

2021/22 Capital Budget Resolution

Conservative Recommendations to County Council

1. Financial Direction of Travel

- 1.1. The value of our assets is £1.2 billion. Each year we need to spend money to ensure these assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements, and deliver the Council's vision to make Warwickshire the best it can be, sustainable now and for future generations, and strategic objectives as set out in the Council Plan. This investment forms the basis of our capital programme and maximising value for money for our residents and the taxpayer pound.
- 1.2. Our Capital Strategy (**Appendix A**) has been developed alongside the Council Plan, Recovery Plan and Medium-Term Financial Strategy. It sets out how we aim to use our capital resources and deliver our priorities by providing:
 - The funded plans to deliver the Council's aspirations of our capital investment, defining the outcomes we are seeking to achieve;
 - The programmes and projects to be funded to deliver these plans; and
 - The way in which we will manage capital spend and the capital programme to deliver these outcomes at the pace expected by our residents

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

- 1.3. We will create a more strategic and commercial focus to our approach to capital and investment aligned to the medium and longer-term place-shaping of Warwickshire.
- 1.4. We will continue with our benefit-driven, strategic approach to determining our capital investment priorities, ensuring our scarce resources are used in the most effective way. We continue to expect all proposals to be subject to a robust scrutiny process prior to

approval to ensure widespread support for capital investments, a strong business case and the deliverability of the project to ensure benefits for those who live, work and visit Warwickshire.

1.5. We will supplement our externally leveraged capital resource with £35 million a year of borrowing. We will continue to consider invest-to-save and commercial investments in excess of this where the investment will deliver revenue savings or create additional resource for investment. We will continue with the separation of maintenance and investment programmes that has brought benefits by reducing bureaucracy.

1.6. We will use our capital resources to deliver capital schemes that support the vision and objectives set out in the Council Plan. As a priority, over the next 12 months, we expect investment proposals for the following to have been brought forward for decision:

<p>Supporting people</p>	<ul style="list-style-type: none"> • Investment in new school places, and in particular special educational needs provision within the county, including in the south of the county, similar combined provision to the new school/social care facility in Exhall for special educational needs and children’s social care. • Help for residents to lead a healthy lifestyle, including assistive technology to support health, care and well-being and the development of our country parks. • Investment in safer travel to schools.
<p>Shaping places</p>	<ul style="list-style-type: none"> • Ambitious schemes to shape Warwickshire and individual parts of it, progressing housing and area regeneration schemes, through our Warwickshire Property and Development Company. • Supporting business innovation, investment and inward investment through the development of proposals for a Warwickshire Recovery and Investment Fund as part of our place shaping to help residents prosperity. • Investment which contributes towards building employment skills and skills development for those impacted by the economic consequences of the pandemic. • Investment in 5G/broadband to connect our residents and support businesses across Warwickshire. • Building stronger communities by helping communities to help themselves. • Further developing our network of cycle paths.
<p>Optimising delivery and maximising our resources</p>	<ul style="list-style-type: none"> • Investment to maximise the effectiveness of our property estate as part of a future plan for the use of our buildings. • Investment in developing the Fire and Rescue Service aspects of our estate.

	<ul style="list-style-type: none"> • Investment in digital technology to improve the quality and efficiency of accessible services to residents, communities and staff.
Climate Change	<ul style="list-style-type: none"> • Defending Warwickshire against flooding. • Greening our fleet and electric charging points. • Investment to reduce the Council's carbon footprint. • Support for communities and businesses to reduce their environmental impact, energy usage and emissions.

- 1.7. Our revenue recommendations maintain our Place Shaping and Capital Feasibility Fund that will support the development of robust proposals that will to enable us to bring forward creative and innovative investments to deliver on the ambitions of our Council Plan and supporting creation of a strong pipeline of future projects.
- 1.8. We have included a borrowing facility of £120.100 million over the next five years in our capital programme to support the delivery of the Warwickshire Property and Development Company (WPDC) annual business plan. Successful delivery will provide additional residential units and square feet of office, industrial and other commercial space to support the recovery and growth of Warwickshire for the benefit of residents and communities.
- 1.9. We require £3.000 million of the schools' capital grant to form a contribution towards the cost of maintenance of the school estate, with the balance of the grant to be used to meet the growing demand for school places, alongside contributions from developers.

2. 2021/22 Capital Programme

- 2.1. Approval is given to a capital programme of £692.906 million. Of this £253.193 million is for 2021/22 and £439.713 million for future years. There is £104.458 million in the Capital Investment Fund that will be allocated to specific schemes, in line with our priorities, as bids are developed and considered over the five years of the 2021-26 Medium Term Financial Strategy.
- 2.2. Table 1 shows the breakdown of the programme across services, with the full detail of the capital programme attached at **Appendix C**.

Table 1: Capital Programme - Summary by Service						
Service	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
Education Services	40.743	27.263	11.836	11.803	11.803	103.448
Environment Services	105.493	42.449	17.249	17.249	17.249	199.689
Fire and Rescue Service	4.231	0.120	0.120	0.120	0.120	4.711
Strategy - Communities	58.208	26.001	4.545	1.232	0.480	90.466
Adult Social Care	0.313	-	-	-	-	0.313
Children and Families	0.549	0.125	0.125	0.125	0.125	1.049
Strategy - People	0.313	-	-	-	-	0.313
Business and Customer Services	0.192	0.250	1.199	-	-	1.640
Enabling Services	20.239	14.512	10.776	10.581	10.581	66.688
Governance and Policy	2.606	0.356	0.356	0.356	0.356	4.030
Total Allocations	232.885	111.077	46.206	41.466	40.714	472.348
WPDC	-	13.716	27.216	41.153	38.015	120.100
Capital Investment Fund	20.308	16.030	21.221	17.985	24.914	100.458
Total Programme	253.193	140.823	94.643	100.604	103.643	692.906

Note: Table may not sum due to roundings.

3. Financing the Capital Programme

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

Table 2: Financing the Capital Programme						
Service	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£m	£m	£m	£m	£m	£m
Capital grants	72.221	27.613	22.739	22.739	22.739	168.051
Third party contributions	49.690	17.337	0.275	-	-	67.302
Capital receipts	15.292	3.945	25.972	22.966	60.557	128.732
Revenue	1.133	-	-	-	-	1.133
Borrowing	114.857	91.928	45.657	54.899	20.347	327.688
Total Financing	253.193	140.823	94.643	100.604	103.643	692.906

Note: The borrowing figure is greater in 2021/22 as it includes the funding of capital spend financed by borrowing that was originally planned for in earlier years.

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

4. Prudential Guidelines and Limits

4.1. The Affordable Borrowing Limit and other Prudential Indicators consistent with the capital programme for 2021/22 form part of the Treasury Management and Investment Strategies elsewhere on today's agenda.

5. Strategic Director for Resources: Statement

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

“As “Chief Finance Officer” the Local Government Act 2003 requires me to report on the robustness of the estimates made for the purposes of the budget calculations. In overall terms I am of the view that this capital programme has been prepared based on realistic assumptions about risk and affordability and that it represents a robust and realistic programme.”

6. Delegations

- 6.1. That the Council confirms the delegated powers to the Leader as follows:
- That the Leader or person(s) or body nominated by her are authorised to:
 - Agree any increases or reductions in capital starts/payments totals as part of the quarterly capital review process;
 - Approve the addition to the capital programme of projects costing less than £2 million, which are fully funded from external grants, developer contributions or from revenue;
 - Approve individual projects of less than £2 million within the allocations made by Council, including schemes that are an allocation from the Capital Investment Fund; and
 - Approve loans to the Warwickshire Property and Development Company, triggered by the approval of a site development plan by Cabinet, where this still enables the delivery of the approved business plan within the provision in the capital programme.
- 6.2. In addition. the Strategic Director for Resources is authorised to vire capital projects between Services where such virements are as a direct consequence of a restructuring within the County Council.
- 6.3. The Strategic Director for Resources, in consultation with the Leader, is authorised to reverse allocations made as part of this budget process where the investment does not progress.

7. Budget Management

- 7.1. The Chief Executive is directly responsible for the implementation of the capital programme.
- 7.2. The Chief Executive is instructed to remind all Strategic Directors, the Chief Fire Officer and Assistant Directors that budgets must not be overspent and that effective budget management arrangements should be the cornerstone of each Service's work to secure value for money.
- 7.3. The carry forward regime, which reviews whether all uncommitted capital spend at the end of the financial year remains a priority, will continue. Any funding released through this process will be used to enhance the Capital Investment Fund.

- 7.4. All member bodies, members and officers are instructed to comply with the prescriptive legal duties placed upon the Council. The Chief Executive, Strategic Directors, the Chief Fire Officer and Assistant Directors are instructed to ensure that the implementation of policies complies with legal requirements.
- 7.5. Authority is given for all necessary tenders to be obtained and contracts to be completed to give effect to this budget, subject to compliance with Contract Standing Orders, Financial Regulations and the key decision regime.
- 7.6. The Chief Executive, Strategic Directors, the Chief Fire Officer and Assistant Directors, in the following circumstances and with approval from the Strategic Director for Resources, are given authority to let contracts where the tender price would cause the project to exceed its approved budget:
- If the project is and remains fully funded from external sources; and
 - If all funding is ring-fenced to that specific project by a third party.
- 7.7. That, with the exception of the circumstances outlined in 7.6, the Council reconfirms the requirement for Strategic Directors, the Chief Fire Officer and Assistant Directors to seek Member approval to proceed with a project if, at the tender stage or any subsequent decision point, the contract price would cause the project to exceed its approved budget by more than tolerances in Financial Regulations prior to committing the Council to proceed with the project. In any event, any increase in the expected project cost should be reported to Members as soon as possible via the quarterly Financial Monitoring Report.
- 7.8. Strategic Directors, the Chief Fire Officer and Assistant Directors, with approval from the Strategic Director for Resources, are given approval to use capital receipts to fund replacement assets:
- Where the receipt is less than £100,000; and
 - Where the receipt is generated from the sale of vehicles, plant, equipment or software; and
 - Where the replacement asset provides the same service as the item sold; and
 - Where the remaining cost of the replacement asset is fully funded from self-financed borrowing, revenue contributions or third-party funding that is ring-fenced to that specific asset by a third party.
- 7.9. In any event, capital expenditure on the replacement asset should be reported to Cabinet via the quarterly Financial Monitoring Report.

8. Managing the Maintenance Programme

- 8.1. Each maintenance allocation will be monitored and reported to Members at the level approved in the Medium-Term Financial Strategy (MTFS) and Capital Strategy. Within those allocations, detailed budget management is delegated to the responsible Assistant Director, in line with the agreed criteria and prioritisation approved by Council in the MTFS and Capital Strategy.
- 8.2. Maintenance allocations may be vired in accordance with the scheme of capital virement to an investment project where that project incorporates elements of work which would otherwise be funded from the maintenance budget. The entire project would be treated as an investment project for approval and reporting purposes.

9. Managing the Investment Programme

- 9.1. Allocations made to Services under the investment programme are for individual and specific projects. Any funding allocations may not be committed until individual projects are approved by the Leader or person(s) or body nominated by her.
- 9.2. Virements between projects in the investment programme are expected to be relatively small in number. Services are expected to manage variations in total project costs with the appropriate approval under Financial Regulations.
- 9.3. Virements can only take place between two existing projects. Any new project will require the Leader or person(s) or body nominated by her approval, irrespective of whether its proposed funding is taken from an existing allocation.