers

The dashboard has been launched and will s managers with their strategic workforce pla activity.

Leadership Approach

We have launched the leadership approach and wider offers, as well as the leadership development offer, which incorporates step up to management for aspiring leaders, conscious leadership for new managers, Leadership in action for existing managers and Inspiring leadership for our Senior Leadership Team. We have also reviewed the job titles at Tier 0-4 to bring them more in line with our competitors to support recruitment and retention.

Performance and Appraisal Frameworks

Annual refresh of the Tier 0-3 performance Framework, along with targeted support to increase appraisal completion recording.

Performance improvement procedure

Refreshed the capability policy in line with our policy framework and relaunched as the performance improvement procedure.

Strategic Workforce Planning

Working with West Midlands Employers and the Chartered Institute of Personnel Development, we have undertaken a Strategic Workforce planning pilot with 8 service areas, evaluated its success and started to develop a framework for use across the organisation. Continue to ensure our structures are fit for purpose and any changes are smoothly implemented.

Pay and Reward

Undertaken an initial review of our approach to pay and reward, updated the Market Supplement policy and continue to consider future development.

Recognition

We have refreshed the Star Award categories and have had an amazing number of nominations from across the council with an award ceremony taking place in March 2024. We have also completed a light touch review on our Long Service Award, with a biennial event, the first of which is due to take place in Summer 2024.

Benefits

We have consolidated our benefits and developed a newsletter for colleagues, to ensure all are aware of what is on offer. We have also investigated introducing lease cars and beneficial changes to the AVC offer, both of which are due to be implemented in April 2024

Recruitment and Retention Approach

The strategic workforce planning pilot has identified some key areas for development. We are re-commissioning our temporary agency worker's contract. Our specialist recruitment team continue to proactively support leaders with key recruitment campaigns.

Apprenticeships

We have trialled an Apprenticeship First approach and will be looking to take this forward in key areas of the business. We have also increased the number of Children's Social work degree apprenticeships and currently have 40 Social Work apprentices.

Learning and Development

THIS IS THE DIFFERENCE YOU MAKE

Service Improvements across HROD

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

- **Policy, legal and compliance** we have undertaken a compliance review on all our policies and continued to review a number of our policies, in line with our policy framework. We have also worked on some key pieces of legislation including the Harper V Brazel findings and are preparing for the upcoming changes to carers leave and Flexible working rights. We responded to the HMIC Fire Spotlight Report, by rolling out a DBS process within the service.
- **HR Commercial Strategy –** onboarding new customers, reviewing our HR Advisory offer to schools and revamped our Warwickshire Education Service HR Newsletter, which has received great feedback.
- **Approach to Health and Safety –** refreshed policy and roles and responsibilities and developed the lone worker guidance.
- **HR Service Data metrics –** Developed a set of service metrics to better understand our performance.
- **Service offer** – with the high-level structure changes within the organisation, both HR Strategy and Delivery has been brought together and joined by Local Services, under one Directorate – Workforce and Local Services. As a management team, we have been considering how we can best support the organisation and are looking to implement a structure to maximise our impact.
- **Service Simplification –** HROD system requirements scoping. refreshing the landing page of the HR intranet. Our HR Advisory community of practice has been working through some key policies, to support our own learning and improve the service offered to managers. The SLAM project has looked at the end of end process of starters, leavers and movers, and looks to implement changes which will simplify the process for managers and provide a warm welcome for employees new to Warwickshire. There has been enhancements to the HR Service Desk on Hornbill, our customer system, to make it simpler and easier to use and to add wider HR service to the platform.
- **HROD wellbeing** – Within the HR delivery service, we have reviewed our YourSay Survey results to gain more insight into our employee experience and as a result have introduced new initiatives such as lunchtime learn sessions, revised team principles, and have sought more regular feedback to inform our ways of working and enhance wellbeing. The HR strategy team have undertaken a series of team development sessions to understand each other better to maximise our performance.

Awards and Recognition

Warwickshire County Council Star Awards:

9 separate nominations for teams/individuals in workforce services

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

Leading Organisational Wellbeing Group, achieved Bronze status, and aiming to achieve Silver in Summer 2024.

Disability Confident Employer Status Level 2 renewed during Autumn 2023.

A Year in Numbers

Across the HROD service, as well as the achievements listed, we have also delivered the following activity:

85,000 HROD intranet page hits.	**136** School HR & Payroll Customers.	**11** External Customers	**209** School H&S Customers	**16** Tender opportunities received.

HR ADVISORY and HR CHANGE

651 formal cases supported.

128 jobs graded.

18 Subject Access Requests.

52 change projects supported.

727 queries from schools.

HEALTH AND SAFETY

109 training programmes delivered.

54 DSE assessments.

199 workplace inspections.

238 eye test vouchers issued.

892 occupational health referrals.

HROD IMPROVEMENT

93 FOIs completed.

369 intranet and document updates completed.

15 processes written, reviewed and improved.

221 communications produced.

CUSTOMER EXPERIENCE

25,203 customer connections (email, call, chat).

0.3 day average response time.

5 structure changes implemented.

ORGANISATIONAL DEVELOPMENT

2887 Your Say survey responses (Jan 2024).

252 STAR Award nominations.

16 team development sessions.

76 colleagues recognised for long service.

PAYROLL

393,836 payslips produced.

£493.4 million paid through payroll.

40 different payrolls processed.

13 pay awards.

1717 payroll queries.

PEOPLE SKILLS

170 apprentices supported.

28 apprentices recruited.

18,777 delegates completed training.

319 courses delivered.

RECTRUITMENT

1,009 WCC jobs posted.

1,456 traded jobs posted.

722 new starters onboarded.

9,590 DBS checks countersigned.

EQUALITY, DIVERSITY INCLUSION & WELLBEING

46 Equality Impact Assessments supported.

42 training courses delivered.

1,285 attended training.

710 vaccinated through on-site clinics.

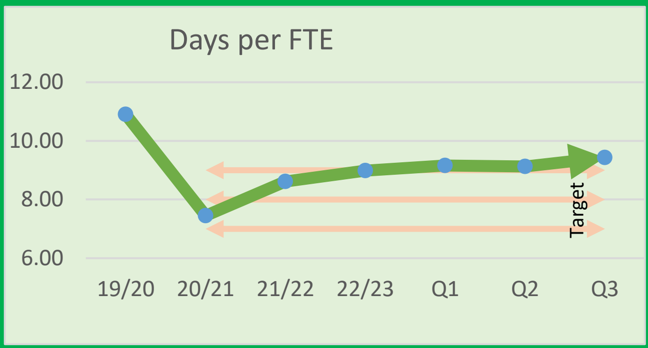
10 staff networks supported.

Measuring Our Success

Across One HR the following Key Business Measures (KBM's) that are reported to Cabinet and Key Business Indicators (KBI's) reported to Corporate Board on a quarterly Basis. The following shows our performance trend. Those in red are still to be updated once the YourSay survey is complete.

Key Business Measures

Sickness Absence Trend



Absence has increased this year and is now outside of target and therefore is a key priority.

Employee Engagement

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

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

Pay Gaps

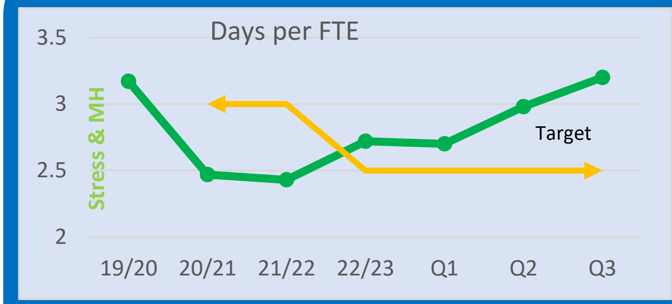
Gender
0.4%
Ethnicity
-0.2%
Disability
5.4%
Target 0% (+/-5%)

All gender and ethnicity mean pay gaps are within target and are all closer to 0% compared with 2021/22, our disability gap has increased and is now outside of target.

- Gender down from 2.4% and below the ONS national average of 14.3%.
- Ethnicity has changed from plus 0.2% but remains the same distance to 0.
- Disability has increased from 2.4%.

Key Business Indicators

Stress and Mental Health Reason Trend



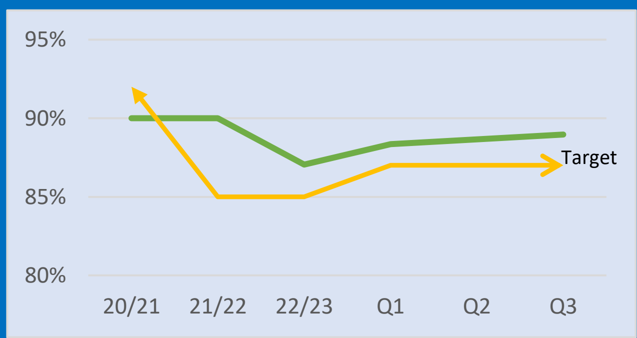
Stress & MH absence has increased this year and is now above target.

Engagement Indicators

Wellbeing
82% (77% 22/23)
Proud to work for WCC
80% (76% 21/22)
Safe to be authentic self
79%

The combined wellbeing score has increased.

Retention



Retention has increased, and is currently 88.65%, which is now on the revised target of 88%

Priority Actions 2024/2025 -

Having considered our achievements over the last year, along with our performance measures, and through engagement with our Senior Leadership Forum and other key stakeholders, as well as assessing the external factors of the employment market, we have considered the following priorities will have the biggest impact on our people in 24/25:

Culture, Values and Behaviours	**Wellbeing**	• **Proactive action to reduce our absence rates**, long term sickness and stress and mental health sickness. • Maximise our **wellbeing offer** through our links with our Occupational Health and Employee Assistant Programme Providers and maintain and review initiatives already in place. • **Achieve Silver Thrive at Work** Accreditation
	EDI	• Embed our **approach to EDI** • Work more closely with our **network groups**, listening more and ensuring our policies meet the needs of all our people. • Maximise opportunities to improve the employee experience for people with **disabilities**. • Support the **levelling up agenda** by refining our social mobility data, and target actions to create positive change to ensure our workforce reflects our communities.
	Health and Safety (H&S)	• Improve our **approach to the management of H&S** which will continue to support and strengthen the Council's H&S Culture.
	Policies	• Continue to **review and update our policies** to ensure that they meet legislative requirements, are principle based, support our people and managers and reflect the tone and voice of the organisation and enable the organisation.
	Engagement	• Continue to engage with our People using our annual **Your Say Survey,** our **employee forums** and community teams, where we listen and hear the voice of our people. Ensuring their voice informs our actions.
Leadership	**People Metrics**	• Launch and embed a number of **HR Dashboards**, to enable managers to better understand their team performance to take informed decisions to manage their workforce in the most effective way.
	Leadership Offer	• Embed **our leadership approach** and develop a **managers guide** that focuses on simplification.
Performance	**Performance Framework**	• **Scope our approach to performance**, which will replace the current performance and appraisal frameworks.
	H&S Performance Management	• Ensure that we understand our health and safety (H&S) performance by introducing technology to support our **approach to the management H&S**
Organisational Development and Design	**Strategic Workforce Planning**	• Implement and embed an **approach to Strategy Workforce Planning** to provide insight and challenge as well as providing HROD with common themes to inform priority actions around talent management, Talent acquisition and succession planning. • Ensure the HROD Service support the organisation to change and transform to meets its ongoing needs of the Council Plan and the MTFS.
	Establishment	• Review our **establishment process** to better understand our workforce size and capacity and the associated costs.
	Data	• Enhance the organisation's ability to understand and communicate data as insightful information by supporting the organisation to deliver our data

		roadmap by ensuring we **build a data driven culture and develop data literacy capability.**
Reward and Recognition	**Reward**	• Continue to review our **Reward and Recognition** strategy and plan for future
	Our Employee Offer	• Showcase the **employee offer and benefits** for our people to support our aim to be an employer of choice and to improve recruitment and retention. Embed the lease car and cash AVC schemes, and continue to review other opportunities, in line with the feedback from our people
	Recognition	• Scope developments to our current recognition arrangements at a more frequent and local level.
Talent Development and Career Opportunities	**Recruitment and Retention**	• Undertake a **strategic review of the current resourcing model** to develop a modern, inclusive and proactive service that supports us to be competitive and fit for purpose and future focussed. • Onboard and embed our new **temporary agency contract** and start to develop a strategic partnership approach
	Talent Management/ Growing our Own	• Scope our approach to **talent development** • Develop a toolkit approach for **growing our work** to widen apprenticeship and graduate opportunities and to develop more career pathways.
	Skills profiling	• Develop our **approach to collating the skills** across the organisation to enhance workforce modelling, support organisational change initiatives and improve resources planning.
Strategic People and HROD Service Improvements	**Horizon scanning**	• Ensure the organisation is ready to adopt any changes in **employment law.** Focus includes carers leave, flexible working rights, and a potential review of EU derived employment law along with potential industrial action.
	HR Commercial Strategy	• Develop our **commercial strategy** to ensure that our traded activity is commercially viable and resilient and enhances our provision of core services.
	Data Metrics	• Continue to consider our **service performance metrics**, ensuring this right data is collected and that we are measuring customer satisfaction across all our delivery functions.
	Agree our service offer,	• Embed our new **structure and review our service offer** in line with predicted headcount, with the organisation, ensuring that we are adding the most value.
	Service Simplification	• Identify priority areas using customer insight and data to improve customer experience and address existing areas of high failure demand, implement the **SLAM project outcomes**
	HROD Wellbeing	• ensure the **wellbeing of our teams**, especially during busy periods, maximise the retention of our talent
	Systems and processes	• Consider the **impact of Digitalisation** and AI for HR • Work with the organisation to understand, scope and agree our future **HROD System requirements.**

Conclusions

THIS IS THE DIFFERENCE

2023/2024 has been another successful year for delivery against the Our People Strategy. Listening and responding to the voice of our people and leaders, as well as developing our service to best enable the organisation to thrive, our key achievements include:

Benefits Offer
regular newsletters, gym memberships, Cost shared AVC's and lease cars

Community Teams
how we best engage with our community teams, putting actions in place to develop communication and enabling best practice to be shared between teams.

YourSay surveys
on wellbeing and engagement have produced positive results on what we do well and provided some areas of focus for improvements.

Leadership
Launched our approach to Leadership and our differentiated leadership programme to enable our leaders to be the best they can be.

Annual Reviews
Told our story through reviews for Engagement, Wellbeing, Health and Safety and Equality, Diversity and Inclusion, celebrating our successes and providing focus for further work.

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Strategic Workforce Planning
Worked with the CIPD and West Midlands Employees to undertake a pilot which is being evaluated and will be developed into an approach for use across the Council to ensure our workforce is fit for the future.

Bringing HR Strategy and Delivery together, along with Local Services, under one Director

We have continued to support our people and enabled them to continually deliver for the communities that we serve.

Our HROD Delivery colleagues have had another busy and successful year, delivering effectively against increasing demand for HROD services.

Whilst some of our major projects and initiatives will continue into 2024/2025, we have identified some key activities to best support the delivery of the Council Plan and respond to the internal and external employment challenges we are currently facing, particularly around our following key priority themes:

- **Strategic Workforce Planning**
- **Reward and Recognition**
- **Recruitment and Retention**
- **Leadership**
- **EDI and Wellbeing**

We will continue to develop the HR service that we can all be proud of, to sustain exceptional service delivery for our colleagues and service users.

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Resources and Fire & Rescue Service Overview & Scrutiny Committee

21st February 2024

Council Plan 2022-2027
Integrated Performance Report Quarter 3 2023/24

Recommendation

That the Resources and Fire & Rescue Overview and Scrutiny Committee considers and comments on the Integrated Performance Report for Quarter 3 2023/24 contained within this Report and Appendices.

1. Executive Summary

1.1 This report provides a retrospective summary of the Council's performance at the end of Quarter 3 (April - December 2023) against the strategic priorities and Areas of Focus set out in the Council Plan 2022-2027. All information contained within this report has been taken from the Quarter 3 Integrated Performance and Finance reports presented to Cabinet on 15th February and 23rd January respectively. The paper sets out a combined picture of the Council's delivery, performance, HR, and risk.

- Performance is assessed against the Key Business Measures (KBMs) contained within the agreed Performance Management Framework (PMF) in Section 2 and Appendix 1.
- Progress against the Integrated Delivery Plan is summarised in Section 3 and more fully presented within Appendix 2.
- Management of Finance is summarised in Section 4 and the summary dashboard is presented in Appendix 3.
- Management of Risk is summarised in Section 5 and more detailed information is presented in Appendix 4.

1.2 This summary report and the detailed performance appendices provide the complete picture of the Council's performance enabling scrutiny and transparency for the organisation, partners and the public. It enables Overview and Scrutiny Committees the opportunity to consider performance within their own remits. All Members also have continual access to the Performance Management Framework using the Performance Portal in Power BI to further monitor performance on an ongoing basis.

1.3 The approach to strategic performance reporting continues to evolve and reflect the Council's key priorities and pressures. Members will be aware of the wealth of information and data available at both strategic and service levels. In addition, Government is developing the 'Office for Local Government' (Oflog). As such, the Council's performance framework will continue to evolve, and be streamlined to ensure that Members have the most useful performance data, including reference to Oflog metrics.

1.4 There are key themes that emerged last year that continue to be highlighted by this report, which impact WCC's current operating environment, including:

- increasing demand and costs being reported in Children & Families, Adult Social Care, Special Educational Needs and Disabilities (SEND), Home to School Transport and in the number of applications made through the Local Welfare Scheme;
- in these areas demand is increasing more quickly than resources, creating capacity, workload and delivery challenges; reflecting staff feedback, addressing this is a high priority for the organisation;
- continuing recruitment and retention difficulties in specific service teams including Children and Young People, Social Care and Health, Waste & Environment, Schools, Commercial and Contracts, On-Call firefighters and Planning officers; and
- a small number of services continue to experience specific challenges around staff absence levels particularly Business Support, Customer Contact and Social Care and Health.

Planned improvement activity to address these issues is described in section 4 of the Integrated Performance Report to Cabinet in February.

1.5 The 2023/24 PMF contains 105 KBMs, 97 of which are available for reporting in Quarter 3. The remaining 8 are all new measures to the PMF this year and are only scheduled for reporting at Year End. There are 29 KBMs within the remit of this Committee, and 25 KBMs of those are available for reporting this Quarter. The remaining 4 that are not being reported are all new measures to the PMF and not due for reporting until Year End. The overall number of measures for this Committee has changed since Quarter 2 due to the restructure which took place in October 2023, and as such, some measures have moved to other Overview and Scrutiny Committees. Table 1 below indicators the current assessment of performance.

Status	On Track	Not on Track
Quarter 1	61% (17)	39% (11)
Quarter 2	48% (13)	52% (14)
Quarter 3	64% (16)	36% (9)

Table 1

Table 2 below indicates the Direction of Travel as a retrospective comparison, however, please note not all measures have a status e.g., where they are new and there is insufficient trend data:

Direction of Travel	On Track			Not on Track		
	Improving	Static	Declining	Improving	Static	Declining
Quarter 1	27% (3)	55% (6)	18% (2)	18% (2)	18% (2)	64% (7)
Quarter 2	33% (3)	0	67% (6)	0	64% (9)	36% (5)
Quarter 3	23% (3)	62% (8)	15% (2)	0	33% (3)	67% (6)

Table 2

Table 3 below indicates the future projection forecast for the next reporting period:

Projection	On Track			Not on Track		
	Improving	Static	Declining	Improving	Static	Declining
Quarter 1	6% (1)	88% (15)	6% (1)	18% (2)	27% (3)	55% (6)
Quarter 2	15% (2)	77% (10)	8% (1)	29% (4)	50% (7)	21% (3)
Quarter 3	20% (3)	73% (11)	7% (1)	22% (2)	56% (5)	22% (2)

Table 3

1.6 At Quarter 3, with a refreshed PMF, the overall position is an improvement from the Quarter 2 position where 48% of KBMs were reported as On Track and 52% as Not on Track, continuing a reasonably consistent, strong performance against the PMF. This is an encouraging position given the challenges of the current operating environment, which include prolonged inflation and high interest rates, the impact of global instability, market failures, extremely high demand and market pressures in social care and education services, and wider funding/resourcing challenges. Appendix 1 details information for all measures within the PMF, including reasons why some measures are not being reported. Detailed measure-by-measure performance reporting is accessible through the Performance Portal.

1.7 The position is also positive in terms of delivery of the 66 actions within the remit of the Resources, Fire and Rescue Overview and Scrutiny Committee, as set out in the Integrated Delivery Plan. 64% of actions are On Track, 13% are At Risk, and 2% have yet to start. There are several actions that are being reviewed and potentially replanned this Quarter (3%), therefore a new status has been introduced so that it is clear which are affected. 19% of activities have closed at Quarter 3. It is these actions which are reported on by exception in Appendix 2.

1.8 At the end of the third quarter the services reporting to Resources and Fire and Rescue Services OSC forecast an overspend of £3.8m, equivalent to 4.3% of their combined revenue budget. Once planned transfers from earmarked reserves are accounted for the position alters to a £0.039m overspend, equivalent to less than 0.00% of the net revenue budget. A 4% (£0.074m) shortfall is forecast against the current year saving target of £1.863m. Services are considering the necessary actions to be implemented to achieve the targeted savings. Most areas of Resources remain on track to deliver their approved capital programme for 2023/24 except for Enabling Services reporting £2.150m delay across a number of schemes representing 13.0% of their programme. The most significant delays relate to land at Leicester Lane, Cubbington (£0.475m) where we are awaiting a dilapidation report to agree the way forward and the maintenance of the small holding land bank, where opportunities to purchase land are currently limited. The Fire and Rescue service is forecasting a £0.402m delay, representing 6.8% of their planned capital spend for the financial year.

1.9 Over the summer, a risk working group was convened to review and refresh the Council's strategic risks. This work resulted in a smaller number of high-level cross-cutting risks being established, which were reported to Cabinet as part of the Q2 report. In Quarter 3, those risks have been reviewed, refined again and the mitigations updated. Strategic risks which are aligned, but not exclusively, to the work of this Committee include:

- Mismatch between demand and resources (high);
- Lack of resilience and effective continuity arrangements leads to operational failures (medium);
- Insufficient skilled & experienced workforce (medium); and
- Successful cyber-attack (high)

1.10 At a more detailed service level, 85 risks are currently being monitored, 33 of which relate to the work of this Committee. These risks are being reviewed and refreshed across the Council to ensure that they are reflective of the current environment, priorities and plans and to ensure that appropriate mitigations are in place. Further detail relating to strategic and service risks is included in Section 5 below.

1.11 There is a wider context that continues to impact the Council's work, including industrial action across many sectors, the legacy impact of the pandemic, global conflict, high inflation and interest rates and the resulting fiscal challenges are impacting the communities of Warwickshire. Such a combination of events at a global and national level creates a period of significant uncertainty and a challenging financial outlook in the short- to medium-term. Recent short-term Government funding has partially mitigated financial uncertainty for 2024/25 but the medium-term picture, particularly around reform and costs in key sectors, remains highly uncertain. Such volatility is impacting on the Council's resources, both financial and in terms of recruitment and retention, levels of demand, and uncertainty about medium-term national policy direction in a number of key areas of our work. Performance reporting will continue to track and highlight our delivery and performance, informing prioritisation of activity and resources.

1.12 A reprioritisation of the IDP is underway and a refresh of the PMF will follow from this exercise for reporting in 2024/25. It is anticipated that both the IDP and the PMF will be simplified to focus on the key priorities ensuring we grip and improve the drivers of cost pressures to maintain service and financial resilience. Service Business Plans and performance measures will evolve to reflect the more strategic approach at Council level.

2. Performance against the Performance Management Framework

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

2.2 Comprehensive performance reporting is enabled through the Power BI Performance Portal as part of the Performance Management Framework. Where applicable, some performance figures may now have been updated on the Power BI reporting system. The number of reportable measures will change each quarter as the framework considers the availability of new data.

2.3 Of the of the 25 KBMs available for reporting Quarter 3, 64% (16) are On Track and 36% (9) are Not on Track. There are 4 measures unavailable for reporting at Quarter 3 for a number of reasons which are all outlined in Appendix 1.

2.4 Although the '% Net Variation of Outturn Forecasts to Revenue Budget (Whole Council)' measure has a status of Not on Track it is important to note that the measure of outturn expenditure used is the gross figure before adjustments for the planned use of reserves and the Council's Investment Funds. The residual overspend once these have been adjusted for, is 1.9% at Quarter 3, which is within the Council's +/-2% tolerance. Further details were presented in the Quarter 3 Financial Monitoring Report.

2.5 There are 22 measures of the 25 available for reporting, where there is enough trend data available to ascertain a Direction of Travel. 59% (13) of measures have a Direction of Travel that is On Track, the majority of which, 8, are remaining static. 3 are improving and the other 2 are declining. Conversely, 41% (9) are Not on Track, the majority of which (6) are declining (see table 2).

2.6 24 of the 25 reportable KBMs have a forecast projection from the responsible service for the forthcoming period. The remaining measure has a projection of Not Applicable as it's difficult to make a judgement on future performance. Of the measures that are forecast to be On Track at Quarter 3, 3 are forecast to improve further, with 11 to remain static and 1 to decline. Of the 9 that are forecast to be Not on Track, the following are forecast to decline further at the next reporting period. Full details can be found within Appendix 1 and the Performance Portal.

- % Net Variation of Outturn Forecasts to Revenue Budget (Whole Council); and
- No. of documents being printed by the organisation.

Previous experience illustrates that projections provided by services between quarters are broadly accurate so it is anticipated that this level of accurate projection remains for Year End.

2.7 A set of high-level, cross-cutting, long-term Warwickshire Outcome Measures, which the Council can influence but is not solely responsible for, are reported in a State of Warwickshire reporting dashboard which includes Levelling Up and Cost-of-Living metrics. A summary position will be included in the Year End Integrated Performance Report.

3. Progress against the Integrated Delivery Plan

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

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

3.3 Of the 190 actions within the Integrated Delivery Plan, 66 are attributable to the Resources, Fire and Rescue OSC. The position is positive in terms of delivery, with 64% being On Track, 13% At Risk, and 2% have yet to start. There are several actions that are being reviewed and potentially replanned this Quarter (3%), therefore a new status has been introduced so that it is clear which are affected. 18% of activities have closed at Quarter 3, these actions are reported on in Appendix 2 on an exception basis.

4. Management of Finance

4.1 The key metrics of financial management are summarised below with further information providing context available in Appendix 3 and in the Quarter 3 Finance Monitoring Report presented to Cabinet on 23rd January 2024.

4.2 The headline revenue forecast at the end of the third quarter is £3.800m (4.3%) overspend however, specific funding has been set aside to be transferred from earmarked reserves. Once these factors are considered the adjusted forecast position is £0.039m (0.0%) overspend.

<table>
<tr><th>Metric</th><th>Target</th><th>Service</th><th>Performance at Q3 2023/24</th></tr>
<tr><td rowspan="5">Performance against the latest approved revenue budget as measured by forecast under/overspend after application of reserves</td><td rowspan="5">On budget or no more than 2% underspent</td><td>Workforce & Local Services</td><td>(0.3%)</td></tr>
<tr><td>Enabling Services</td><td>4.2%</td></tr>
<tr><td>Finance</td><td>(3.1%)</td></tr>
<tr><td>Strategy, Planning & Governance</td><td>(8.1%)</td></tr>
<tr><td>Fire & Rescue</td><td>(0.3%)</td></tr>
<tr><td rowspan="5">Performance against the approved savings target as measured by forecast under/overachievement</td><td rowspan="5">100%</td><td>Workforce & Local Services</td><td>87%</td></tr>
<tr><td>Enabling Services</td><td>94%</td></tr>
<tr><td>Finance</td><td>97%</td></tr>
<tr><td>Strategy, Planning and Governance</td><td>100%</td></tr>
<tr><td>Fire & Rescue</td><td>100%</td></tr>
<tr><td rowspan="4">Performance against the approved capital programme as measured by forecast delays in delivery</td><td rowspan="4">No more than 5% delay</td><td>Enabling Services</td><td>-13.91%</td></tr>
<tr><td>Strategy, Planning & Governance</td><td>0.00%</td></tr>
<tr><td>Fire & Rescue</td><td>-6.8%</td></tr>
<tr><td>Strategic Infrastructure & Climate Change</td><td>4.54%</td></tr>
</table>

5. Management of Risk

5.1 Over the summer a risk working group was established to consider strategic risks and elements of the Strategic Risk Management Framework (the Framework). The working group proposed a smaller number of high-level cross cutting strategic risks, which were agreed by Corporate Board as part of the Quarter 2 risk review process. During Quarter 3, the strategic risks have been reviewed and adjustments made refine and enhance the mitigations.

5.2 Risks are monitored in risk registers at a strategic level and at service level. At a strategic level the following risks are more related to the work of this Committee and they are cross cutting in nature and may impact the whole Council should they occur. The related strategic risks are:

- Mismatch between demand and resources (high);
- Lack of resilience and effective continuity arrangements leads to operational failures (medium);
- Insufficient skilled & experienced workforce (medium); and
- Successful cyber-attack (high).

5.3 Mitigating controls are in place in respect of these risks however, demand continues to increase and there are also market pricing pressures in some areas. Controls are in place and include the MTFS and financial monitoring, review and reporting through Corporate Board and the Committee structure. The Council is considering ways in which demand can be influenced and continues to lobby Government to facilitate enhanced support.

5.4 Further controls that are in place include a generic emergency plan incorporating response structures to be enacted in emergency circumstances. Our People Strategy is currently being reconsidered by the new Director of Workforce and Local Services and team, with strategic workforce planning underway, initially running pilots with high priority areas to address general and specialist recruitment challenges. In relation to the risk relating to a cyber-attack being successful, information security policies and mandatory training for all employees are in place and there are multiple technical mitigating controls.

5.5 At a service level there are 33 risks recorded, which relate to the work of this Committee. Key risks are highlighted where they are red risks (high risk) and where a risk has been higher than the risk target for 3 quarters or more and is 3 points or more over target. To highlight the key risks a table of both red risks and risks significantly above target is provided at Appendix 4.

5.6 The risks that are both red/high and significantly above target for three quarters or more and in excess of three points above target are the most significant risks, these are highlighted below. Further detail is held in Appendix 4:

- Insufficient resources to deliver the Authority's Council Plan and priorities (Finance);
- Cyber-attack is successful and personal data and systems are compromised (Enabling Services); and
- Reduced on call availability (Fire and Rescue Services).

5.7 Mitigating activities are in place, in relation to these risks, and includes the five year MTFS refresh for 2024-25 which is being considered by Council on 8 February and aims to deliver a balanced and sustainable position over the medium-term, in line with the Council's statutory duties. However, revenue pressures remain in some service areas (e.g. SEND, children and families, adult social care and home to school transport), and a capital funding gap exists for the schools programme. The risk of successful cyber-attack is predominantly mitigated corporately as highlighted above. Reduced on call availability is being managed in Fire and Rescue Services and includes the plans for Resourcing to Risk, consultation commenced towards the end of 2023.

6. Financial Implications

6.1 None arising directly from this report.

7. Environmental Implications

7.1 None arising directly from this report.

Appendices

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

Background Papers

Cabinet Report 15th February 2024

Role	Name	Contact Information
Report Author	Vanessa Belton, Business Intelligence Service Manager (Performance and Quality)	vanessabelton@warwickshire.gov.uk
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Portfolio Holder	Cllr A Crump, Cabinet Portfolio Holder for Fire & Community Safety Cllr Yousef Dahmash, Portfolio Holder for Customer and Transformation	andycrump@warwickshire.gov.uk yousefdahmash@warwickshire.gov.uk cllrbutlin@warwickshire.gov.uk

	Cllr P Butlin, Deputy Leader and Portfolio Holder for Finance and Property	

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

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

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

Area of Focus	No. of KBMs	No. of KBMs available for reporting this Quarter
Create vibrant places with safe and inclusive communities	8	8
Deliver major infrastructure, digital connectivity and major transport options	17	14
Promote inclusive, sustainable economic growth, successful business, good quality jobs and future skills	9	9
Tackle climate change, promote biodiversity and deliver on our commitment to Net Zero	7	4
Deliver our Child Friendly Warwickshire strategy - Happy, healthy, safe children	7	7
Through education, improve life opportunities for children, young people and those with special educational needs and disabilities	21	20
Support people to live healthy, happy, and independent lives and work with partners to reduce health inequalities	21	20
A Great Council and Partner	**No. of KBMs**	**No. of KBMs available for reporting this Quarter**
Harnessing community power	3	3
Our people and the way we work	8	8
Using our data and digital solutions to improve service delivery	4	4

1.3 **Key Insights for Quarter 3 2023/24**

1.4 There are 29 KBMs in total that are in the remit of this Committee. Chart 1 details the reported status of the 25 KBMs which are being reported at Quarter 3. 64% (16) KBMs are On Track and 36% (9) are Not on Track.

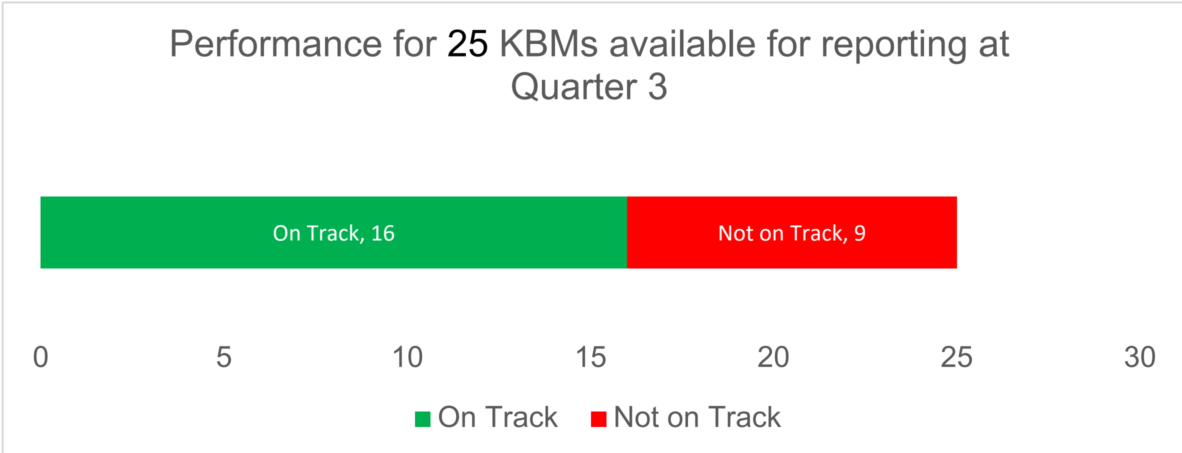


Chart 1

Chart 2 details the overall Direction of Travel, where trend data is available, assessing whether the performance has been improving or declining.

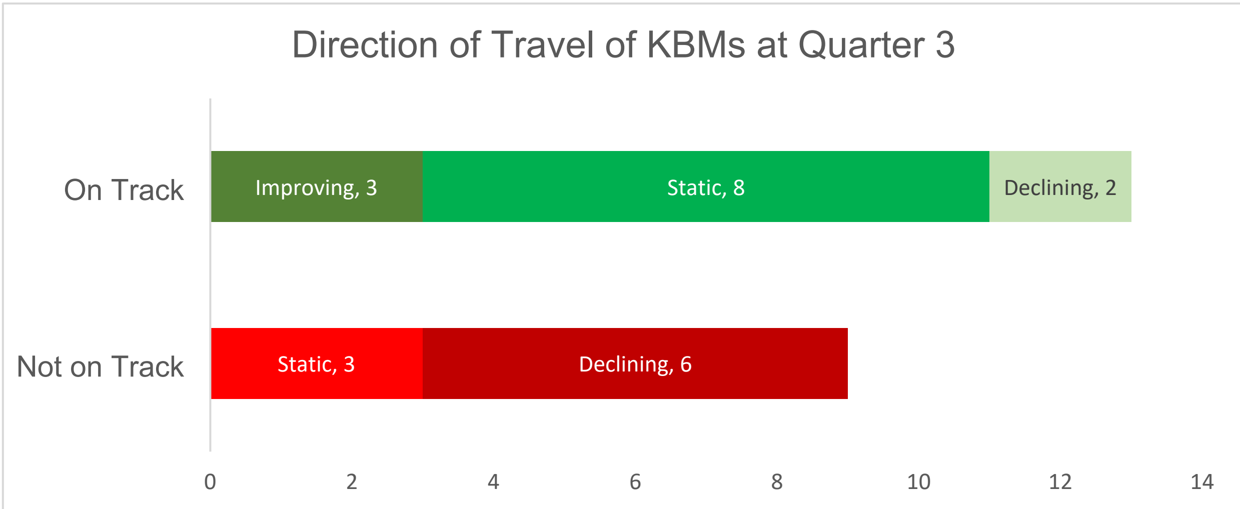


Chart 2

Chart 3 details the projected performance based on a Service forecast of the 24 reportable KBMs at the next Quarter.

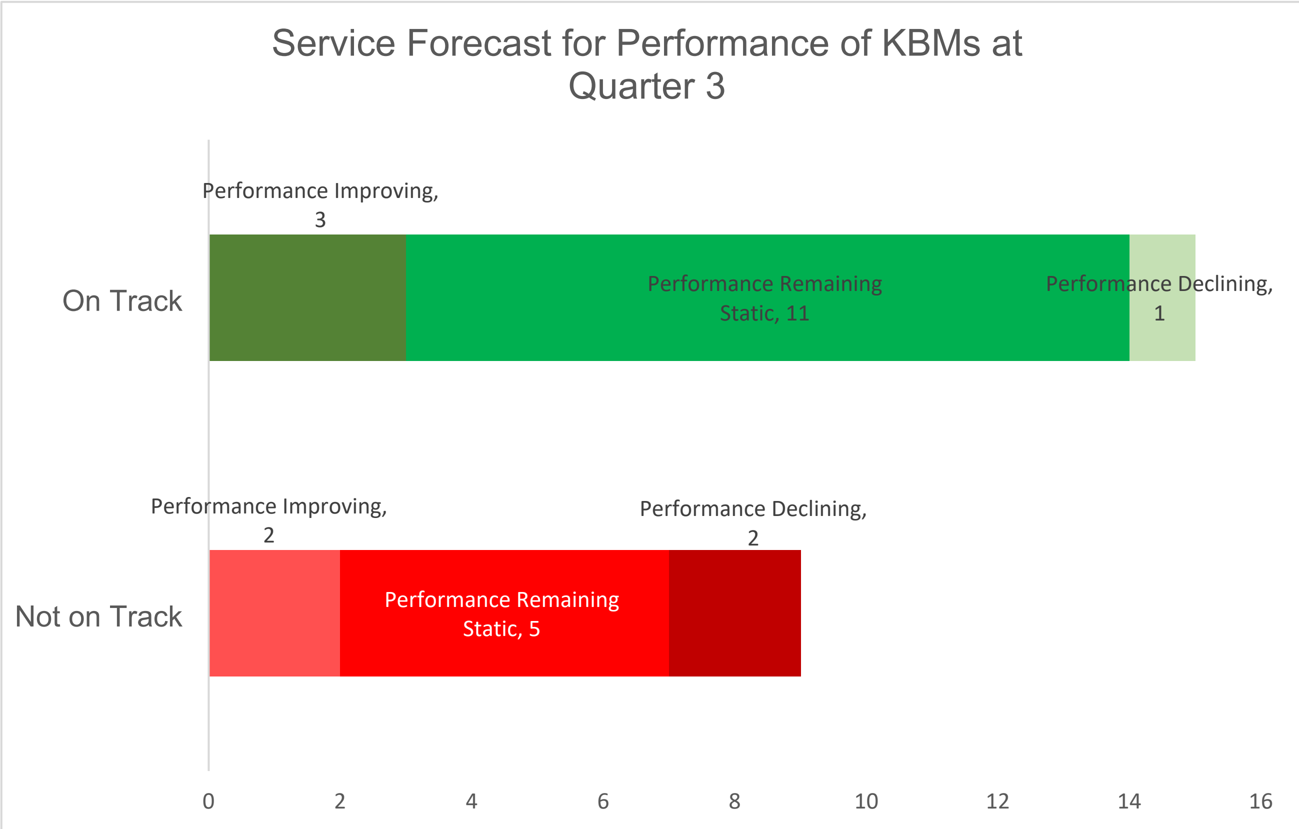


Chart 3

Explanatory Notes on Summary Tables

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

- data is being added into the system as it becomes available so new information may be in the reports since the writing of this Quarterly position report;
- measure names in the summary tables and where highlighted are all links to take the reader directly to the measure report page in Power BI which provides full detail on the measure including charted data, performance narrative, improvement activity, trends and targets if applicable;
- a measure status is included based on performance either against the target and polarity of measure or where there is no target on improving/ declining performance;

- Services provide a forecast of where performance is heading over the next reporting period, this is informed by local knowledge, improvement activity and trend information;
- where the measure status or projection is Not Applicable, this is due to exceptional circumstances regarding the measure such as it is setting a baseline this year, the Power BI report will provide the reason by measure;
- the Latest Figure column represents the most current data available including last quarter, previous year or longer if data is lagged, full details are on Power Bi report;
- not all measures have targets and the approach now is to have improving performance and targets where appropriate;
- Direction of Travel is an indication of whether performance is improving based on trend data where available; and,
- as the framework is more responsive there are annual or termly measures included on the tables with no reported data, this will be added as the relevant data becomes available e.g. attainment data from November.

1.5 Create vibrant places with safe and inclusive communities

Measure Name	Latest Actual	Target	Measure Status	Direction of Travel	Service Forecast for next period
No. of fire related deaths	3*	N/A	Not on Track	Static	Not on Track Performance Remaining Static
No. of fire related injuries	21*	N/A	On Track	Static	On Track Performance Remaining Static
% times a first appliance arrives at life risk of property incidents within agreed response standards	63.46*	75*	Not on Track	Static	Not on Track Performance Remaining Static
No. of Road Traffic Collisions attended by WFRS	323*	N/A	Not on Track	Declining	Not on Track Performance Remaining Static

* Cumulative actual or year end target

Overall performance in this Area of Focus has moderately improved from Quarter 2 with the Number of Fire Related Injuries moving to On Track in Quarter 3. The Number of Road Traffic Collisions Attended by WFRS is showing a declining trend.

Warwickshire Fire and Rescue Service has entered a “resourcing to risk” public consultation which will remain open until 10 March 2024.

Area of Good Progress due to improved performance compared to the same period last year:

- No. of fire related injuries

Improvement Activity as there have been 3 fire related deaths to date this year:

- No. of fire related deaths

Improvement Activity as the levels of last year have been exceeded at Quarter 3:

- No. of Road Traffic Collisions attended by WFRS

1.6 Deliver major infrastructure, digital connectivity and improved transport options

Measure Name	Latest Actual	Target	Measure Status	Direction of Travel	Service Forecast for next period
% of site specific business cases approved for Warwickshire Property & Development Group	0	100	Not on Track	Static	Not on Track Performance Improving
% Company Borrowing profile Warwickshire Property & Development Group	100	100	On Track	Static	On Track Performance Remaining Static
Gross Warwickshire Recovery & Investment Fund lending (£)	6,990,000	20,600,000*	Not on Track	Declining	Not On Track Performance Remaining Static
% Delivery of projected output by Warwickshire Property & Development Group	Annual measure due for reporting at Year End				
% of all capital schemes completed on budget	Annual measure due for reporting at Year End				
% of capital schemes completed on time	Annual measure due for reporting at Year End				
No. of projects seeking member approval to changes in cost, time, scope or risk	146	N/A	On Track	Improving	On Track Performance Improving

* Cumulative actual or year end target

Performance within this Area of Focus is mixed with half of the available measures reporting as On Track, with the projection to remain in a similar position or improve over the next period, whereas the other half are not on track, of which one is projected to improve and the other to remain static.

Area of good progress as performance is positively on track and projected to improve further over the next reporting period:

- No. of projects seeking member approval to changes in cost, time, scope or risk

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

Measure Name	Latest Actual	Target	Measure Status	Direction of Travel	Service Forecast for next period
No. of documents being printed by the organisation	3,785,531	3,068,814	Not on Track	Declining	Not on Track Performance Declining
Total annual reduction in carbon emissions from Council related activities (tCo2)	Annual measure due for reporting at Year End				

At Quarter 3, there is only 1 measure available for reporting within this Area of Focus. It has been escalated as Improvement activity due to performance continuing to be above target, continues to decline and is projected to decline further over the next reporting period:

- No. of documents being printed by the organisation.

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

Measure Name	Latest Actual	Target	Measure Status	Direction of Travel	Service Forecast for next period
% of applications made to the Warwickshire Local Welfare Scheme which are supported	99	88	On Track	Static	On Track Performance Remaining Static

There is only one measure within this Area of Focus. It is performing well and is expected to remain as such across the forthcoming period.

1.9 **Harnessing Community Power**

Measure Name	Latest Actual	Target	Measure Status	Direction of Travel	Service Forecast for next period
% of positive media coverage of WCC news releases, statements and campaigns	96	90	On Track	Static	On Track Performance Remaining Static
Total no. of community groups	9700	N/A	On Track	Static	On Track Performance Improving
Value (£) going into community groups	1546,000	N/A	On Track	N/A insufficient trend data	On Track Performance Remaining Static

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

1.10 **Our people and the way we work**

Measure Name	Latest Actual	Target	Measure Status	Direction of Travel	Service Forecast for next period
No. of Local Government and Social Care Ombudsman (LGSCO) adverse determinations received	10	10*	On Track	Declining	On Track Performance Declining
% Employee Engagement Score	76	78	On Track	N/A insufficient trend data	On Track Performance Remaining Static
% of staff agreeing that they are proud to work for WCC	80	75	On Track	Static	On Track Performance Remaining Static
% Employee Wellbeing score	81	75	On Track	Improving	On Track Performance Remaining Static
% of staff agreement with “I feel safe to be my authentic self at work”	79	75	On Track	N/A insufficient trend data	On Track Performance Remaining Static
% of staff agreeing "The council's internal communication keep me informed of what the council is doing"	79	85	Not on Track	Declining	Not on Track Performance Improving
No. of days sick absence per FTE (rolling 12 months)	9.43	8 (+/- 1 day)	Not on Track	Declining	Not on Track Performance Remaining Static
No. of people utilising WCC core settings	296	N/A	On Track	Declining	On Track Performance Remaining Static

* Cumulative actual or year end target

Performance within this Area of Focus is largely positive with 6 out of 8 measures being On Track. Where measures are Not on Track, the projection for the next period is to either remain static or to improve.

Improvement activity as current levels remain above the tolerance of +/- 1 day against the target of 8 days per FTE. Several service areas across the organisation, particularly Business Support, Customer Contact and Social Care and Health are having a detrimental impact on the overall absence figure, resulting in levels gradually rising since Summer 2023:

- No. of days sick absence per FTE (rolling 12 months)

Improvement activity due to actual levels at Quarter 3 are already at the Year End target. With one quarter to go, the projection is for performance to decline, as there are currently 2 draft decisions of fault which are awaiting to be finalised. This could result in this measure being over the target set by Year End:

- No. of Local Government and Social Care Ombudsman (LGSCO) adverse determinations received.

1.11 **Using our data and digital solutions to improve service delivery**

Measure Name	Latest Actual	Target	Measure Status	Direction of Travel	Service Forecast for next period
% customer satisfaction level with the Customer Service Centre	87	85	On Track	Static	On Track Performance Remaining Static
% Net Variation of Outturn Forecasts to Revenue Budget (Whole Council)	5.02	+/-2	Not on Track	Declining	Not on Track Performance Declining
% of green ratings against Value for Money (VFM) audit	67	67	On Track	Static	N/A
% return on traded activity	116	100	On Track	Improving	On Track Performance Improving

Performance within this Area of Focus is an improved position, with 3 measures being On Track, when compared to Quarter 2 when 3 of the 4 measures were Not on Track.

Area of Good Progress as the measure has improved compared to the previous quarter and is now forecasting to exceed the gross surplus target for 2023/24, and projected to improve further over the next reporting period:

- <u>% return on traded activity</u>

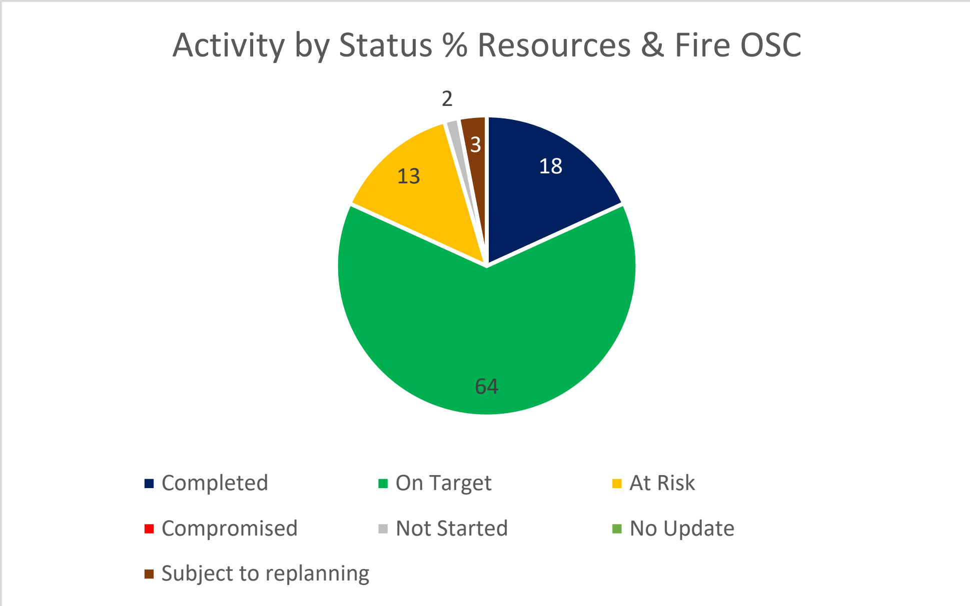
Although this measure has a status of Not on Track and Service Forecast to decline further over the next reporting period it is important to note that the measure of outturn expenditure used is the gross figure before adjustments for the planned use of reserves and the Council's Investment Funds. The residual overspend once these have been adjusted for, is 1.9% at Quarter 3, further details were presented in the Quarter 3 Financial Monitoring Report:

- <u>% Net Variation of Outturn Forecasts to Revenue Budget (Whole Council).</u>

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

1.1 Key Insights for Quarter 3 2023/24

Of the 190 actions within the Integrated Delivery Plan, 66 are attributable to the Resources, Fire and Rescue OSC. There is positive progress this Quarter with 64% of activities being On Track to achieve their objectives within the set timeframes, 13% are At Risk, with 2% yet to start. There are several actions that are being reviewed and potentially replanned this Quarter (3%), therefore a new status has been introduced so that it is clear which are affected. Eighteen percent of activities have closed at Quarter 3. These are listed below.



Completed activity this Quarter:

- **Support our subsidiary property company, Warwickshire Property and Development Group to deliver the first scheme in Southam to create 9 business units totalling 42,000 square feet in support of our economic growth ambitions.**
  Southam Practical Completion was acheived on 4th December and the first tenant took the keys on 4th also which is for 30% of the site in unit 9. They are an expanding company that is the largest in the UK on raised access flooring in terms of remanufacturing and saving used flooring going to landfill. We have a further 20% under offer in legals and marketing the remaining 50% with strong interest.
- **Deliver a refreshed and more strategic approach to managing our capital spend within the Council by implementing a new capital operating model to include: Reviewing and enhancing our approach to capital decision making, assurance and risk.**
  This deliverable is now complete. The project closure report was approved by Resources & Fire Overview & Scrutiny Committee in December 2023.

- **Deliver a refreshed and more strategic approach to managing our capital spend within the Council by implementing a new capital operating model to include: Streamlining our capital systems and performance reporting.**
  This deliverable is now complete. Project closure report was approved by Resources & Fire Overview & Scrutiny Committee in December 2023.
- **Deliver a refreshed and more strategic approach to managing our capital spend within the Council by implementing a new capital operating model to include: Delivery of the capital element of the new Unit4 Cloud hosting project in September 2023 and associated process training/communications by end of December 2023.**
  This deliverable is now complete. The project closure report was approved by Resources & Fire Overview & Scrutiny Committee in December 2023. The new capital monitoring tool (FP&A) went live in 23/24 Quarter 2.
- **Move forward with renewable energy initiatives to include having the plan for estate decarbonisation endorsed by Council/Cabinet.**
  Cabinet endorsed our approach July 2023.
- **Establish the Data Roadmap closely aligned to the Digital Roadmap that will ensure delivery of the Digital and Data Strategy: Implement new Master Data Management (MDM) tool.**
  The Enterprise Architecture Design Approval Group has now formally approved Splink as the council's Master Data Management (MDM) tool. This provides the capability to match data across systems (where appropriate and lawful).
- **Deliver Year 3 of “Our People” strategy action plan in 2023/24 and in particular our 5 key priority areas and including: Employee engagement - continue to look at creative ways to increase response rate, particularly in our community teams and to continue to build on our work supporting staff well-being and consolidate our ‘Thrive at work’ achievements.**
  Wellbeing check in results are now on the YourSay dashboard and an action plan has been developed. We are now undertaking a gap analysis to achieve Silver Thrive at work, the accreditation of which is planned for summer 2024. The annual yoursay engagement survey is due to go live in January, and an engagement campaign took place in December, to showcase the work that has been done and to encourage increased particpation.
- **Deliver our Warwickshire Fire & Rescue Service (WFRS) 2-year improvement plan - Implement a new risk-based inspection programme.**
  A new Risk Based Inspection Programme is now in place which has led to a significant increase in productivity and has been developed to target premises based on risk. The programme will now be reviewed regularly by the service.
- **Deliver our Warwickshire Fire & Rescue Service (WFRS) 2-year improvement plan - Achieve a positive reinspection outcome by His Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).**
  Complete - discharged two causes of concern and halved Areas For Improvement. Still improvements to be made but the most recent inspection was more positive than the previous one.
- **Complete a Value For Money review of the Fire Service, develop and implement improvements including an evidence-based approach to resourcing to risk ensuring WFRS has its people and equipment at the right place at the right time to provide the best possible services to the communities of Warwickshire.**
  Independent financial review completed. Risk based analysis completed and used as a basis for the proposals out for public consultation

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

Activity	Status	Narrative
Support our subsidiary property company, Warwickshire Property and Development Group to **provide flexible ownership models for priority workers with the first scheme/s identified.**	At Risk	Viability of the Priority Worker Help to Buy scheme has been assessed and findings will be included in the Cabinet paper for Vicarage Street Development as the first potential site where it would be included.
Support our subsidiary property company, Warwickshire Property and Development Group to **begin the Former Water Orton School Housing project.**	At Risk	Potential delay with a common land conversion needed after being identified by legal. This has been fed into Commercial to align with WPDG Business Plan.

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

Activity	Status	Narrative
Move forward with renewable energy initiatives to include **exploring opportunities with District and Borough Councils and partners to develop a scheme to support residents make choices and take action within their homes to become carbon neutral.**	Not Started	We are considering, with District and Borough Councils, our approach with regard to encouraging residents of Warwickshire to take steps to make their homes carbon neutral.
Move forward with renewable energy initiatives to include **creating a 3-5 year plan for commercial renewable energy initiatives.**	Subject to replanning	Work is underway to determine our future approach to Commercial Renewable Initiatives and a plan will follow once this is understood.

1.4 **Using our data and digital solutions to improve service delivery.**

Activity	Status	Narrative
Deliver initiatives to improve how users of our services can have a better experience of interacting with the Council. Our initial focus will be on improving the following - **Social Media: Make recommendations on how we can best use social media to gain insight and feedback about**	Subject to replanning	Activity paused pending consideration of whether this remains a priority for the service.

Activity	Status	Narrative
issues or concerns raised about Council services.		
Establish the Data Roadmap closely aligned to the Digital Roadmap that will ensure delivery of the Digital and Data Strategy: **Design corporate Data Standards.**	At Risk	A first draft of the standards has been produced; this work will be completed in Q4.
Establish the Data Roadmap closely aligned to the Digital Roadmap that will ensure delivery of the Digital and Data Strategy: **Via the Education Digital Board, improve the use of the Synergy system and improve data management practices across the Education service.**	At Risk	This work has been paused so that the outcomes from the emerging Education Strategy can be considered. That strategy, along with an associated change programme, will be used to articulate the data/intelligence requirements across Education Services, which in turn will shape this workstream. This workstream is also affected by the emerging review of future core system requirements. To reflect these recent developments, the Education Digital Board has been decommissioned.
Establish the Data Roadmap closely aligned to the Digital Roadmap that will ensure delivery of the Digital and Data Strategy: **Design and begin roll-out of a 'data literacy' programme for the organisation.**	At Risk	BI and HROD have designed a data literacy programme, which has been approved by the Chief Data Officer and will be shared with Corporate Board before moving into delivery in 24/25. The programme will utilise some limited budget from the Corporate HR&OD Programme but will be designed and delivered largely through internal services as capacity allows

1.5 Our People and the Way We Work

Activity	Status	Narrative
Strategic Development of Procurement, Contract Management and Quality Assurance: **Deliver savings in 3rd party spend set out in the medium-term financial strategy**	At Risk	Following changes in our structure, a stock take review is underway of progress to date on procurement savings . Anticipated first view of revised savings programme and associated road map for future savings programme anticipated by mid-January 2024. It is anticipated that existing savings targets will be achieved, whilst a

Activity	Status	Narrative
		longer-term more ambitious procurement savings programme is developed.

2 The following projects are currently On Track

Activity
Support our subsidiary property company, Warwickshire Property and Development Group to identify land acquisition opportunities to support our plans for new homes, business development and growth in the county.
Support our subsidiary property company, Warwickshire Property and Development Group to complete Warton Allotments Housing project
Support our subsidiary property company, Warwickshire Property and Development Group to begin the Top Farm Housing project
Develop and deliver on our plans to decarbonise our Council buildings with our carbon reduction target developed and agreed as part of our sustainable futures strategy and supported by our Energy Strategy.
Move forward with renewable energy initiatives to include investigating our approach to renewable energy as part of the development of the Energy Strategy.
Supporting those who need the most help to include: Delivering the Household Support Fund Grant in 2023/24
Supporting those who need the most help to include: Capturing learning from the operation of the Household Support Fund to inform a review of the Warwickshire Local Welfare Scheme (to include options appraisal and costed model)
Embed a continuous improvement approach across the Benefits Assessment and Income Charging teams, which will support the on-going redesign of core processes: Pilot approach by September 23 and fully embed by March 24
Embed a continuous improvement approach across the Benefits Assessment and Income Charging teams, which will support the on-going redesign of core processes: Significant redesign progress / improvement made by March 24
Embed a continuous improvement approach across the Benefits Assessment and Income Charging teams, which will support the on-going redesign of core processes: Embed Better Care Finance self-service portal for financial assessments
Finalise and roll-out with partners and communities a community powered approach (Warwickshire Stepping Forward) including: Holding a 2023 'Big Conversation' event
Finalise and roll-out with partners and communities a community powered approach (Warwickshire Stepping Forward) including: Delivering an Elected Member Peer Learning programme working with key delivery partners
Finalise and roll-out with partners and communities a community powered approach (Warwickshire Stepping Forward) including: Making community power a central tenet of our Levelling Up pilots.
Finalise and roll-out with partners and communities a community powered approach (Warwickshire Stepping Forward) including: Through existing partnerships, build and embed a community powered way of working including Thriving Communities Partnership, Stratford's Social Impact Partnership, Health and Well-Being Board, ICS Place Boards and governance arrangements for local Levelling Up plans.

Activity
Deliver the “ground breaker” Community Power projects: Supporting local transformation and regeneration, including community capacity building around the Transforming Nuneaton programme, and the Levelling Up pilots in Mancetter South and Ridge Lane, Bar Pool North and Crescents, and Lillington East (and linking to the pilot in Rugby Town Centre being led by Rugby Borough Council).
Deliver the “ground breaker” Community Power projects: Unlocking the skills and time of Council staff to support communities, including continuation and development of the Community of Practice.
Deliver the “ground breaker” Community Power projects: Enabling collaborative working on highways, transport and road safety, including modern Lengthsman Schemes, community work gangs, community information packs, safe and active travel champions.
Deliver the “ground breaker” Community Power projects: Combatting food inequality through the sustainable extension of the Community Pantry proof-of-concept.
Create the conditions for greater volunteering and social action and provide tools to support the creation and development of Voluntary, Community and Social Enterprise sector commissioned services.
Create and deliver a blended revenue and capital Social Fabric Fund to focus on community powered initiatives primarily in the 22 Levelling Up priority LSOAs.
Complete and implement the 5 Levelling Up place plans, joining up activity across agencies, targeting effort, and resetting the relationship with communities (specific actions from the plans picked up elsewhere in this delivery plan).
Deliver initiatives to improve how users of our services can have a better experience of interacting with the Council. Our initial focus will be on improving the following - Correspondence and Complaints: Change how we respond consistently across all our services to improve customer experience, using the new Customer Platform and revising the Complaints Policy.
Deliver the first horizon of our digital Roadmap to improve customer service and reduce cost through the redesign of services and automation, specifically by: Implementing a single Contact Centre Telephony Solution.
Deliver the first horizon of our digital Roadmap to improve customer service and reduce cost through the redesign of services and automation, specifically by: Implementing a new Customer Platform system to handle all of our initial contact with those who contact the Council.
Deliver the first horizon of our digital Roadmap to improve customer service and reduce cost through the redesign of services and automation, specifically by: Working with Assistant Directors and the Commissioning Support Unit to identify opportunities that could benefit from process automation and recommending a programme to achieve the associated MTFS savings from 2024/25 onwards.

Activity
Establish the Data Roadmap closely aligned to the Digital Roadmap that will ensure delivery of the Digital and Data Strategy: Implement activities by Horizon 1 of the Data Roadmap.
Establish the Data Roadmap closely aligned to the Digital Roadmap that will ensure delivery of the Digital and Data Strategy: Implement activities by Horizon 2 of the Data Roadmap.
Establish the Data Roadmap closely aligned to the Digital Roadmap that will ensure delivery of the Digital and Data Strategy: Support the roll-out and use of the Data Governance System, including the role of nominated 'data stewards'.
Deliver Year 3 of “Our People” strategy action plan in 2023/24 and in particular our 5 key priority areas and including: Strategic workforce planning - to enable us to better understand our future workforce needs, to include work on establishment control.
"Deliver Year 3 of “Our People” strategy action plan in 2023/24 and in particular our 5 key priority areas and including: Recruitment and retention - to consider our recruitment and retention approach.
Deliver Year 3 of “Our People” strategy action plan in 2023/24 and in particular our 5 key priority areas and including: Pay and reward - consolidate our employee offer and consideration of apprenticeships, career progression posts, leadership and development training.
Deliver Year 3 of “Our People” strategy action plan in 2023/24 and in particular our 5 key priority areas and including: Equality Diversity & Inclusion - to include launching our approach to EDI and developing an approach to social mobility with partners, linked to Levelling Up.
Develop a wider Estates Master Plan for the entirety of the Council’s estate across the County which provides options on its optimal use.
Strategic Development of Procurement, Contract Management and Quality Assurance: Roll out of Procurement and Contract Management Strategy. To include standardising practice, upskilling staff delivering this activity.
Strategic Development of Procurement, Contract Management and Quality Assurance: Plan, support and deliver activity to ensure the Council is prepared for the new Procurement Act.
Strategic Development of Procurement, Contract Management and Quality Assurance: Roll out of new approach to Social Value in procurement.
Strategic Development of Procurement, Contract Management and Quality Assurance: Improve procurement practice and culture against performance standards and the annual procurement pipeline.
Move forward with renewable energy initiatives to include reviewing current estate to identify additional PV opportunities.

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Appendix 3 Resources, Fire & Rescue OSC Management of Financial Risk

Management of Financial Risk

1. Performance against the latest approved revenue budget as measured by the forecast position at the end of the third quarter. Further information and reasons for variances can be found in the Quarter 3 Finance Monitoring Report, presented to Cabinet on 23rd January 2024.

Service Area	Approved Budget	Forecast Spend	(Under) /Overspend	% Change from Budget	Represented by: Investment Funds	Impact on Earmarked Reserves	Remaining Service Variance	% change Remaining Service Variance from Approved Budget
	£m	£m	£m	%	£m	£m	£m	%
Enabling Services	28.658	31.211	**2.553**	**8.90%**	1.277	0.081	1.195	**4.20%**
Finance	17.112	16.769	**-0.343**	**-2.00%**	0.4	-0.209	-0.534	**(3.10%)**
Strategy, Planning & Governance	6.246	7.511	**1.265**	**20.30%**	1.771	0	-0.506	**(8.10%)**
Workforce & Local Services	10.815	11.039	**0.224**	**2.10%**	-0.011	0.272	-0.037	**(0.30%)**
Fire & Rescue	25.424	25.525	**0.101**	**0.40%**	0	0.18	-0.079	**(0.30%)**
Total	**88.255**	**92.055**	**3.800**	**4.31%**	**3.437**	**0.324**	**0.039**	**0.00%**

2. Performance against the approved savings target as measured by forecast delivery.

At the end of the third quarter, Strategy Planning and Governance and Fire & Rescue are reporting 100% delivery of their saving targets (12 schemes totalling £0.579m). Workforce and Local Services are forecasting a shortfall of 11% on their target of £0.115m, Enabling Services forecasting a 6% shortfall on a target of £0.819m and Finance is forecasting a shortfall of 3% on their target of £0.350m. The total shortfall across the three services is forecast to be £074m.

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

Service	Approved 2022-23 capital programme	New projects in year	Net over / underspend	Total capital programme	Budget Reprofile	Delays	Forecast In year capital spend	% Delays
	£m	£m	£m	£m	£m	£m	£m	
Workforce & Local Services	0.511	0.000	0.000	0.511	0.001	0.000	0.512	0.0%
Enabling Services	15.453	0.000	0.000	15.453	0.000	(2.150)	13.303	(13.91%)
Strategy Planning & Governance	0.750	0.000	0.000	0.750	0.000	0.000	0.750	0.0%
Fire and Rescue	5.902	0.000	0.000	5.902	0.196	(0.402)	5.696	(6.81%)
Strategic Infrastructure & Climate change	7.274	0.000	0.000	7.274	0.000	(0.330)	6.944	(4.54%)
Total	29.890	0.000	0.000	29.890	0.197	(2.882)	27.205	

Enabling Services - £2.150m:

- Lillington Academy Conversion to Academy Works (£0.278m) - Delays have been caused by the need to fit a new electrical power unit on site. Works are now delayed until 2024-25.
- Strategic Site Planning applications (£0.382m) - Projected costs in meeting legal obligation to provide a serviced site to the DfE. Certain capital works including demolition are underway and are programmed to be completed this financial year. Other works e.g. bovine remediation are now programmed to be undertaken 24/25.
- Land at Leicester Lane Cubbington (£0.475m) - Land returned back to land owner WCC, we are now waiting for a dilapidation report to agree a way forward.
- Maintaining the smallholdings land bank (£0.391m) - Potential opportunities for purchasing land in Q4 are minimal, the budget has therefore been re-profiled into 2024/25.
- Rural Services capital maintenance (£0.273m) - Some of the budget has been reprofiled into the next financial year when works have been scheduled to take place.
- There are a number of other schemes with delays of less than £0.200m each which are detailed in the Annexes A to M of the finance quarterly monitoring report.

Fire & Rescue - £0.402m:

- Fire & Rescue HQ Leamington Spa - £0.402m - Leamington Headquarters Refurbishment is currently on hold whilst discussions take place and strategic decisions are made.

Strategic Infrastructure and Climate Change - £0.330m:

- Development of Rural Broadband (£0.330m) - Capital charges were reduced in Q2/Q3 with a corresponding decrease in utilisation of grant contribution, due to BT/Openreach adjustments to the build programme and the superfast voucher programme remaining on hold until finalisation of the Project Gigabit procurement. A change request is expected from Openreach in Q4 2023/24 which could result in further reductions in expenditure in Q4. In addition, there has been a reduction of revenue income from consultancy work from BDUK.

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Appendix 4 Resources, Fire & Rescue OSC Management of Risk

Key Service Risks Summary

At a service level there are 33 risks recorded against Resources and Fire & Rescue Overview & Scrutiny Committee related services. Key risks are highlighted which are red risks (high risk) and where a risk level has been higher than the risk target for 3 quarters or more and is 3 points or more over target.

Key Service Risks	Net risk is currently green or amber	Net risk is currently red
Risk level has not exceeded the target for 3 quarters in a row	• 24 other risks	• **(Fire and Rescue Services)** Unfavourable results from DBS checks impact service delivery • **(Fire and Rescue Services)** Weaknesses in Light Rescue Pumps impact service delivery
Risk level has exceeded target for 3 quarters in a row and is currently more than 3 points above target	• **(Fire and Rescue Services)** Control Room critical systems failure • **(Fire and Rescue Services)** Cyber Attacks • **(Fire and Rescue Services)** National power outage • **(Strategy, Planning & Governance)** Increase in serious data breaches and/or backlog of Subject Access Requests	• **(Enabling Services)** Cyber-attack is successful • **(Fire and Rescue Services)** Reduced on call availability • **(Finance)** Insufficient resources to deliver the Authority's Council Plan and priorities

Agenda Item 8

Resources and Fire & Rescue Overview and Scrutiny Committee

21 February 2024

Treasury Management Update Quarterly Report

1. Recommendation

That the Resources and Fire & Rescue Overview and Scrutiny Committee receives and comments upon the update on Treasury Management activity and performance for the third quarter of the 2023/24 financial year.

2. Executive Summary

2.1 This quarterly report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and includes coverage of the following:

i.) a review of the Treasury Management Strategy Statement;

ii.) a review of the Council's investment portfolio for 2023/24 (Section 3);

iii.) a review of the Council's borrowing strategy for 2023/24, including comments on any debt rescheduling undertaken during 2023/24 (Section 4);

iv.) the Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators (Appendix 2 of this report); and

v.) an economic update for the first half of the 2023/24 financial year (Appendix 3).

2.2 The following highlights are detailed in this report:

i.) Total treasury investments were £336m on 31 December 2023 compared to the end of the second quarter balance of £391m, a reduction of £55m.

ii.) Liquid funds (*funds that can be accessed very quickly*) decreased by £15m during the quarter. However, sufficient liquidity has been retained to more than meet the expected call on the Council's cash balances to fund spend.

iii.) Investments on fixed maturity terms decreased by £40m upon the maturities of fixed term loans to local authorities and one building society.

iv.) Investments interest rates showed some degree of stabilization and only slightly moved upwards during the quarter in response to Bank of England (BOE) base rate, which remained unchanged at 5.25% during the period. The Bank had consecutively raised the rate in the past fourteen monetary policy meetings, they left the rate unchanged at 5.25% at the September meeting.

v.) The average interest rates earned on the Council's treasury deposits increased to 4.68% rising from the previous quarter's 4.50% on the back of repricing of the maturing fixed deposits that were made earlier on when interest rates were lower, and money market fund rates being higher.

vi.) Interest income on treasury investments of £13.34m was recorded during the nine months, against a budget of £3.51m. Whilst these significant additional returns are welcomed in the context of the wider Council budget, there needs to be a degree of caution around how this influences the budget setting for returns, which are influenced by the level of cash available, interest rates and need for external borrowing.

3. Annual Investment Strategy

Investment balances

3.1 The level of funds available for investment purposes during the quarter averaged £392m and totaled £336m as of 31 December 2023. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

3.2 The total investments balance reduced by £55m from the £391m at the end of the last financial quarter to £336m on 31 December 2023. About 74% (£232m) of the total treasury investments were managed in-house through fixed term lending to local authorities, housing associations and local building societies together with a bank call account, while 26% (£86m) was externally managed through money market funds and special purpose variable net asset value funds.

3.3 Total **liquid funds** (bank balances plus money market funds) averaged £98m during the quarter and reduced from £80m at the beginning of the quarter to £64m on 31 December 2023. The late national local government pay increase agreement and the subsequent backpay in November partly contributed to the downwards movement in our cash balances. The maximum level of liquid funds held was £133m held on the 29 November 2023, while the minimum total liquid funds was £64m held at the end of the quarter. This level of liquidity ensured that cash is always available when it is needed for service delivery and capital expenditure.

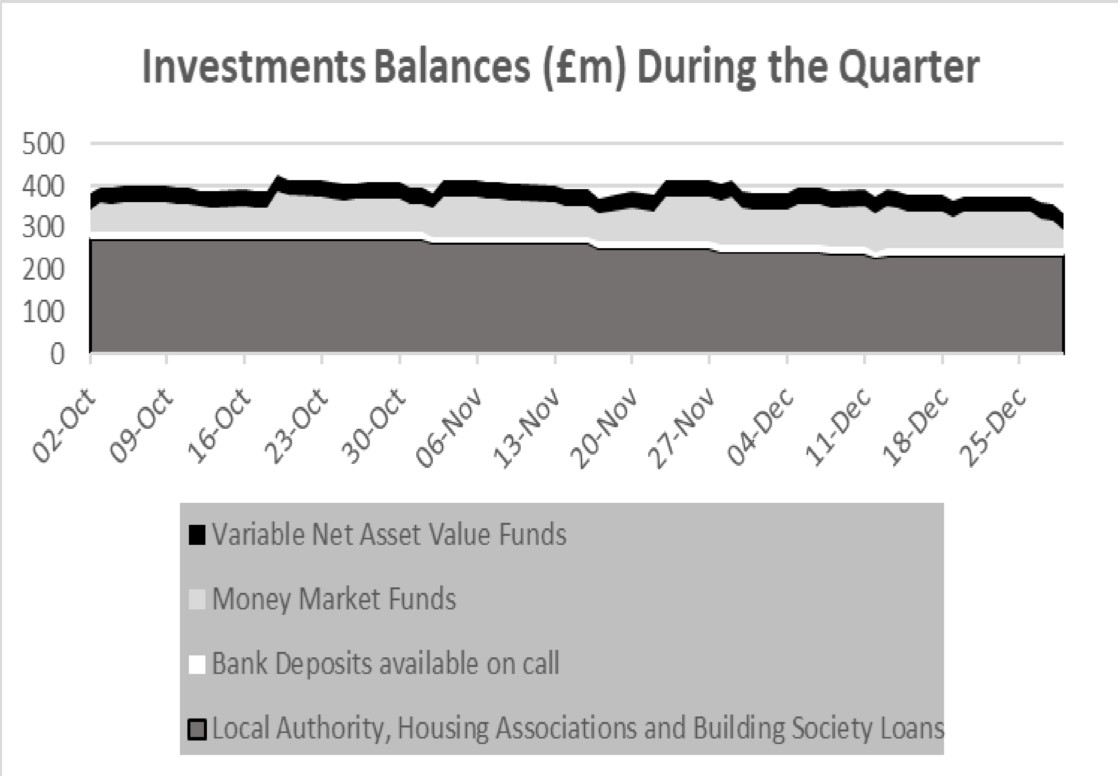
Table 1 Investment Balances movements during the half year

Investment Type in £ Millions	Balance at 30 September 2023	Movement during Q3	Balance at 31 December 2023
	£m	£m	£m
Building Society Loans	50	-20	30
Housing Association Loans	30	-	30
Local Authority Loans	192	-20	172
Bank Deposits	17	-	17
Managed In House	**289**	**-40**	**249**
Money Market Funds	63	-15	48
VNAV Funds	39	-	39
Externally Managed	**102**	**-15**	**87**
Total Funds	**391**	**-55**	**336**

3.4 Fixed deposits with local authorities, housing associations and building societies decreased from £272m at the end of last quarter to £232m while the Variable Net Asset Value (VNAV) funds remained stable, registering 1 percent growth over the three months. The variable net asset funds tend to grow in value when interest rates are low and lose value in times of high interest rates as investors sell their investments and divert them to interest-earning assets. The low growth in the value of these VNAV funds is a reflection of the high interest rates prevailing on the money market that lure investors from other non-interest earning markets.

3.5 Throughout the past three quarters of the financial year, we have maintained about £17m in a call account with the Council's main bank as a reserve instant access account in case we experience any technical issues with withdrawals from the liquid money market funds or emergency payments that need to be made after the cut off time for withdrawing from money market fund pools. This ensures the Council will always have cash to meet its statutory duties regardless of system malfunctioning or delays at the money market trading platform.

Figure 1 – Daily Investment Balances



Creditworthiness

3.6 There were no changes to credit ratings of investment counterparties and countries over the quarter under review with the exception of Deutsche Bank AG which had its Standard & Poors (S&P) rating changed from A to A- while unchanged by the other two rating agencies. The Council currently has no investment with Deutsche Bank AG However, officers continue to monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

3.7 The Council uses Fitch, S&P and Moodys ratings to assess the creditworthiness of Treasury investment counterparties. A creditworthiness ratings table can be found in Appendix 4.

3.8 As stipulated in the Treasury Management Strategy, investments have been made in either UK based banks, rated building societies with a minimum of A- Fitch credit rating, and UK local authorities. As at 30 November 2023 the two building societies we have investment balances with were rated A- while all the six money market funds were rated AAA.

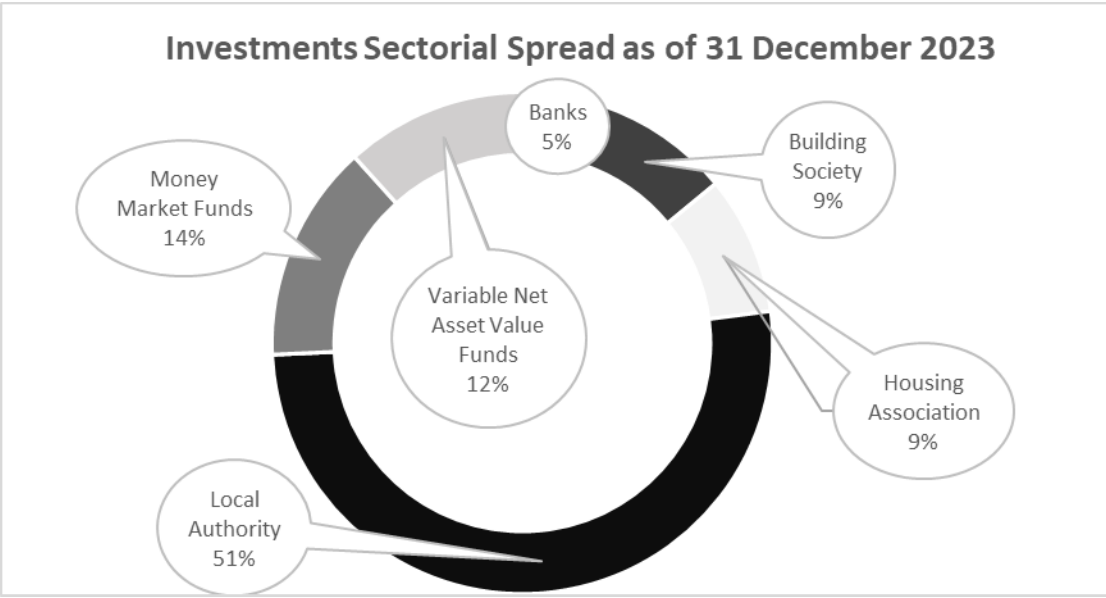
3.9 While a number of local authorities have issued Section 114 notices and many others are reported to be facing serious financial challenges, the sector generally remains a relatively safe investment destination due to statutory protection. Where a loan is made to a UK local authority, the lender is provided with a statutory protection via the Local Government Act 2003. It means that all money borrowed by a local authority, together with any interest on the money borrowed, shall be charged, on all the revenues of the authority. There are only a small number of local authorities that have a formal credit rating, so lenders will rely on this statutory protection when they arrange any loans with a UK based local authority. The CIPFA Code of Practice on Local Authority Accounting also includes wording to support this view. It says "Local authorities shall not recognise a loss allowance for expected credit losses on a financial asset where the counterparty for a financial asset is central government or a local authority for which relevant statutory provision prevents default."

3.10 Despite this cover, the Council still endeavours to invest with local authorities that have good financial standing. This also assists in the management of the reputational risk of being seen to invest Warwickshire taxpayers money in authorities in financial trouble.

Investment Counterparty Criteria

3.11 As set out in the approved 2023/24 Treasury Management Strategy, we have continued to prioritize security and liquidity with yields being considered within these two parameters. The approach resulted in the Council's treasury investments being spread across diverse sectors which exhibit strong security and liquidity features. The graph below (*Figure 2*) illustrates which sectors and in what proportions the treasury funds were invested as of 31 December 2023.

Figure 2 – Investments Sectorial Spread

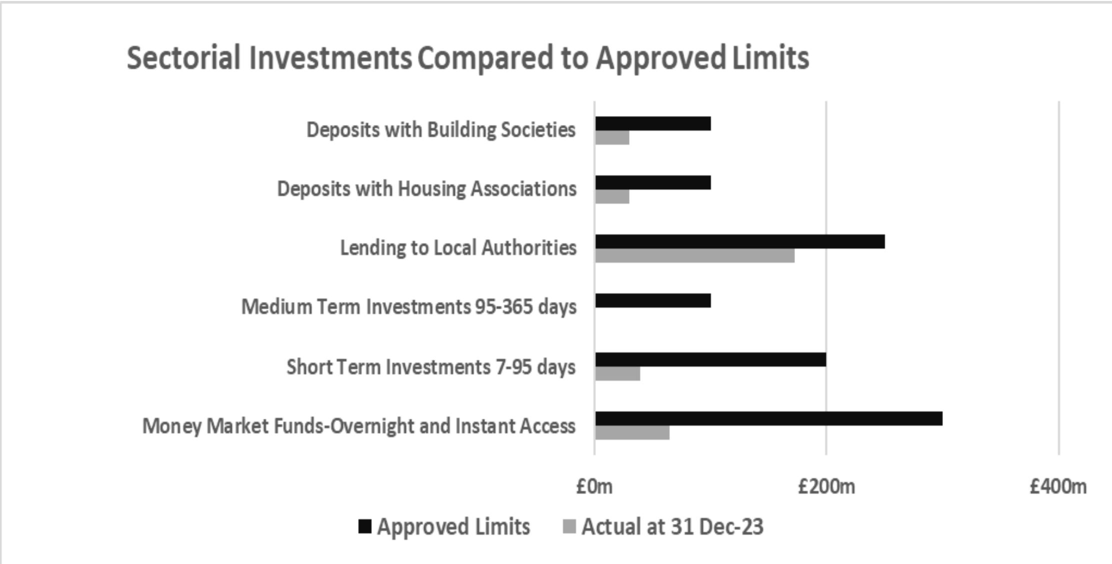


3.12 Local authorities, housing associations and building societies together held 69% of the Council's treasury funds on fixed term loans with varying durations of up to January 2026. Investments held with local authorities alone amounted to £172m equivalent to 51% of the total investment portfolio. As pointed out above, investments in local authorities remain the safest investments, regardless of the increasing financial pressures in the sector, due to the statutory protection.

3.13 While the investment counterparty criteria selection included Housing Associations, we had not invested in any housing association until the first quarter when we placed three fixed term loan investments with three different housing associations worth £30m. This expansion is increasing the range of viable investment options open to us and reduces the investment concentration risk profile.

3.14 The counterparty and sectoral total investments were all within the limits set in the Treasury Management Strategy approved by the Council. The graph below (*Figure 3*) illustrates how the sectorial exposures compared to the approved sector limits.

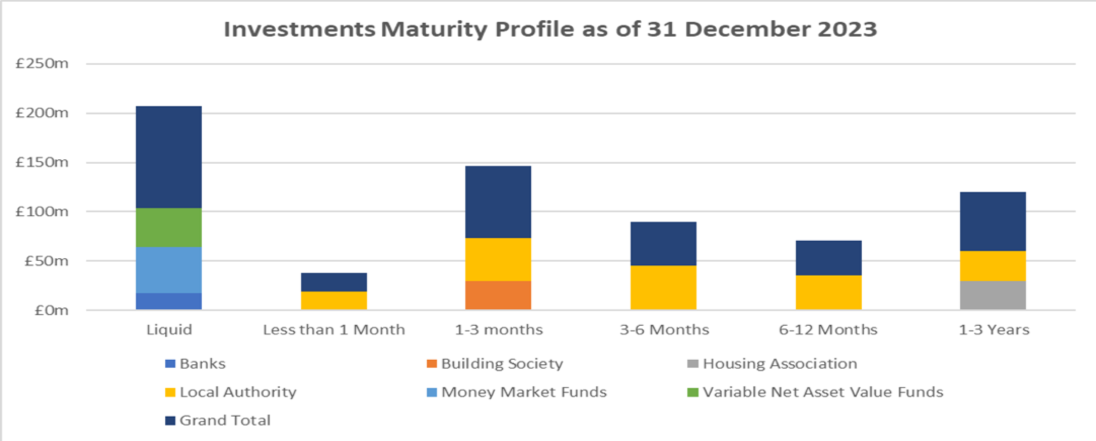
Figure 3 – Sectorial Investments Compared to Approved Limits



Investments Maturity Profile

3.15 With the bulk of the investment funds being held for financing the Council's capital programme, the maturity profile of the investments, as at 31 December 2023, depicted in the chart below tended to lean mostly to the short-term, with 82% of maturing within twelve months, 31% liquid and only 18% maturing over 12 months. Investments in the liquid money market funds continued to enjoy relatively good interest rates meeting all the Council's three investment priorities of security, liquidity and yield. This is also in line with the prevailing market where borrowers and funds are reluctant to commit to long term securities as they will be tied to expensive debt/deposits when the long-term market expectation is that interest rates will begin to fall in the medium-term as inflation declines. The chart below illustrates the maturity profile of the investments at the end of the quarter.

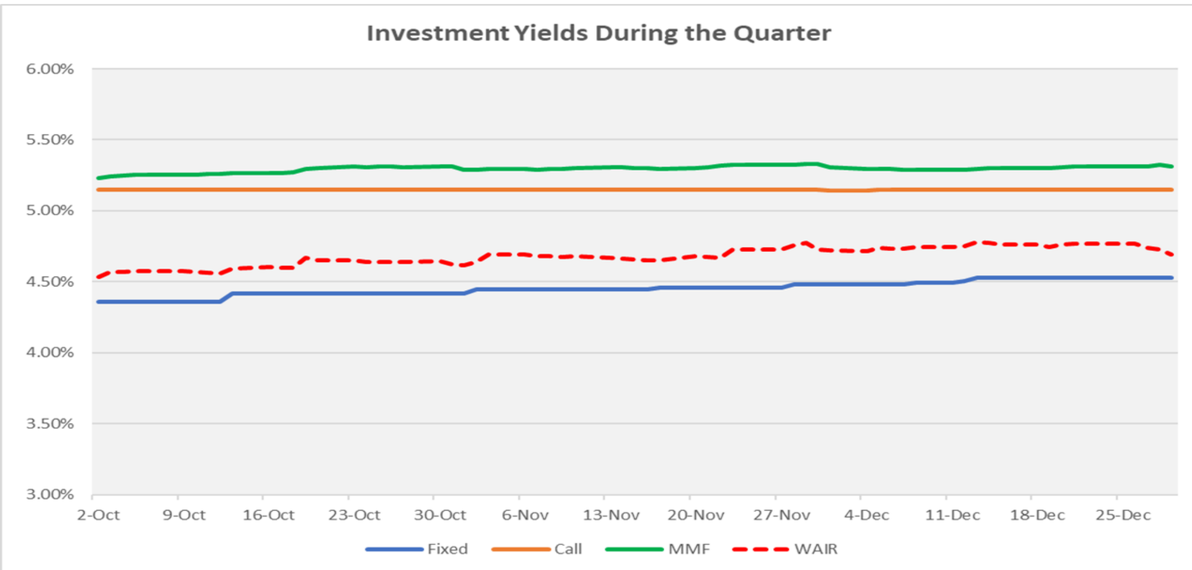
Figure 4 – Investment Maturity Profile



Investment Yield

3.16 During the first two quarters of the year, market interest rates continued with the upward trend that started during the last months of the pandemic and continued to rise further due to subsequent global and national political and economic events. However, following the Bank of England's stagnation of the bank rate, interest rate growth flattened with only marginal growth during the quarter with rates showing some level of stabilization. The Council's treasury investment yields followed this pattern with the average yield on money market funds investments rising by 9 basis points from 5.23% at the beginning of the quarter to 5.32% by the close of the quarter and average interest rate on fixed term investments also growing from 4.36% to 4.53%.

Figure 5 – Investment Yield during the Quarter



3.17 The increasing interest rates referred to above, together with adjustments to the mix of investments, resulted in treasury activities outperforming the budget after recording total income of £13.34m compared to a year-to-date budget of £3.51m. The interest income budget for the year was set up before the increase in interest rates. The additional income generated has been used to fund the overspends in 2023/24 in the demand-led services and has been critical to supporting the financial sustainability of the Council.

3.18 The recorded £13.34m interest income represents an annualized yield of 4.54% on an average investment portfolio of £392m. The Treasury activities income was earned on investments that are managed inhouse and externally managed as shown in the table below.

Quarter 3 Investment Yields	Yield in £'000s	YTD Budget	Yield in %	Relevant Benchmark
Managed In House	**9,175**	**2,219**	**4.50%**	**3.74%**
Money Market Funds	3,236		5.32%	4.37%
Variable Net Asset Value Funds	929		3.18%	2.83%
Externally Managed	**4,165**	**1,292**	**4.62%**	
Total Funds	**13,340**	**3,511**	**4.54%**	

3.19 It is positive to highlight that all the yields surpassed the relevant benchmarks.

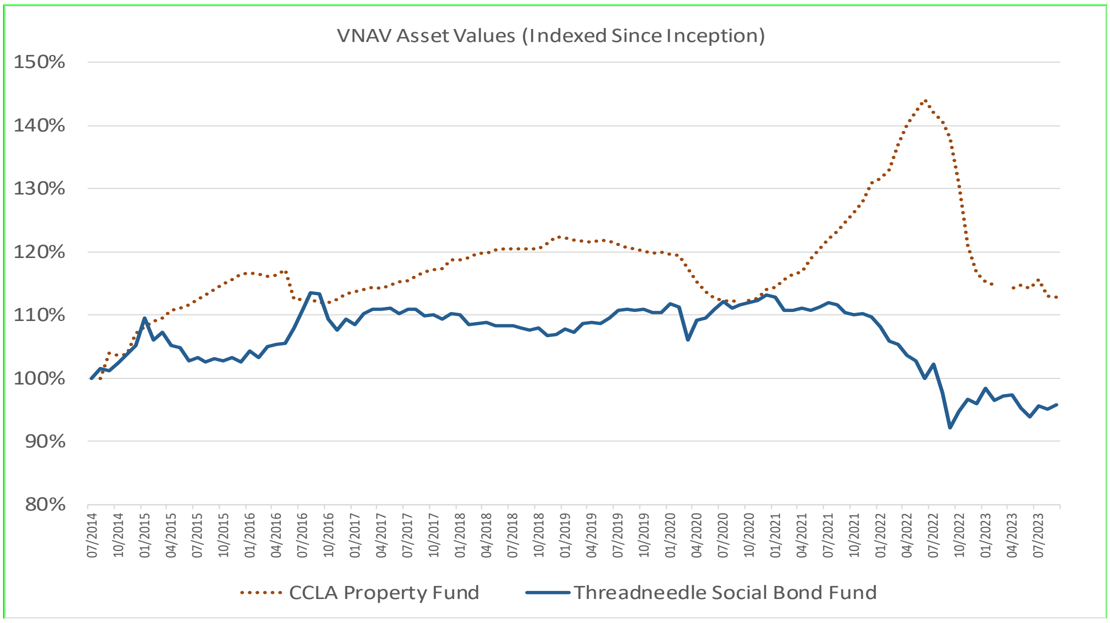
4. Variable Net Asset Value (VNAV) Investments

4.1 As noted earlier in the report, included in the treasury investments is £39m invested in variable net asset value investments as at 31 December 2023. These are investments that are traded in a similar way to listed stock, where the value of the assets held can vary up and down depending on the performance of the funds. At the beginning of the 2023/24 financial year the Council had investments in three separate funds namely, the Threadneedle Social Bond Fund, CCLA Local Authority Property Fund and the BlackRock ICS Sterling Liquid Environmentally Aware Fund. During the first quarter, a decision was made to divest from the BlackRock fund and divert funds to fixed deposits where higher returns were prevailing. The remaining two funds have consistently paid good dividends.

4.2 Since the beginning of the financial year, these funds have earned £0.632m in income, equivalent to 2.86% yield on the average investment balance of £44m held during the period.

4.3 The two remaining funds gained in value during the period of prevailing low interest rates, as shown in the graph below. However, both funds have experienced volatility driven by Covid followed by a period of stabilization.

4.4 The balances held in these funds are being reviewed in light of prevailing market conditions.



5. Borrowing

5.1 Total borrowing stood at £272.98m on 31 December 2023, compared to £321m at the start of the financial year on 1 April 2023. The reduction was due to the early repayment of six loans during the first quarter as reported in the last two reports. The next scheduled debt repayment is during the 2029 financial year. No new borrowing was undertaken during the three quarters of the year ended 31 December 2023. It is anticipated that no new borrowing will be undertaken during the remainder of this fiscal year.

Debt Maturity Profile

5.2 The table below together with a chart Annex 1 illustrate the maturity profile of the Council's borrowings. There is no scheduled repayment in the next four years. The next scheduled repayment will be due in the 2029 financial year with the last repayment in 2060.

Tenor Bucket	Amount £M
Liquid	0
< 1 Year	0
1 - 2 Years	0
2 - 5 years	8
5 - 10 years	25
10 - 20 years	29
20 - 30 years	75
30 - 40 years	137
Total Debt	**273**

Debt Rescheduling

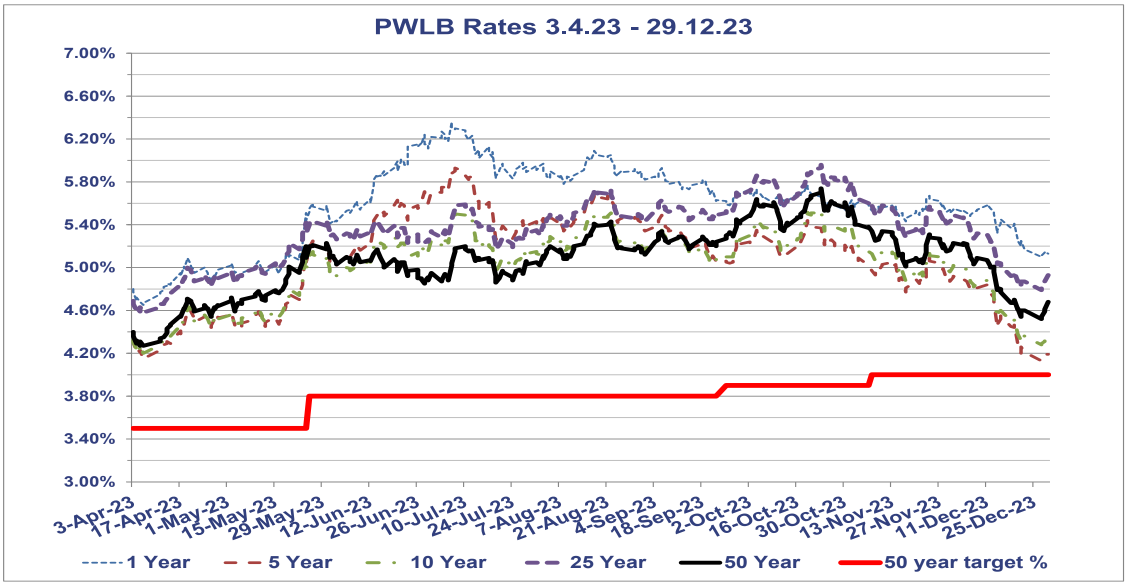
5.3 Debt rescheduling opportunities have increased significantly in the period where gilt yields, which underpin PWLB rates and market loans, have risen materially. However, during the half year under review, no viable opportunity was identified to reschedule the Council's PWLB debt. Treasury Officers continue to closely monitor the debt market developments and review any potential opportunities for debt rescheduling.

PWLB maturity Certainty Rates 3rd April to 29th December 2023

5.4 Gilt yields and PWLB rates were on a rising trend from April through to October but dropped back significantly in November and December. The 50-year PWLB Certainty Rate target for new long-term borrowing started 2023/24 at 3.50% (the lowest forecast rate within a two-year time horizon), increasing to a peak of 4.00% in November. With rates elevated across the whole of the curve, the advice from our Treasury Advisers is not to borrow long-term unless the Council wants certainty of rate and judges the cost to be affordable.

The following graphs and table are optional; choose whether to include and use the data for Q1 to Q3 (3rd April 2023 to 29th December 2023).

PWLB RATES 3.4.23 - 29.12.23 (note: the 1st/2nd April was a weekend)



HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

6. Liability Benchmark

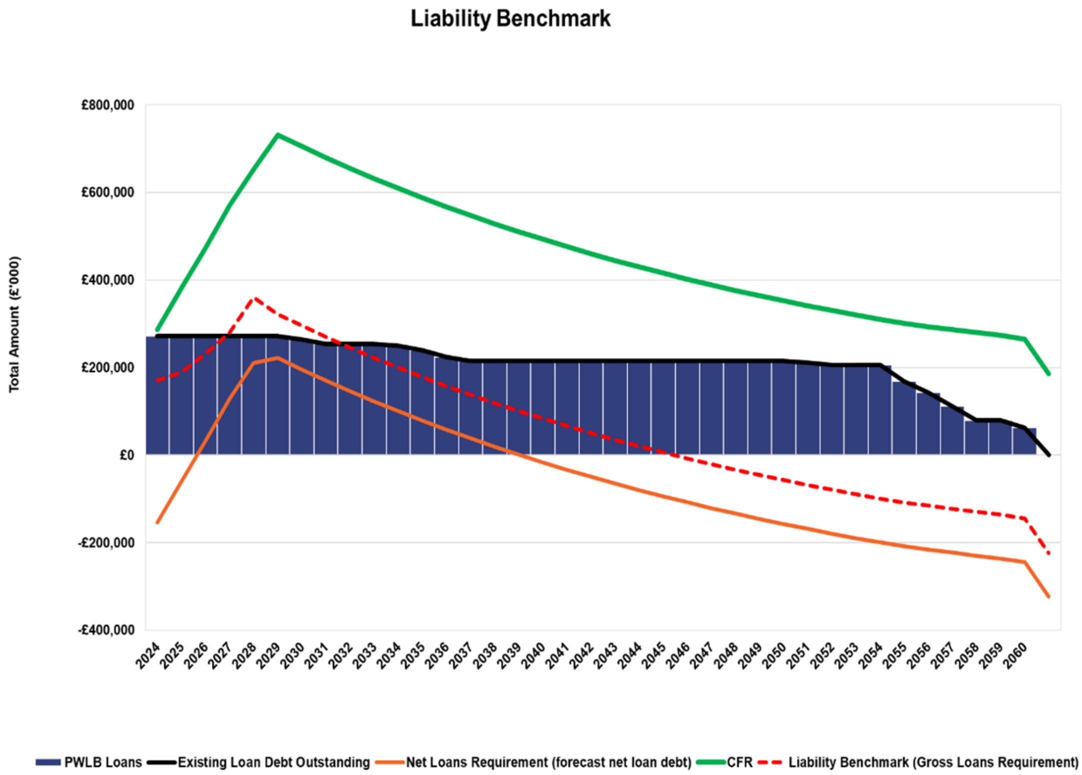
6.1 The purpose of this prudential indicator is to compare the Authority's existing loans outstanding against a standardised assessment of need for external loan debt, called the liability benchmark. The benchmark reflects the borrowing required to finance capital spending but taking into account any ability to make use of cash balances instead of borrowing externally and taking account of the need to hold a certain amount of cash liquidity. If the existing external loans outstanding are below the debt required, the authority will potentially need to borrow to meet the shortfall. If the existing external loans outstanding are more than it needs, the resulting excess cash may need to be invested. The chart therefore provides insight to an authority on how much it needs to borrow, when, and to what maturities to match its planned borrowing needs.

6.2 The liability benchmark makes no assumptions about the level of future prudential borrowing beyond the horizon of the 5-year Medium Term Financial Strategy and so the Capital Financing Requirement (CFR) and the liability benchmark tail off in the chart below, when in reality a rolling programme of new capital expenditure will be approved over time and the CFR will not reduce.

6.3 The liability benchmark is the lowest level of borrowing compared to the CFR borrowing requirement – borrowing only when reserves reach a set minimum level. This assumes that internal resources such as reserves and working capital are utilised and that cash and investment balances are reduced gradually over time.

6.4 As capital spending increases over the next few years and the Council utilises its reserves rather than borrowing more, and the gap between external debt (the black line) and the liability benchmark (the dotted red line) reduces until the Council does start borrowing externally again.

6.5 The cash liquidity buffer is reflected in the gap between the dotted red line (the liability benchmark) and the solid orange line (the net loans requirement). This buffer is planned to be brought down to £100m over time, representing a more efficient use of balance sheet resources, and this shows as a reduced gap between these two lines.



7. Non-Treasury Investments

7.1 In addition to managing the Council's treasury investments and borrowings, the Treasury Management Team are also responsible for managing other non-treasury investments, undertaken in pursuit of achieving the Council's economic, commercial, and social objectives. Among the ongoing non-treasury investments that the team is involved in are: loans through the Warwickshire Investment Fund, and loans to the Warwickshire Property and Development Group, and Educaterers, the schools catering local authority trading company.

7.2 The non-treasury investments activities are reported and monitored at other Council governance forums and are not included in this report.

8. Financial Implications

8.1 The financial implications of the treasury management performance and activity are set out in the body of the report.

9. Environmental Implications

9.1 As stated in the Council approved Treasury Management Strategy Statement (TMSS), the Council is committed to considering environmental, social, and governance (ESG) issues, and has a particular interest in terms of climate change and pursuing activities that have a positive social impact.

9.2 In the TMSS, the Council undertook to ensure an understanding of the degree to which investments may contribute towards climate change and where appropriate, move cash balances to funds that have ESG driven targets, or “green funds”, to ensure our investment is contributing towards tackling ESG issues, among other undertakings, with security and liquidity of investments taking precedence.

9.3 **Environmental**: The majority (69%) of the treasury investments outstanding at the end of this third quarter of the financial year (31st December 2023) were fixed-term deposits with other local authorities, housing associations and building societies. Of these deposits, 66% by value were with local authorities, housing associations or building societies with a climate action plan. However, as security and liquidity take priority over ESG impact, the Council divested from the Blackrock Liquid Environmentally Aware Fund. This was because the fund was deemed a Variable Net Asset Value fund (VNAV) which means that there was capital at higher risk.

9.4 **Governance**: Officers rely on credit ratings for assessing governance alignment. Governance considerations are included as part of the credit rating process, such as whether the money market fund asset manager is suitably qualified, competent, and capable, and whether there is an experienced and credible senior management team and sufficient resources. Therefore, the high credit ratings suggest that there are robust governance procedures within the banks, building societies and money market funds in which the Council invested in the quarter.

9.5 **Social alignment**: It is assumed that other local authorities will largely align with the Council’s objectives. They are likely to provide similar services to the communities within their area, and have similar objectives, such as promoting a thriving economy and supporting people to live their best lives. Similarly, the primary objective of most housing associations is to provide affordable housing, which aligns with the Council Plan objectives.

10. Timescales Associated with Next Steps

10.1 This report will be presented to Resources and Fire & Rescue Overview and Scrutiny Committee on 21 February 2024.

10.2 A Treasury Management Outturn report and Investment Outturn report will be presented to Cabinet after the year-end.

Appendix

Appendix 1 – Investment and Borrowing Portfolio
Appendix 2 – Prudential Indicators
Appendix 3 – Economic Update
Appendix 4 – Creditworthiness ratings table

Background Papers
February 2024 Council paper, Treasury Management Strategy and Investment Strategy.

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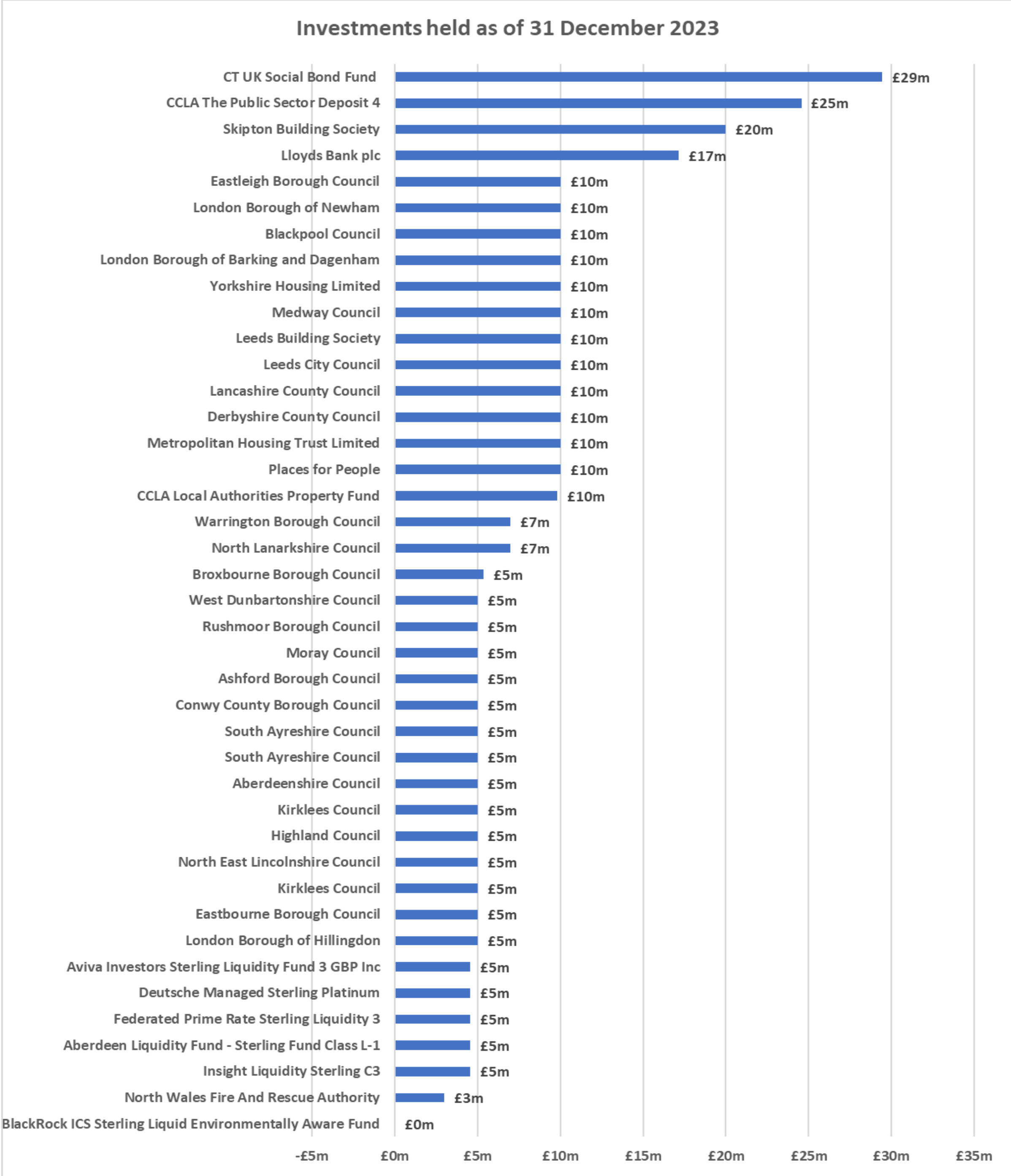
The report was circulated to the following members prior to publication:

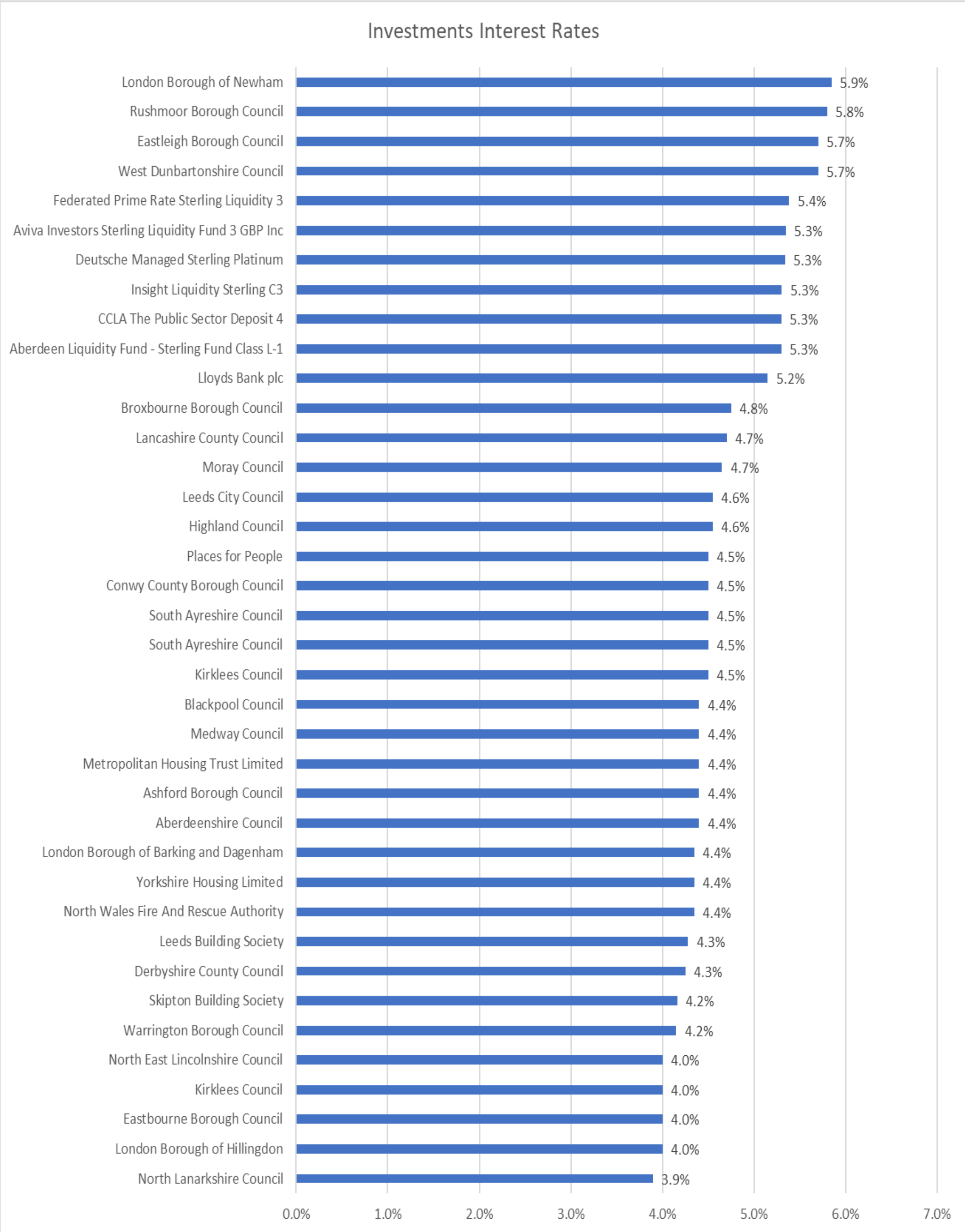
Portfolio Holder for Finance and Property
Leaders of the Labour, Liberal Democrats and Green Groups
Chair and Spokespersons of the Resources and Fire & Rescue Overview & Scrutiny Committee

APPENDIX 1: Investment and Borrowing Portfolios

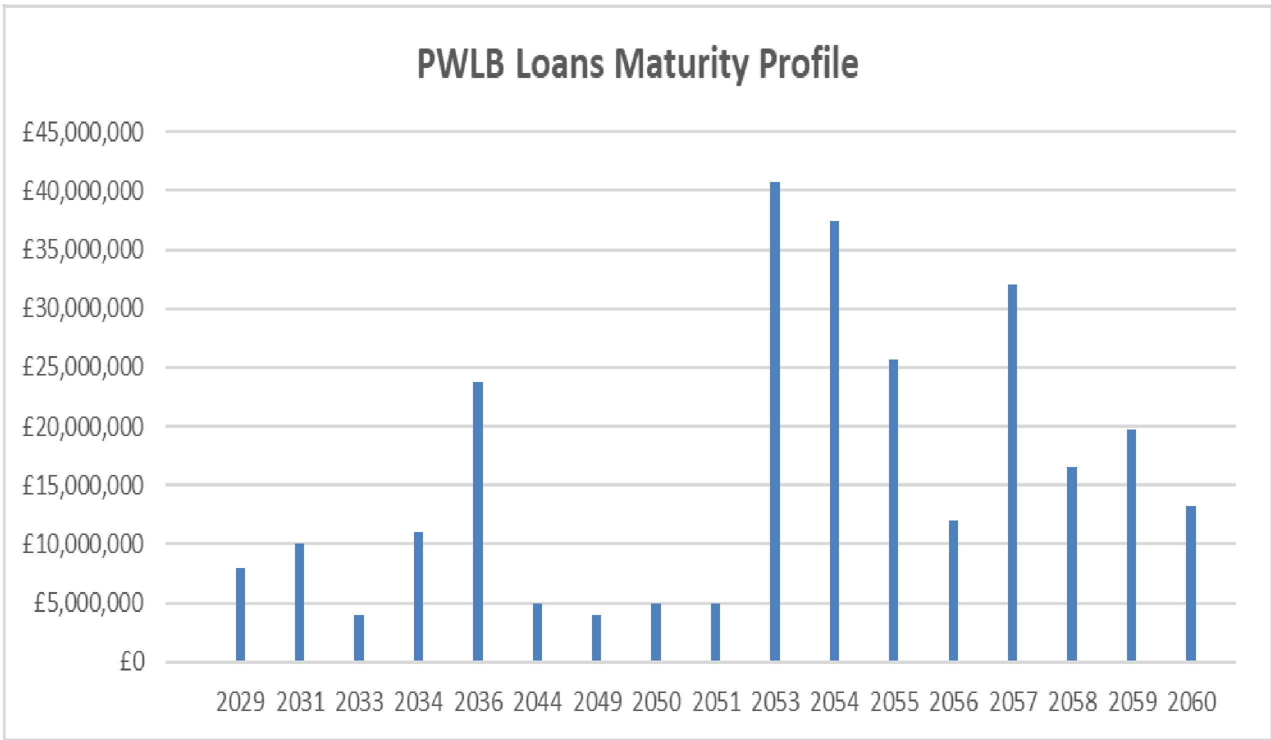
Investments held as of 31st December 2023



Investment yield as of the 31st December 2023



Borrowing profile as at the 31st December 2023



APPENDIX 2: Prudential Indicators

PRUDENTIAL INDICATOR (1). AFFORDABILITY PRUDENTIAL INDICATORS	2022/23 Actual	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000
Capital Expenditure	117,352	160,094	179,508
	%	%	%
Ratio of financing costs to net revenue stream	5.13%	4.33%	4.40%
Gross borrowing requirement	£'000	£'000	£'000
Gross Debt	321,413	272,413	272,413
Capital Financing Requirement as at 31 March	256,854	287,253	381,922
Under/(Over) Borrowing	(64,559)	14,840	109,509
	£'000	£'000	£'000
In year Capital Financing Requirement	10,503	11,083	11,299

PRUDENTIAL INDICATOR (2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2022/23 Actual	2023/24 Estimate	2024/25 Estimate
Authorised limit for external debt -	£'000	£'000	£'000
Borrowing	386,000	490,000	625,000
TOTAL	**386,000**	**490,000**	**625,000**
Operational boundary for external debt -	£'000	£'000	£'000
Borrowing	321,413	467,851	597,155
TOTAL	**321,413**	**326,320**	**311,976**
Upper limit for fixed interest rate exposure			
Net principal re fixed rate borrowing / fixed term investments	100%	100%	100%
Upper limit for variable rate exposure			
Net principal re fixed rate borrowing / fixed term investments	25%	25%	25%
Upper limit for total principal sums invested for over 365	£'000	£'000	£'000
(per maturity date)	£150,000	£150,000	£150,000

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

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

APPENDIX 3: Economic Update (provided by Link Group)

1. Economic Update

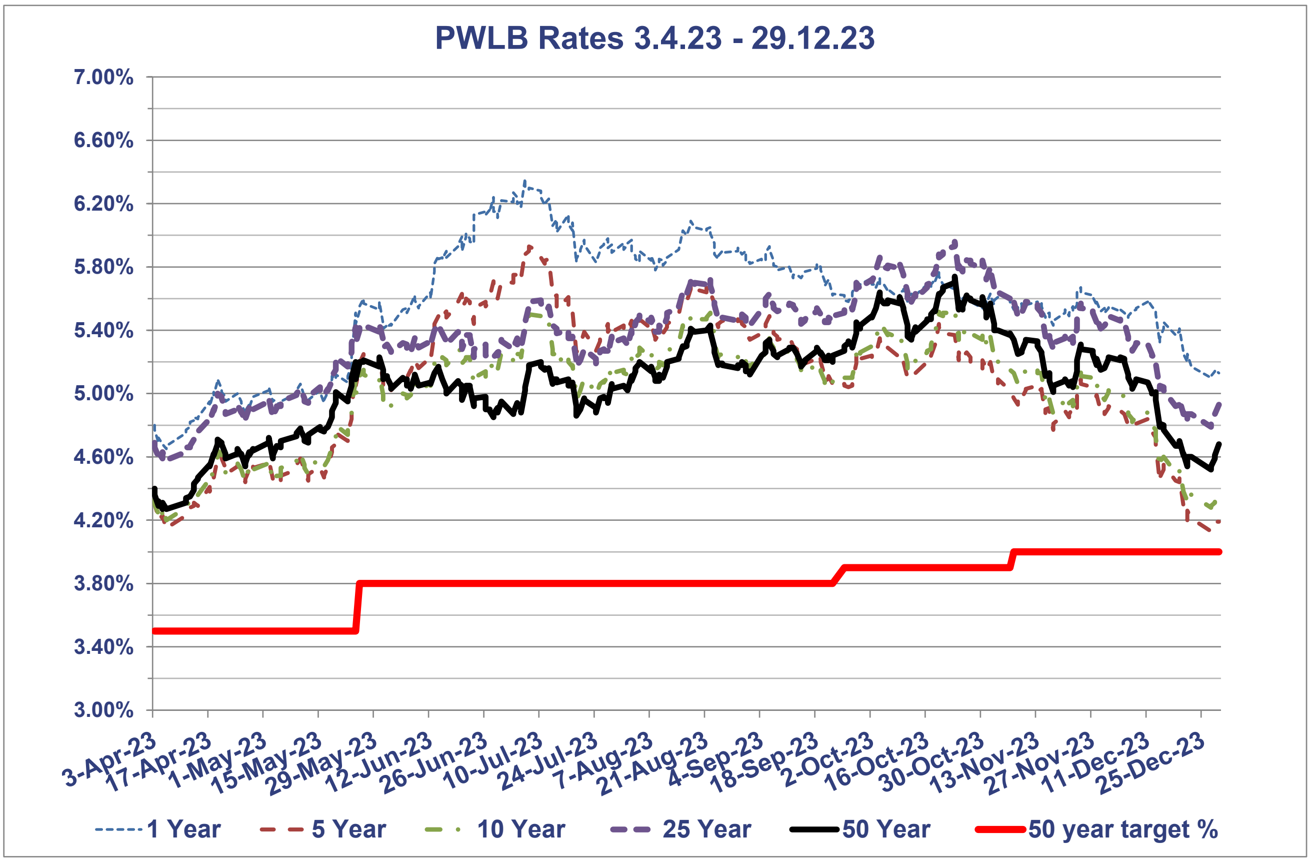
- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding rates at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with only marginal falls showing year on year on the Halifax (-1%) and Nationwide (-1.8%) indices. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay

growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.

- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% at the time of writing, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from $1.21 in November to $1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23



MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both reviews reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

2. Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

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

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 7th November and reflected a view that the MPC would be keen to underpin 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 unequivocally supportive of such a move, and that there is a strong likelihood of the overall economy enduring tepid growth (at best) or a mild recession (at worst) over the coming months.

- 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 a little better at this stage of the economic cycle than may have been expected. Nonetheless, with approximately 400,000 households per quarter facing a mortgage interest reset at higher levels than their current rate, the economy will face on-going headwinds from that source, in addition to lower income households having to spend disproportionately on essentials such as food, energy and rent payments.

PWLB RATES

- As illustrated in the charts in section 1, gilt yields have endured a volatile nine months with yields rising significantly on the back of inflation concerns before retracing much of those increases in November and December. With the market now anticipating rate cuts by H2 2024, the short and medium parts of the curve are now close to where they started 2023/24, but the longer part of the curve is still a little higher. At the time of writing there is c50 basis points difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

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.

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.

- Projected **gilt issuance, inclusive of natural maturities and Quantitative Tightening (QT),** could be too much for the markets to comfortably digest without higher yields compensating.

APPENDIX 4 – Creditworthiness Ratings Table

Moodys	S&P	Fitch	Description
Aaa	AAA	AAA	Highest credit quality, minimum credit risk
Aa1, Aa2 Aa3	AA+, AA, AA-	AA+, AA, AA-	Very high credit quality, very low credit risk
A1, A2, A3	A+, A, A-	A+, A, A-	High credit quality (upper-medium grade)
Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-	Good credit quality, currently low credit risk
Ba1, Ba2, Ba3	BB+, BB, BB-	BB+, BB, BB-	Speculative elements, issue faces uncertainties and adverse conditions
B1, B2, B3	B+, B, B-	B+, B, B-	High credit risk, but issue still able to meet financial commitments
Caa1, Caa2, Caa3	CCC+, CCC, CCC-	CCC	Issuer currently vulnerable, default likely
Ca	CC	CC	Issuer currently highly vulnerable, near default
C	R, SD, D	C, RD, D	Lower rating typically in fault on some or all of its financial obligations

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.

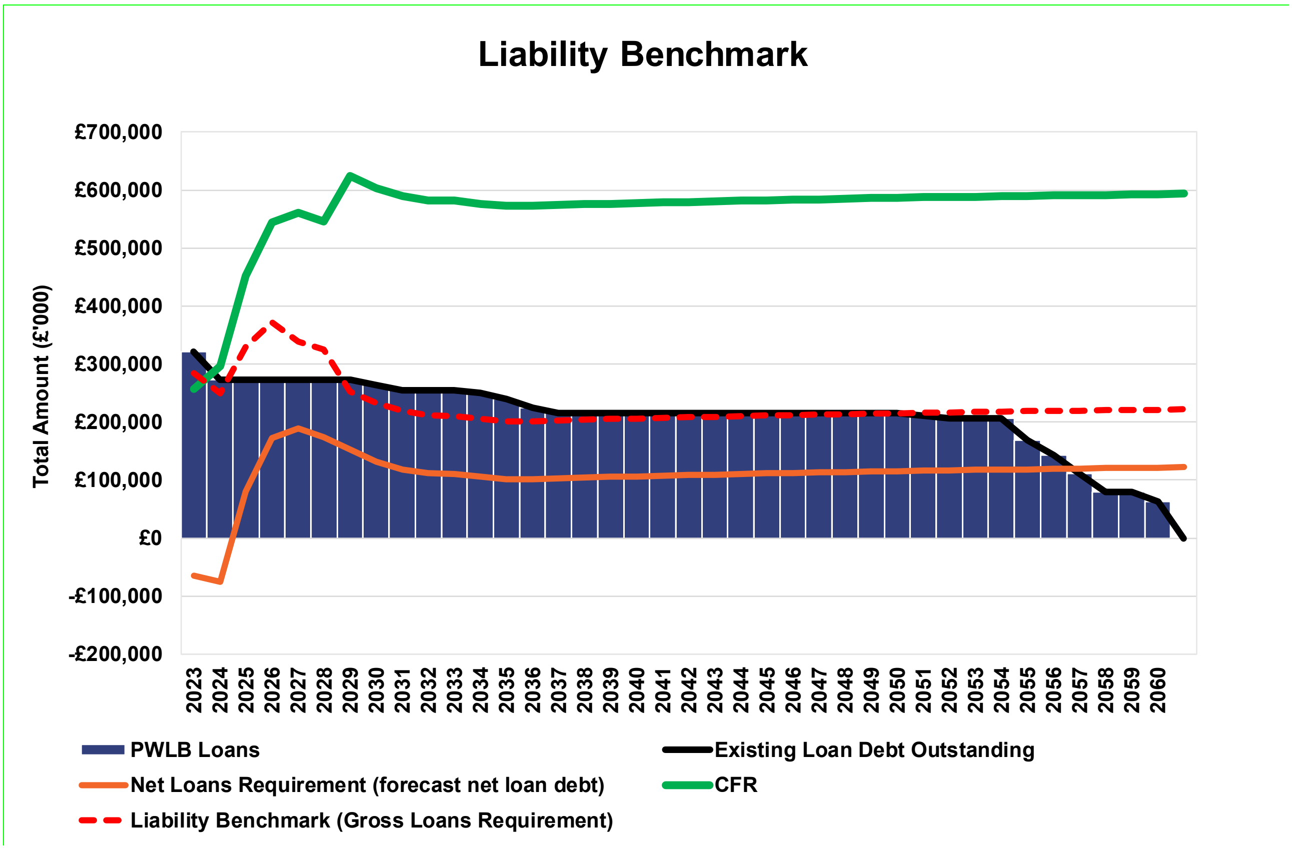
c.) Net loans requirement: this will show the Authority's gross loan debt less Treasury Management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

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

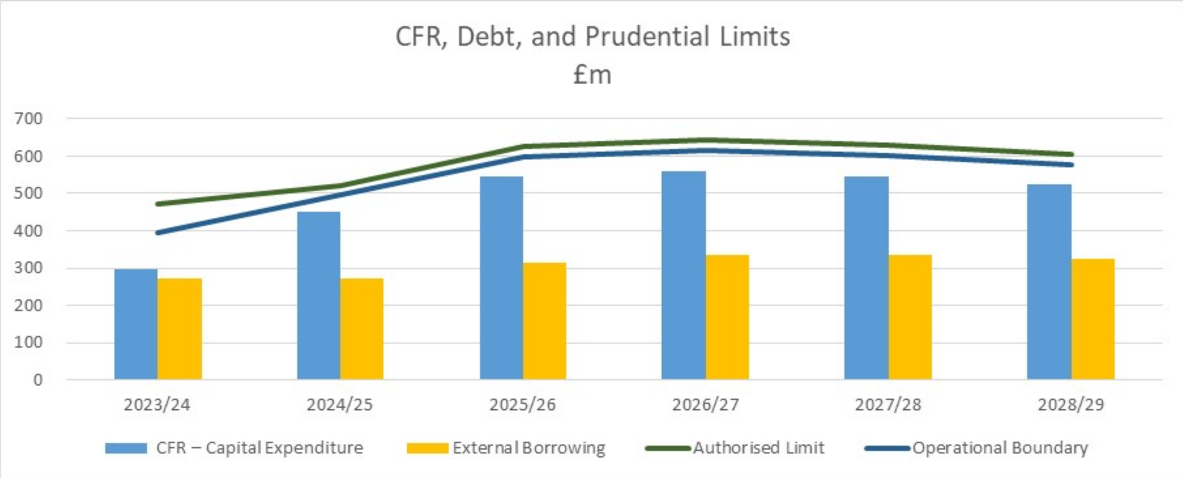
Councils' plans, or those of a specific Council, although this power has not yet been exercised.

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

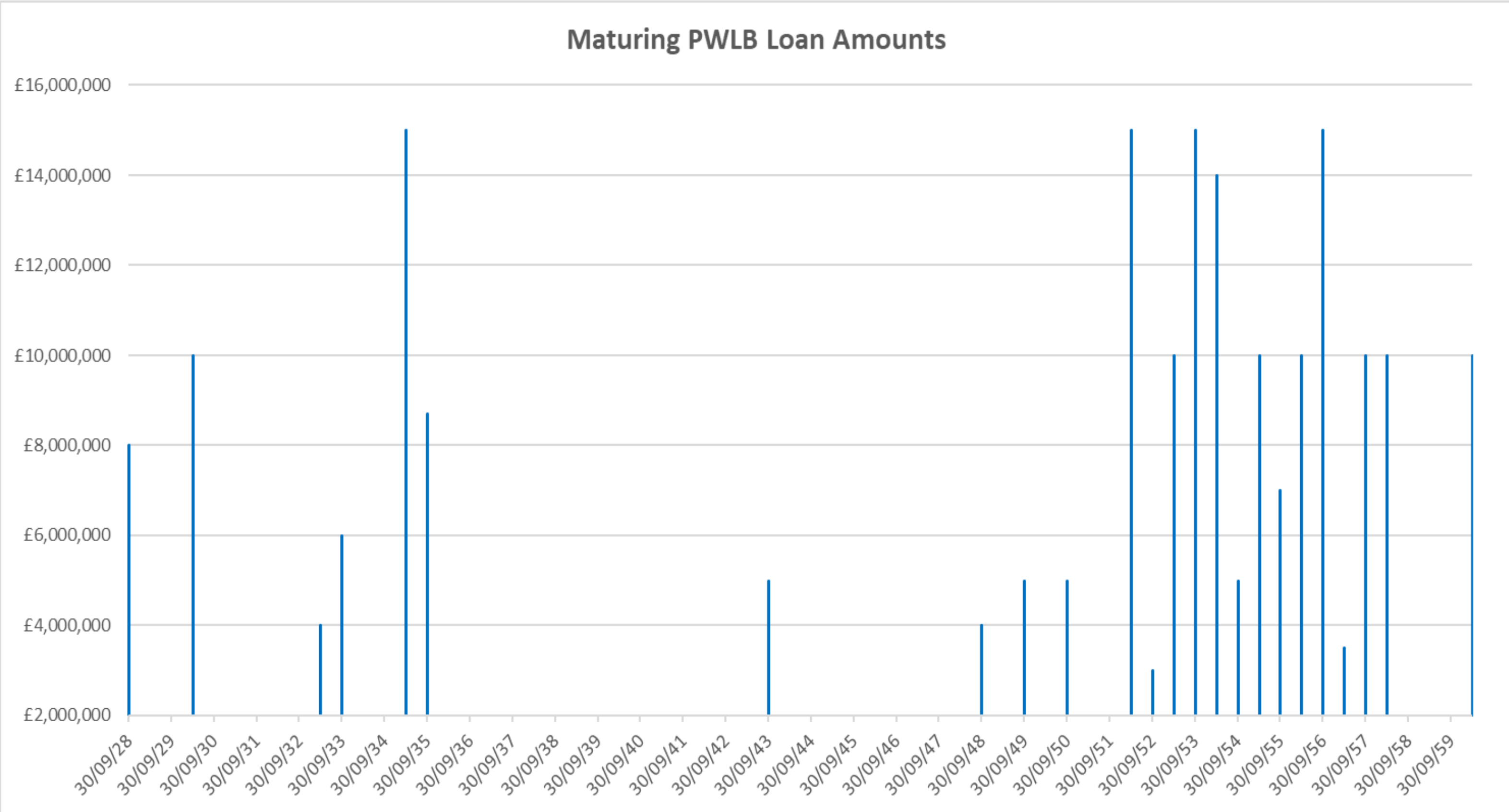
Maturity structure of new fixed rate borrowing during year	upper limit	lower limit
under 12 months	20%	0%
12 months and w ithin 24 months	40%	0%
24 months and w ithin 5 years	60%	0%
5 years and w ithin 10 years	100%	0%
10 years and above	100%	0%

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).

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

Resources and Fire & Rescue Overview and Scrutiny Committee
Work Programme 2023/2024 – February 2024

Item / Lead Officer	Report detail	Date of next report
Public Question Time/Questions to the Portfolio Holders / Work Programme	Standing items for every meeting.	* Standing item
Council Plan 2020 – 2027 Performance Report	Council Plan 2020 – 2027 Performance Report	* Standing item
Resourcing to Risk	To consider the results of the Resourcing to Risk consultation and make comments prior to consideration by Cabinet and Full Council	6 June 2024 (additional meeting)
Performance Report of WFRS Activity	To review performance levels of Warwickshire Fire and Rescue Service for 2022/23	24 April 2024
Warwickshire Property and Development Group Performance Update	To review the performance of the Warwickshire Property and Development Group	TBC

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