

Cabinet

16 December 2019

2020/21 Budget and 2020-25 Medium Term Financial Strategy - Background Information and Proposals from Corporate Board

Recommendations

Cabinet are asked to

- (1) Develop their draft 2020/21 Budget and 2020-25 Medium Term Financial Strategy proposals, taking into account the information presented in this report, the recommended budget strategy from Corporate Board set out in Section 3 and the views of Corporate Board on the information presented. Cabinet's attention is particularly drawn to paragraph 1.5.
- (2) Authorise the Chief Executive and Strategic Directors to begin all necessary preparatory work to deliver budget proposals, prior to the final decision on the budget on 18 February 2020.

1. Introduction

- 1.1. At the meeting on 12 September 2019, Cabinet considered a report entitled the "Development of the Council Plan 2025 and the Medium-Term Financial Strategy". The report outlined that the Council is developing a medium-term financial strategy (MTFS) covering a rolling five-year period, which will underpin the delivery of the Council's objectives and outcomes as set out in the Council Plan 2025.
- 1.2. The report recognised that the Council is operating in an environment of uncertainty over funding and that, as a result, it is important that the Council has a clear financial strategy to ensure decisions are taken in the context of the longer-term demand and financial context. This approach will enable the Council to respond effectively and plan prudently to meet changing

circumstances while maintaining a medium and longer-term focus on the Council's financial sustainability for the benefit of residents and businesses of Warwickshire.

- 1.3. The Chancellor's Spending Round announcement on 4 September (SR2019) provided some clarity on funding for 2020/21 only. A further report to Cabinet on 17 October 2019 provided details on the resource position of the Authority, taking account of the announcement. It then went on to outline the key issues that would need to be considered as part of developing the MTFS.
- 1.4. This report is the next step in the process of setting the 2020/21 budget and the framework for the 2020-25 MTFS. It makes available, for Elected Members, the latest financial information that will underpin the 2020/21 budget and MTFS and the views of Corporate Board on that information. The report, in effect, sets out the process that will lead to the agreement of the budget and the setting of the 2020/21 council tax in February 2020.
- 1.5. The information presented in this report is structured over the following areas:
 - The financial context within which the budget and MTFS will be agreed (section 2);
 - The strategy recommended by Corporate Board (section 3);
 - The proposed permanent funding allocations and the resultant proposals for balancing the budget and MTFS (sections 4 and 5);
 - The summary revenue budget position (section 6);
 - The level of the authority's reserves and the new approach to the effective use of reserves set out in the proposed reserves strategy (section 7);
 - The proposals around time-limited allocations (section 8);
 - The proposed capital strategy and resultant capital programme (section 9);
 - The residual financial risks and uncertainties (section 10); and
 - The requirements on the organisation to deliver a balanced budget in 2020/21 (section 11)
- 1.6. The report will then go on to consider the timetable and next steps between now and when the final decision on the 2020/21 budget is made on 18 February 2020.

2. Context

- 2.1. This is an unusual and unprecedented time nationally. The County Council is in the process of setting a budget with a December national election (having

taken place by the time this Cabinet sits) and the outcomes from that to a greater or lesser extent will still be working their way through the political and national departmental systems of both the Treasury and the Ministry for Housing, Communities and Local Government (MHCLG).

- 2.2. The international and national outlooks are further complicated by Brexit, and the current trade challenges between the United States of America and China present a potentially further challenging economic environment.
- 2.3. In this context, the County Council needs to achieve a balance of ambition, prudence and robustness in setting this MTFS. The provisional Local Government Finance Settlement will be the result of a single year Spending Round rather than the usual multi-year Spending Review. It will provide detailed funding announcements on an authority-by-authority basis. However, it has been delayed, possibly until January 2020. Furthermore, there is no clarity about either the system or levels of local government funding beyond 2020/21 and no solution to the long-term approach for funding adult social care, albeit is a recognised issue requiring a better solution. Such significant uncertainty must be considered in deciding the tax increase position as part of this budget setting process.
- 2.4. There are clear differences between ensuring that there is a robust base budget and having sufficient reserves in the County. Reserves can only be spent once, save where the County decides to use an investment approach to reserves by recycling savings so they can be reinvested again for the benefit of those who live in, work in and visit Warwickshire. A more commercial approach to such investments will help deliver financial improvements in the County to deliver its core priorities and align with the commercial strategy recently approved by Cabinet.
- 2.5. It is within this context that the budget for 2020/21, as the first year of a new 5-year rolling MTFS for the Authority that will align the resources of the authority to the objectives and ambitions set out in the 2020-25 Council Plan, is being set. Investments in both the physical assets and services provided will enable the residents of the County to experience the results of this MTFS in both supporting and driving the new Council Plan 2025.
- 2.6. Table 1 below sets out our base revenue resource forecasts through to 2024/25. By 2024/25 the Council is estimated to have £459.399m revenue resource available to support the budget before any decisions by Members about whether to increase council tax. This approach has been adopted because setting the council tax is a political decision, taking account of officer advice and the information available. The report comes back to the issue of council tax increases when considering Corporate Board's recommended

budget strategy in Section 3 and when considering the options for balancing the budget in Section 6.

2.7. The assumptions underpinning the figures in Table 1 are therefore:

- No increase in the main element of the council tax;
- The introduction of the fair funding review and business rates retention from April 2021 will have a neutral impact on the resources available to the Authority outside of receiving an annual 2% inflationary uplift;
- The Better Care Fund, the main element of the Improved Better Care Fund and other longstanding government grants continue to be received at their current levels over the medium term; and
- The additional one-off grants announced by the Chancellor as part of the 2019 Spending Review are only temporary and no replacement funding for these one-off grants beyond 2020/21 is included in advance of any funding commitments made as part of the 2020 Comprehensive Spending Review.

| Table 1: Revenue Resource Forecasts 2020-25, excluding the impact of any tax increases | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | £m | £m | £m | £m | £m |
| Council tax (0% annual increase) | 301.378 | 307.405 | 313.553 | 319.825 | 326.221 |
| Business rates (inc. PH Grant from 2021/22) | 71.199 | 95.877 | 97.795 | 99.750 | 101.746 |
| Better Care Fund and 'core' iBCF | 22.047 | 22.047 | 22.047 | 22.047 | 22.047 |
| Social Care Grants | 11.731 | - | - | - | - |
| Public Health Grant | 22.798 | - | - | - | - |
| New Homes Bonus | 3.065 | 3.065 | 3.065 | 3.065 | 3.065 |
| Other Government Grants | 6.320 | 6.320 | 6.320 | 6.320 | 6.320 |
| Total Base Resource Level | 438.538 | 434.714 | 442.780 | 451.007 | 459.399 |

2.8. These resource forecasts vary from those reported in the October report for the following reasons:

- The figures in the October report assumed an annual 2% council tax increase. As stated above, the impact of this has been taken out as this is ultimately a decision for Elected Members;
- The increase in the council tax taxbase assumed for 2020/21 has been reduced from 2% to 1.5% based on the latest information from the Districts/Boroughs. The financial impact of this is an annual reduction in the resource available by about £1.5m;
- The figures exclude the estimated £2.235m winter pressures funding and £3.149m additional iBCF announced as part of SR2019. This is because these grants are ringfenced, the conditions of which mean the funding has to be matched by additional spending and agreed with health, and

the funding is therefore not available to support the budget more generally; and

- The final change to the resource figures is in relation to Dedicated Schools Grant (DSG), where the gross amount of DSG funding for the support services provided by the local authority as part of our core activity has been included, so decisions on how this funding is used can form part of the overall budget-setting process.

2.9. There are no further changes to the figures summarised in the table anticipated at this stage, although they will be subject to confirmation as part of the provisional 2020/21 Local Government Finance Settlement (the timing of which will be impacted by the election outcome) and the final taxbase figures will be provided by the Districts/Boroughs by the end of January 2020.

2.10. One area that will be included in the provisional Local Government Finance Settlement is in relation to the maximum level of council tax that can be raised. SR2019 committed the Government to allowing a 2% increase in the core council tax and an extension to the ability to raise a further 2% adult social care levy in 2020/21.

3. Corporate Board's Proposed Budget Strategy

3.1. The Corporate Board recommended budget strategy is to:

- Remain robust, ambitious and prudent in setting the MTFS, given the current economic uncertainties that will continue to exist;
- Ensure Warwickshire's communities and individuals are supported to be safe, healthy and independent;
- Ensure Warwickshire's economy is vibrant, supported by the right jobs, training, skills and infrastructure;
- Redouble our efforts to bring inward investment and private and public sector businesses into the County for the benefit of employment and prosperity of our residents and the future of their children;
- Given that there is only short-term certainty about our medium-term resources, adopt an investment strategy that invests in:
 - The physical assets of the County both through the proposed capital budget and proposed future funds;
 - Climate change initiatives that protect our residents and the County's environment for future generations;
 - Services that matter most to our residents;
 - Service-driven commercial investment opportunities through a commercial fund that delivers for residents;

- Continue to look at ways to be more efficient and effective in maximising outcomes from local and national taxpayers' money by setting financial return and pay-back periods for invest-to-save proposals in order to reinvest in Services; and
- Be flexible to the changing economic and political environment to both seize opportunities and deal with pressures.

3.2. The report to date has highlighted the significant degree of uncertainty about the level of resources estimated for next year, but more importantly over the medium term. It is the view of Corporate Board that given this context the Authority should maximise the take from council tax to place the authority in the strongest possible financial position and to ensure sustainable services over the medium term.

3.3. Table 2 below shows the additional income that would be generated by increasing the council tax. Not only will this ensure the Council's financial sustainability over the medium term, it is also assumed in the Government's estimates of the funding available to local authorities.

| Table 2: Resource Impact of Increasing the Council Tax | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
| Council tax (0% annual increase) | 301.378 | 307.405 | 313.553 | 319.825 | 326.221 |
| Potential Additional Resources | | | | | |
| 1% annual increase | 3.012 | 6.171 | 9.490 | 12.966 | 16.616 |
| 2% annual increase | 6.024 | 12.406 | 19.177 | 26.335 | 33.916 |

Adult social care levy

3.4. In addition to taking the maximum increase in council tax income, a further option available to the Authority as a result of SR2019 is to extend the adult social care levy for another year. A further 2% adult social care levy would provide for an estimated additional £6.024m resource on an on-going basis. In light of the continuing uncertainty around future funding of adult social care, the continued high and increasing levels of demand and the positive impact on the projected medium-term resource base of the authority Corporate Board also recommend taking the 2% levy for a further year. All political parties recognise the need to find a sustainable social care environment and this underlines the need for prudence in this area.

3.5. The Government is assuming local authorities raise the 2% adult social care levy as well as the 2% increase in the main element of council tax as part of their overall funding package for local government services.

- 3.6. The investment in adult social care that the levy could provide will:
- Improve services by addressing some of the significant cost pressures facing the service e.g. mental health in older people, transitions from children's services and supporting market sustainability;
 - Sustain effective support for vulnerable people in the context of significant increasing demand due to demographic change and increasing levels and complexity of need; and
 - Provide financial resilience given the uncertainty about the future funding and policy framework for adult social care with a number of delays to the green paper.
- 3.7. The £6.024m resource the levy is estimated to generate would only meet about 75% of the additional investment the Council needs to make in 2020/21 to ensure adult social care remains sustainable and is not reliant on one-off resources to close any funding gap.

4. Proposed Permanent Spending Need

- 4.1. In developing these proposals Corporate Board have been clear that their priorities for 2020/21 should be to:
- Ensure their budget proposals deliver the long-term financial sustainability of services;
 - Continue to drive forward the implementation of the Council's change agenda to ensure our core services, infrastructure and resources can be used flexibly and effectively to meet future challenges and deliver for residents, businesses and communities; and
 - Deliver investment in projects and programmes that will support the ambitions and objectives set out in the Council Plan 2025.

Inflationary Costs

- 4.2. As part of the MTFS it is proposed to continue to provide for an annual general inflationary uplift to ensure budgets remain sustainable in real terms. It is proposed that the Authority continues to provide for a 2% increase in pay, prices and contract costs partly offset by assuming an equivalent increase in all fees and charges. A 2% provision for inflation is in-line with the medium-term target rate set by the Government for the Bank of England. Early indications are that the settlement for pay could be higher than 2%. If this occurs, the cost of funding the increase is £1.1m for each additional 1%.
- 4.3. A 2% inflationary uplift for 2020/21 will cost an additional £8.373m. Indicatively, over the period of the 2020-25 MTFS this will be an additional £36.040m, bring the total inflation provision to £44.413m.

- 4.4. In making this inflation provision it is acknowledged that the allocation to Services for inflation is an approximate cost, recognising that some costs will increase above the standard rate and some below and that once the overall allocation has been agreed a Service should retain the opportunity to allocate the funding provided to reflect where inflation will impact at a local level.

Other Permanent Budget Adjustments

- 4.5. Corporate Board have identified six areas where they are proposing additional budget allocations to meet known spending pressures to ensure services financial position at the end of the MTFS period is sustainable.
- 4.6. The six areas where additional budget allocations are required are:
- Right-sizing budgets to correct for current structural overspends, primarily in relation to home to school transport;
 - Allocations to meet the continued growth in demand for services as a result of both demographic change and housing growth. The main areas of demand growth are:
 - The adult population requiring care as well as increases in the complexity of need;
 - Placements and support for children who are looked after, at risk and children with disabilities; and
 - The increased cost of waste management as a result of housing growth;
 - Allocations for those services experiencing material increases in cost above the general uplift for inflation. These costs are primarily in relation to care provider inflation, the cost of placement for children, supported accommodation for care leavers and highways and waste contract inflation;
 - New and pending legislative requirements in relation to Liberty Protection Standards and support for victims of domestic abuse;
 - Services that have been funded from time-limited resources over the past few years where, because of the strong alignment of the activity with the Council's key objectives it is proposed the funding is put on a sustainable basis. These services include support for families, flood risk management, school improvement and skills for employment activity; and
 - The revenue cost of additional borrowing to support the investment priorities outlined in the capital strategy (see section 9).
- 4.7. In addition to the specific allocations Corporate Board are also recommending an allocation is set aside as a provision of £2.500m a year for future currently unknown and unquantified spending need. Such a provision will mitigate the need to identify further options for balancing the books as new spending

requirements are identified over the period of the MTFS and provide further resilience in a highly uncertain context.

- 4.8. The additional permanent spending allocations proposed total £22.092m for 2020/21 and a further £51.476 for indicative allocations over the remainder of the MTFS period, bring the total permanent allocations proposed to £73.568m. **Appendix A** provides brief details of the proposed permanent budget allocations recommended for approval. All allocations beyond 2020/21 are indicative at this stage and will be subject to review as part of the rolling MTFS.

Right-Sizing

- 4.9. The need to adjust budgets upwards to ensure budgets are sustainable where there are known structural overspends has been highlighted above. To ensure we use our resources effectively there is also a need to reduce budgets where underspends have been reported in service areas for number of years without any clear service delivery reason or where the investment in transformation has identified where services can be delivered in a more cost-effective way in the future.
- 4.10. The reduction in the budget delivered through right-sizing and, more particularly, the benefits from the investment in transformation proposed is £9.778m for 2020/21 with a further £9.078m reduction over the remainder of the MTFS period, bringing the total downward right-sizing adjustment to £18.856m. **Appendix B** provides brief details of the proposed adjustments recommended for approval. All adjustments beyond 2020/21 are indicative at this stage and will be subject to review as part of the rolling MTFS.

Summary Spending Need

- 4.11. Bringing all these elements together indicates that the Authority has a spending of £440.845m to be financed in 2020/21, increasing to £519.283m by 2024/25. A breakdown of this is shown in Table 3 below.

| Table 3: Summary of 2020-25 Permanent Spending Need | | | | | |
|---|----------------|------------------------|----------------|----------------|----------------|
| | Allocation | Indicative Allocations | | | |
| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
| Base Budget | 420.158 | 420.158 | 420.158 | 420.158 | 420.158 |
| Inflation at 2% | 8.373 | 16.943 | 25.799 | 34.952 | 44.413 |
| Additional Spending Need | 22.092 | 34.033 | 48.558 | 61.080 | 73.568 |
| Right-sizing adjustment and Transformation benefits | (9.778) | (13.180) | (15.886) | (17.371) | (18.856) |
| Total Spending to be Financed | 440.845 | 457.954 | 478.629 | 498.819 | 519.283 |

5. Proposals for Balancing the Budget

- 5.1. It was recognised over the Summer that the likely growth in the level of resources would not keep pace with the growth in the need for additional spending. The focus was on the identification and quantification of options that would allow services to residents to be broadly maintained, and where possible even improved, through better procurement, improvements in efficiency, increased income and reductions in demand. Proposals totalling £21.317m have been identified as being deliverable over the next five years. The cumulative impact of these on an annual basis are summarised in Table 4 below, with further detail shown in **Appendix C**.

| Table 4: Summary of Proposals for Balancing the Books 2020-25 | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
| Better Procurement | 0.200 | 0.200 | 0.200 | 0.200 | 0.200 |
| Efficiency Improvements | 0.080 | 0.634 | 2.764 | 5.196 | 8.248 |
| Increasing Income | 2.553 | 3.763 | 5.474 | 6.438 | 8.459 |
| Reducing Demand | 0.459 | 0.860 | 1.620 | 2.870 | 4.410 |
| Total Options | 3.292 | 5.457 | 10.058 | 14.704 | 21.317 |

- 5.2. The detailed work on these proposals will continue in the run-up to February with Corporate Board focussed on the pace of delivery to ensure any capacity is released at the earliest opportunity and that there is no overlap/duplication with the transformation savings, which is good practice to ensure the robustness of the overall proposals. Any changes identified as a result of this work will be reported to Cabinet in January in the 2020/21 Budget and MTFS Update report.
- 5.3. The £21.317m of proposals for balancing the books shown above are in addition to the benefits of the transformation programme and right-sizing of £18.856m. The total reduced resource requirement as a result of these proposals is £40.173m.
- 5.4. These options are all positive savings in that they maintain service levels, increase income, reduce demand or deliver more efficiently. As such it is the view of Corporate Board that all these options should be taken forward.

6. Summary Revenue Position

- 6.1. This section of the report brings all the elements of the budget and MTFS outlined above together to provide a summary position which provides clarity

of the decisions needed to ensure the 2020/21 budget is balanced and 2020-25 MTFS is sustainable and robust.

- 6.2. The table shows that with no increases in council tax/adult social care levy the Authority is estimated to have a balanced budget for 2020/21 due to the impact of the additional one-off funding announced for 2020/21. However, this reliance on one-off funding means the budget is not robust or sustainable over the period of the MTFS. A mixture of increases in council tax and additional savings as a result of reducing/stopping services would be required. It should also be noted that the proposals for the gross surplus already include £40.173m of transformation, right-sizing and other efficiency savings. How the gap would be closed will need to be outlined in the budget proposals taken forward to Council for approval.

| Table 5: Summary Revenue Budget Position 2020-25 | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2020/21 £m | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
| Spending to be Financed (Table 3) | 440.845 | 457.954 | 478.629 | 498.819 | 519.283 |
| Less: | | | | | |
| Options for Balancing the Books (Table 4) | (3.292) | (5.457) | (10.058) | (14.704) | (21.317) |
| Total Spend to be Resourced | 437.553 | 452.497 | 468.571 | 484.115 | 497.966 |
| | | | | | |
| Resources available before tax increases (Table 1) | (438.538) | (434.714) | (442.780) | (451.007) | (459.399) |
| Gross (Surplus)/Shortfall to be Funded | (0.985) | 17.783 | 25.791 | 33.108 | 38.567 |
| | | | | | |
| (Surplus)/Shortfall with the 2% adult social care levy in 2020/21 | (7.009) | 11.510 | 19.271 | 26.324 | 31.511 |
| | | | | | |
| (Surplus)/Shortfall with the 2% adult social care levy in 2020/21 and an annual 1% council tax rise | (10.021) | 5.339 | 9.781 | 13.358 | 14.895 |
| | | | | | |
| (Surplus)/Shortfall with the 2% adult social care levy in 2020/21 and an annual 2% council tax rise | (13.033) | (0.896) | 0.094 | (0.011) | (2.405) |

- 6.3. The table shows that for all levels of council tax rise there will be some resource to be invested on a one-off basis in 2020/21. Only with a 2% annual council tax rise plus taking the adult social levy is the MTFS balanced across the five years both collectively and on an annual basis. The impact of each of the options in the MTFS, if all the assumptions hold true, would be:

No increases in council tax

- 6.4. The budget would be balanced for 2020/21 with £0.985m available for time-limited investment. However, over the following four years £38.567m of additional savings would need to be identified. The phasing of the delivery of these savings would need to be in line with the table above to avoid the need to set aside material levels of reserves to balance the budget on an annual basis.

2% Adult Social Care Levy in 2020/21, no increases in council tax

- 6.5. The budget would be balanced for 2020/21 with £7.009m available for time-limited investment. However, over the following four years £31.511m of additional savings would need to be identified. The phasing of the delivery of these savings would need to be in line with the table above to avoid the need to set aside material levels of reserves to balance the budget on an annual basis.

Annual 1% council tax rise plus the 2% adult social care levy in 2020/21

- 6.6. The budget would be balanced for 2020/21 with £10.021m available for time-limited investment. However, over the following four years £14.895m of additional savings would need to be identified. The phasing of the delivery of these savings would need to be in line with the table above to avoid the need to set aside material levels of reserves to balance the budget on an annual basis.

Annual 2% council tax rise plus the 2% adult social care levy in 2020/21

- 6.7. The budget would be balanced for 2020/21 and across the five years for the MTFS both overall and on an annual basis, except for a shortfall of £0.094m in 2022/23 which would need to be managed through reserves. If all the assumptions hold true for the five years of the MTFS there would also be £2.405m of choice for new allocations and/or reductions in savings options or tax levels. There would also be £13.033m available for time-limited investment.
- 6.8. The picture painted by the information set out to date has options that place the authority in a healthy financial position. However, based on the information currently known there are insufficient resources to implement a council tax freeze in any year or to not take the adult social care levy in 2020/21 without bringing forward options for reducing services. Flexibility in future years will largely be determined by decisions as to whether the one-off grants to support social care continue beyond 2020/21. This issue and the wider remaining financial risks around the MTFS are dealt with below in section 10.

7. Reserves

- 7.1. The Authority has a robust reserves position, with reserves in the latest monitoring report to Cabinet forecast to be £163.495m at the end of 2019/20. As part of reviewing whether we are using all our resources effectively a new reserves strategy has been developed that will provide increased transparency and accountability around reserves and ensure the framework is in place to align decision-making around the use of reserves with the Council Plan.
- 7.2. The primary purpose for holding reserves is to manage financial risk and promote financial sustainability and in developing a new reserves strategy this principle has remained at the heart of the approach developed. However, it is recognised that there is a need to control the amount of scarce resources held in reserves and ensure this is both sufficient and reasonable. It is proposed this will be delivered through:
- A commitment to retaining, in a general reserve, the minimum amount needed as determined by the Strategic Director for Resources risk assessment;
 - Below this level all other risk reserves are held at Directorate level (up to 5% of net budget) to manage in-year financial risk and to cover any overspends/underspends across the Directorate at the end of the year; and
 - Retaining a number of volatility reserves to manage financial risk over time, with the proviso that all such reserves are subject to an annual review.
- 7.3. The review of the reserves currently held for the management of risk that have built up from accumulated underspends over the years when combined with the proposals set out in the proposed reserves strategy identify that up to £20m time-limited resource could be released over the next five years to support the delivery of the Council's objectives. This figure is subject to change, primarily due to the pending Local Government Finance Settlement and 2019/20 outturn.
- 7.4. Outside of the management of risk, reserves fall into two main groupings – those that are earmarked by external conditions and are therefore not available to invest in supporting the Authority's aims and objectives more generally and those that are the primary source of resources for time-limited investment to support the delivery of the Council's objectives. All reserves not earmarked by external conditions will require a delivery plan, the benefits expected/required, sunset clauses by which time the project/reserve will be closed and will be subject to an annual year-end review. The outcomes from

the annual reviews will be reported to Cabinet each year as part of the outturn report.

- 7.5. The table below shows how the Authority's reserves align to the proposed reserves strategy. The proposed reserves strategy itself is attached at **Appendix D** and the Authority's latest reserves flowing from the strategy are attached at **Appendix E**. The figures in the table and in Appendix E reflect the reserves position forecast as at the end of September 2019. The figures will be updated to reflect the Quarter 3 position in the budget report to Cabinet in January 2020.

| Table 6: Analysis of Forecast County Council Reserves at 31 March 2020 | |
|--|----------------|
| | £m |
| Earmarked | |
| Schools | 11.353 |
| External funding conditions | 7.861 |
| Total Earmarked Externally | 19.214 |
| Investment Funds Subject to Annual Review | |
| Policy Decisions | 15.186 |
| Specific Investment Projects | 3.057 |
| Total Subject to Annual Review | 18.243 |
| | |
| Invest-to Save Fund (previously Transformation Funds) | 30.397 |
| Management of Financial Risk | |
| General Reserves | 29.000 |
| Directorate Risk Reserves | 19.000 |
| Volatility Risk | 28.128 |
| Total Management of Risk Reserves | 76.128 |
| | |
| Reserves Available for Investment | 19.513 |
| | |
| Total Reserves | 163.495 |

- 7.6. The Government is currently consulting on a proposal to remove the option for authorities to write-off DSG deficits. Instead, delivery plans would be required to be developed in conjunction with schools to bring the DSG budget back into balance over the medium term. The consultation closed in November and a final decision is expected in the New Year. If, when the final decision is made the Department for Education's proposal is reversed and local authorities are required, or have the choice, to write off any DSG deficits in future then a further £20m reserves may need to be set aside for this purpose over the period of the MTFS. This is expected to require the creation of a further risk reserve pending the success of proposals to bring the spending on pupils with high needs in line with the resources available.

8. Proposed Time-Limited Allocations

- 8.1. Time-limited investment in key projects provides the opportunity for the Council to be ambitious in its plans whilst not risking the overall financial sustainability of the Council.
- 8.2. As a result of the Government's announcements of one-off funding and the proposed reserves strategy, the 2020/21 Budget provides the capacity to make a step change through effective use of the one-off resources available to support delivery of the Council's outcomes and objectives.
- 8.3. The resources available are from 3 main sources – the one-off grants from the government, the identification of a level of reserves available for reallocation and the resources identified as a result of the timing differences between resources and spending need outlined in section 6 above. The table below shows the potential £37.930m of resources available based on Corporate Board's recommendation that the Council increases its long-term funding base through taking the maximum increase in council tax (currently 2%+2% levy). This is all the one-off funding available to the authority and therefore any decisions on its use need to be planned across the five years of the MTFS.

| Table 7: Availability of One-off Funding | |
|--|---------------|
| | £m |
| Additional one-off grant for Winter Pressures | 2.235 |
| Additional one-off iBCF funding | 3.149 |
| One-off funding in 2020/21 as a result of a 2% + 2% council tax rise | 13.033 |
| Reserves available for reallocation | 19.513 |
| Total One-off funding | 37.930 |

Note

This figure could vary from £37.930m to £25.882m depending on the decisions taken re council tax and the adult social care levy and both could reduce by up to £20m depending on the decision on the DSG overspend.

- 8.4. Not all the £37.930m is available for allocation. Either as a result of decisions taken in the past or funding conditions associated with the additional grant, £14.918m of this funding has already been allocated. This leaves £23.012m as the maximum available for allocation.
- 8.5. Corporate Board are proposing that, in considering how this resource could be used most effectively, plans for the use of this resource should be closely aligned to the Council's ambitions. This is vital because the funding is available from 2020/21 the use of the funding needs to be spread over the five years of the MTFS to ensure a planned set of investments on a rolling basis. It is proposed to:
- Create of a series of Funds to drive forward the Council's objectives;

- Ensure funds released for projects are subject to business cases, with clear benefits realisation via Corporate Board/Cabinet; and
- Limit the number of time-limited allocations outside of main Funds to demands driven by external requirements.

8.6. Based on the emerging Council Plan, Corporate Board are proposing four Funds are set up, potentially committing resources of up to £20m over the five years of the MTFS and three stand-alone allocations. Table 8 details the proposed funds and their purpose. It should be recognised that the £20m potential resource is based on the information known at this time. Allocations to each Fund will need to be agreed. It may be possible to top-up the Funds during the course of the MTFS period if additional resources can be identified. There is a risk the allocations to the Funds may have to be reduced depending on: the Government's decision following the consultation on DSG deficits, the provisional Settlement, the final taxbase and collection fund surplus' and deficits from the districts/boroughs and the 2019/20 Quarter 3 budget monitoring information.

| Table 8: Proposed Time-Limited Funds | |
|--|--|
| Sustaining Prevention Fund | A fund to pump-prime up-front investment in demand management and early intervention initiatives prior to financial benefits accruing. |
| Climate Change Fund | A fund to invest in priorities flowing from the Climate Change Task and Finish Groups and Council Plan 2025 |
| Commercial Fund | A fund to deliver commercial investment in outcomes for Warwickshire arising from the commercial strategy |
| Place Strategy and Capital Investment Feasibility Fund | A fund to support capital feasibility work, investment in place and improve delivery |

8.7. Notwithstanding these caveats, Cabinet are recommended to support the creation of the Sustaining Prevention, Climate Change, Commercial and Place Strategy and Capital Feasibility Funds to ensure effective use of time-limited resources to deliver the ambitions of the Council Plan 2025. If the principle of these Funds is supported Corporate Board will bring forward criteria for assessing investment proposals forward for Cabinet's approval at the earliest opportunity. This will allow these funds to be supplemented by additional one-off resource identified on an annual basis.

8.8. Corporate Board are also recommending three further allocations totalling £1.600m are approved. These are:

- £0.600m spread over two years to build capacity in the Fire Protection team in anticipation of the conclusion of the Hackitt review and meet the increasing level of demand for statutory inspections;

- £0.600m again spread over two years to support the additional work as a result of the independent inquiry into child sexual abuse and exploitation; and
- £0.400m to provide support for the cycle racing events in Warwickshire for the next two years.

8.9. This brings the total of time-limited allocations recommended for approval to £16.518m before the creation of the Funds. **Appendix F** provides brief detail of these proposed time-limited spending budget allocations. Support for all these allocations, including time-limited funds of £20m, would leave approximately £1.412m spare capacity in reserves. Corporate Board would advise Members not to commit the remaining resource to temporarily support the 2020/21 budget but to retain the capacity and flexibility to support the phasing of any changes needed to deliver a balanced 2020-25 Council Plan and MTFS.

9. Capital

9.1. The report to Cabinet in October highlighted that a wider review of our approach to future decisions on capital investment need and the management of the programme was being developed alongside the 2020-25 Council Plan and MTFS. The ambition of the new capital strategy is to help ensure capital and revenue spending on the asset portfolio is directed efficiently and effectively.

9.2. As a suite of documents, the draft capital strategy sets out:

- Our strategic intent – the aspiration and direction for our capital investment, defining the outcomes we are seeking to achieve through investment (why);
- The draft programme – the activity programmes and projects funded from our capital investment (what); and
- The governance framework – the way we will manage capital spend and the capital programme (how). It is this technical appendix that ensures we meet with statutory guidance. It also sets out how we will optimise delivery by strengthening of performance, adopting commercial principles and practice and robust benefits realisation.

9.3. The draft Capital Strategy and Capital Programme can be seen in **Appendices G and H** respectively. The final part of this suite of documents – the Capital Strategy Technical Appendix will be reported to Cabinet in January 2020. All three of these documents will need to be updated for the February

Council meeting to include the impact of the 2019/20 Quarter 3 monitoring position and any changes will be reported to Cabinet in January.

- 9.4. As part of developing the new capital strategy the Capital Investment Fund criteria will also be updated to ensure they are aligned to the emerging priorities in the Council Plan. These criteria also form part of the Capital Strategy Technical Appendix.

10. Residual Financial Risks and Uncertainties

- 10.1. Throughout the report the key financial risks for each section of the report have been highlighted. This section brings them together and identifies the risk and the potential financial impact:

- Taxbase increase – the report assumes a 1.5% increase in 2020/21 and 2% every year thereafter. Each 0.5% variation in any year impacts on the Authority's financial position by +/- £1.5m. The final figure for 2020/21 will be known towards the end of January 2020.
- Level of surplus/deficit on council tax collection in previous years – in previous years this has ranged from a one-off +£3m surplus to a -£1m deficit. Again, the final figure for 2020/21 will be known towards the end of January 2020.
- Business rates taxbase growth and appeals provisions – in recent years this information has been received in early February after the budget has been set. We therefore hold a volatility reserve to manage any variation. Even if we have the final information before Council in 2020 the same approach to managing any variation can be used.
- Inflation (especially pay inflation) – currently 2% is included in the MTFS proposal for pay inflation. If the pay award is higher than this, as has been suggested then each 1% above this equates to a £1.1m additional cost. If the pay award is not agreed before the budget for 2020/21 is set, it is proposed that the £1.5m contingency included in the MTFS is retained for this purpose.
- Sustainability of schools and the Government's consultation on DSG deficits – As has been highlighted in several places in the report we are expecting the outcome of the consultation on writing-off DSG deficits in the New Year. If no change is made to the current position this will significantly impact on the level of reserves available to fund time-limited investments. This could be as much as £20m. The estimated shortfall in high needs funding sits alongside the increasing financial pressure school and early years budgets have been under. The Government has committed to real terms increases in schools funding and this should relieve some of the pressure in the system. Given this investment it will

only be over the medium term that we can make a judgement on the sustainability of schools' budgets.

- Pension Fund valuation – The Pension Fund valuation as a result of the latest triennial valuation will be known in the new year. This will fix the employer contribution rates for the next three years. However, further changes to the scheme are pending following a legal judgement (the McCloud judgement). The potential financial impact of this is currently unknown.
- Local government finance settlement – The settlement for 2020/21 has been delayed as a result of the general election and may be as late as mid-January. It is only at this point that any grant figures and council tax referendum limits will be confirmed. It should also be remembered that the provisional Local Government Finance Settlement will be the result of a single year Spending Round rather than a multi-year Spending Review. There will still be no clarity about either the system or levels of local government funding beyond 2020/21 and no solution to the long-term approach for funding adult social care, albeit all major parties are committed to endeavouring to resolve this issue.
- Impact of the General Election result on Government policy initiatives - The outcomes from the General Election to a greater or lesser extent will still be working their way through the political and national departmental systems of both the Treasury and the Ministry for Housing, Communities and Local Government. (MHCLG) at the time the budget is set, increasing the financial risk and uncertainty over the medium-term.

10.2. It is these financial risk and uncertainties not only for 2020/21 but also over the medium term that place an even greater importance on ensuring our budget and MTFS are balanced and sustainable over the medium term.

11. The Need for a Balanced Budget

11.1. In putting forward their proposals Members are reminded that local authorities are required by law to have a balanced budget. However, what is meant by 'balanced' is not defined in law. A prudent definition of a sustainable balanced budget is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term.

11.2. To avoid an unbalanced budget the Local Authority must be financially resilient. Setting a clear medium-term financial strategy helps clarify expected income and expenditure. Accurate awareness of the funding available in the forthcoming years means the Council stands a better chance of balancing the budget. Reserves are a useful option for balancing the budget in the short-

term. However, reserves should not be used to pay for day-to-day expenditure, and it is important that they are replaced when the short-term need has passed; they can only be used once. Therefore, the financial plan for 2020-25 needs to be fully balanced on an ongoing basis, with no ongoing spending funded from one off resources.

- 11.3. If the budget is unbalanced then the Strategic Director for Resources in his role as the Council's Section 151 officer, supported by Corporate Board, would have to consider issuing a Section 114 notice. Such a notice is only given in the gravest of circumstances, as during that time spending and other financial activity is suspended and the External Auditors and the Ministry for Housing, Communities and Local Government (MHCLG) may then have to take over the running of the Authority.

12. Timescales and Next Steps

- 12.1. The Local Government Finance Settlement is now expected to be announced in early to mid-January 2020. The impact of this announcement will be reported to Members at Cabinet in January, at the latest. Council will then make the final decision on the 2020/21 budget at their meeting on 18 February 2020.

| Table 8: Timetable for Agreeing the 2020/21 Budget and 2020-25 MTFS | |
|---|---|
| 16 December | Report to Cabinet from Corporate Board on their budget proposals |
| Late December to mid-January | Provisional 2020/21 Local Government Finance Settlement |
| 30 January | Report to Cabinet outlining the final information to be used in setting the budget |
| 31 January | Statutory deadline for receive council tax and business rates information from the districts/boroughs |
| Week beginning 3 February | Cabinet release Conservative Groups 2020/21 budget resolution(s) |
| Week beginning 10 February | Opposition Group's release any amendments/alternatives to the Conservative's proposals |
| 14 February | Comparison of budget resolutions released |
| 18 February | Council agree the 2020/21 budget and council tax |

13. Financial Implications

- 13.1. There are no direct financial implications for the Authority from this report. The report is part of a series of reports that will culminate in Council agreeing the 2020/21 budget and council tax at their meeting on 18 February 2020.

14. Environmental Implications

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

15. Background Papers

- 15.1. None.

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Elected Members have not been consulted in the preparation of this report.

2020-25 Proposed Permanent Allocations

| Service | Allocation | Allocation 2020/21 £'000 | Future Indicative Allocation | | | |
|-------------------------|--|--------------------------------|------------------------------|------------------|------------------|------------------|
| | | | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Right-sizing | | | | | | |
| Children and Families | Mother and baby placements - An allocation to meet the cost of fostering placements for mothers and babies. This allocation will align the budget provision with current levels of spend. | 129 | 0 | 0 | 0 | 0 |
| Education Services | Home to school transport - An allocation to increase the budgetary provision to match both current demand and an indicative allocation for the estimated cost in future years in respect of both SEND and mainstream pupils and students. This will ensure that eligible children have a seat to get to and from school. | 2,037 | 1,517 | 1,288 | 1,453 | 1,400 |
| Enabling Services | Buildings insurance - An allocation to meet the cost of buildings insurance which is currently above the level of budget provision. | 295 | 0 | 0 | 0 | 0 |
| Fire and Rescue | Non-delivery of control room savings - An allocation to reflect the decision to not proceed with the collaboration with West Midlands on control room operations which means the planned savings cannot be delivered. Instead control room staffing will be maintained and Fire Control will take on a key role in supporting the Service's wider transformation programme. The residents of Warwickshire will continue to benefit from the local knowledge provided by an in-house Fire Control and vulnerable residents particularly should begin to benefit from the wider prevention agenda that the Service intends to implement in partnership with other services. | 300 | 0 | 0 | 0 | 0 |
| | Total Right-sizing | 2,761 | 1,517 | 1,288 | 1,453 | 1,400 |
| Increased Demand | | | | | | |
| Adult Social Care | Care demand for adults - An allocation to meet the cost of increase in demand for adult social care due to population growth, length of support, intensity of care need, reduction in people who can fund their own care | 3,149 | 3,354 | 3,680 | 4,000 | 4,000 |
| Children and Families | Child allowances - An allocation to meet the costs of increased demand for Special Guardianship Orders, Residential Orders and Child Arrangements Orders to support children to leave or avoid care through allowances for extended family members caring for children. | 351 | 336 | 357 | 360 | 360 |
| Children and Families | S17 children - An allocation to meet the costs associated with support for parents and children to remain together at home, providing support for families who are destitute. | 53 | 0 | 0 | 0 | 0 |
| Children and Families | Looked after children's transport - An allocation to meet the increased transport costs as a result of growth in the number of children looked after. | 186 | 0 | 0 | 0 | 0 |

2020-25 Proposed Permanent Allocations

| Service | Allocation | Allocation 2020/21 £'000 | Future Indicative Allocation | | | |
|---|---|--------------------------------|------------------------------|------------------|------------------|------------------|
| | | | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Strategic Commissioning for Communities | Waste management - An allocation to address the increased waste management costs being incurred as a result of housing and population growth within the county and as set out in the District and Borough Council Local Plans. It will provide for a waste management service that is effectively resourced with respect to the size and growth of Warwickshire's population. | 300 | 300 | 300 | 300 | 300 |
| Education Services | Direct payments for children with disabilities - An allocation to continue to support the children and young people who already receive a direct payment and to reflect the continuing growth in overall numbers. Direct payments are also used to provide the parent carers with a break from their caring role. Direct payments are a significant contributing factor to allowing people to feel empowered and have choice and control. The increase therefore is a positive as it shows we are supporting more children and young people to access the appropriate support within their own community; promoting learning, inclusion, social opportunities, independence and skills for life. | 316 | 0 | 0 | 0 | 0 |
| Education Services | Placements for children with disabilities - An allocation to both support the current placements and meet the expected demand for future placements. The cost of placements will continue to grow as the specialisms required to care for children with severe or profound disabilities who, through modern technology and research, are living longer, happy and fulfilled lives continues to grow. This will ensure looked after children are in appropriate specialist places to meet their need. The increase therefore is a positive as it shows we are supporting more children to access the appropriate placements. | 1,311 | 0 | 0 | 0 | 0 |
| Total Increased Demand | | 5,666 | 3,990 | 4,337 | 4,660 | 4,660 |
| Above Inflation Cost Increases | | | | | | |
| Adult Social Care | Adult social care provider inflation - An allocation to increase the provision for care provider inflation to an average of 3% through the period of the MTFS. | 1,784 | 1,881 | 1,993 | 2,000 | 2,000 |
| Children and Families | Children leaving care supported accommodation - An allocation to fund the increase in prices for supported accommodation for those aged 16 plus, particularly care leavers, above the level of the general inflationary provision. | 402 | 0 | 0 | 0 | 0 |
| Children and Families | Children's placements (excluding children with disabilities) - An allocation to meet the impact of fostering/placements framework contracts and changes to the placement mix on costs. | 5,606 | 301 | 314 | 320 | 326 |

2020-25 Proposed Permanent Allocations

| Service | Allocation | Allocation 2020/21 £'000 | Future Indicative Allocation | | | |
|--|---|--------------------------------|------------------------------|------------------|------------------|------------------|
| | | | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Enabling Services | Licence and cloud costs - An allocation to meet the additional licence and cloud costs as a result of the new approach to the delivery of ICT including as a result of the move from Google to Microsoft. | 1,589 | 240 | 300 | 0 | 0 |
| Enabling Services | Devices - An allocation to meet the additional costs of moving to a three-year rolling lease for laptops and mobiles. | 193 | 0 | 0 | 0 | 0 |
| Strategic Commissioning for Communities | Waste management contract inflation - An allocation to fund expected increases in the cost of our contracts to recycle waste materials arising from households in Warwickshire. It will provide for an effective and robust waste management service that seeks to minimise waste disposal and increases the volume and percentage that is re-used, recycled or composted. | 490 | 270 | 280 | 200 | 200 |
| Strategic Commissioning for Communities | Highways contract inflation - An allocation to meet the cost of contract inflation above inflationary provision for the highways contract. | 280 | 280 | 280 | 280 | 280 |
| | Total Above Inflationary Cost Increases | 10,344 | 2,972 | 3,167 | 2,800 | 2,806 |
| | | | | | | |
| New Legislative Requirements | | | | | | |
| Adult Social Care | Liberty Protection Safeguards - An allocation to meet the estimated cost of implementing the new legislative requirements around Liberty Protection Standards. The new arrangements are expected to be in place from 1 October 2020. | 250 | 250 | 0 | 0 | 0 |
| Strategic Commissioning for People | Domestic abuse strategy - An allocation to meet the expected cost of new arrangements to support victims of domestic abuse in line with expected national standards. | 500 | 0 | 0 | 0 | 0 |
| | Total New Legislative Requirements | 750 | 250 | 0 | 0 | 0 |
| | | | | | | |
| Making Time-Limited Allocations Permanent | | | | | | |
| Children and Families | Priority families - An indicative allocation to continue to fund Family Support Workers and data officers which provides early help provision and payment by results. The allocation will not be required if Government funding continues beyond 2020/21. | 0 | 712 | 0 | 0 | 0 |
| Children and Families | Family intervention service - An allocation to place FIS on a sustainable financial footing following the ending of the currently temporary funding. Core funding will provide clarity staffing and sustainability of the service which is helping to increase early help/prevention. | 221 | 0 | 0 | 0 | 0 |

2020-25 Proposed Permanent Allocations

| Service | Allocation | Allocation | Future Indicative Allocation | | | |
|--|---|------------------|------------------------------|------------------|------------------|------------------|
| | | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Children and Families | Family group conferencing - An allocation to keep the FGC team at its current level and continue their work to reduce the need for Council involvement with families and enables families to establish their own plan of support. | 152 | 0 | 0 | 0 | 0 |
| Education Services | School improvement - An allocation to fund the service on a permanent basis and so ensure system leadership and school to school support, targeted at maintained category C&D schools (statutory responsibility) through Senior Learning Improvement Advisors and commissioned support continues. It will provide support in improving educational outcomes for children and young people in Warwickshire. | 248 | 0 | 0 | 0 | 0 |
| Strategic Commissioning for Communities | Flood risk management - An allocation to continue to meet the demand for input to planning applications now the time limited funding allocated by Council has finished. | 200 | 0 | 0 | 0 | 0 |
| Strategic Commissioning for Communities | Skills for employment - An allocation to continue the scheme on a permanent basis to support the delivery of the Council's new Careers Strategy, helping our schools provide enhanced careers and employability support to their pupils, and enable increased employer engagements by young people to help make them make more informed careers decisions. More effective careers provision for our young people, improving the skills development and employability of our young residents to meet the needs and demands of a changing economy. | 250 | 0 | 0 | 0 | 0 |
| Total Making Time-limited Allocations Permanent | | 1,071 | 712 | 0 | 0 | 0 |
| Revenue Impact of Capital Investment | | | | | | |
| Corporate | Capital financing costs - An allocation to meet the interest and principal costs of new borrowing required to finance the capital programme, based on £25m a year for investment plus the rolling maintenance programme. It will provide capacity to ensure the resources are available to deliver of the ambitions of the capital strategy. | 0 | 0 | 3,233 | 1,109 | 1,122 |
| Total Revenue Impact of Capital Investment | | 0 | 0 | 3,233 | 1,109 | 1,122 |
| Contingency | | | | | | |

2020-25 Proposed Permanent Allocations

| Service | Allocation | Allocation | Future Indicative Allocation | | | | |
|-----------|--|------------------|------------------------------|------------------|------------------|------------------|--|
| | | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | |
| Corporate | Contingency - An allocation to set aside funding as a provision for future, currently unknown and unquantified, spending need. Such a provision will mitigate the need to identify further options for balancing the books as new spending requirements are identified over the period of the MTFS. The provision will mitigate future potential costs as part of ensuring the Council's services are sustainable over the medium term. | 1,500 | 2,500 | 2,500 | 2,500 | 2,500 | |
| | Total Contingency | 1,500 | 2,500 | 2,500 | 2,500 | 2,500 | |
| | | | | | | | |
| | Total Annual Permanent Spending Allocations | 22,092 | 11,941 | 14,525 | 12,522 | 12,488 | |
| | | | | | | | |
| | Total Cumulative Permanent Spending Allocations | 22,092 | 34,033 | 48,558 | 61,080 | 73,568 | |

2020-25 Proposed Right-Sizing Changes to Core Spending (including the impact of transformation)

| Projects | Description | Service | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|---|--|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Business Support | Service wide restructure including delayering of the entire model and reductions in levels of agency spend. No technology or digital capabilities are required to deliver these savings. | Business and Customer Support | (880) | (880) | (880) | (880) | (880) |
| | Legacy savings for children's services | Children's Services | (194) | (194) | (194) | (194) | (194) |
| | Legacy savings for adult social care and £300k as a result of the new payments system | Adult Social Care | (150) | (450) | (450) | (450) | (450) |
| | | | (1,224) | (1,524) | (1,524) | (1,524) | (1,524) |
| Customer Support | Review and rationalisation of the approach to customer support | Business and Customer Support | (260) | (560) | (770) | (770) | (770) |
| | Impact of the transfer of the Family Intervention Service | Children's Services | 0 | (30) | (30) | (30) | (30) |
| | Future reductions in spend on printing and stationary. Full delivery is predicated on other work being completed e.g. digital mail room | All services | 0 | 0 | (657) | (657) | (657) |
| | | | (260) | (590) | (1,457) | (1,457) | (1,457) |
| Commissioning Support Unit | Change Hub, Programme Management Office and Business Intelligence | Commissioning Support Unit | (395) | (395) | (395) | (395) | (395) |
| | Future reductions in the cost of delivering business intelligence across the organisation following the introduction of new technology and refinement of information requirements | | 0 | 0 | (640) | (640) | (640) |
| | | | (395) | (395) | (1,035) | (1,035) | (1,035) |
| Contract Management - Third Party Spend | | Commissioning Support Unit | (500) | (1,750) | (3,250) | (4,900) | (6,550) |
| | | | (500) | (1,750) | (3,250) | (4,900) | (6,550) |
| Digital & ICT Service Savings | Digital and ICT service redesign | Enabling Services | 0 | (900) | (900) | (900) | (900) |
| | Applications rationalisation | | (250) | (250) | (250) | (250) | (250) |
| | Device savings - laptops, mobiles | | (524) | (524) | (524) | (524) | (524) |
| | Disaster recovery and cloud migration | | 0 | (1,000) | (1,000) | (1,000) | (1,000) |
| | | | (774) | (2,674) | (2,674) | (2,674) | (2,674) |
| | Tier 3 restructure | Corporate/Other Services | (69) | (69) | (69) | (69) | (69) |

2020-25 Proposed Right-Sizing Changes to Core Spending (including the impact of transformation)

| Projects | Description | Service | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
|---|---|--|------------------|------------------|------------------|------------------|------------------|
| Service Redesigns | Public Health | Strategic Commissioning for People | 192 | 192 | 192 | 192 | 192 |
| | Policy function | Governance and Policy | 272 | 272 | 272 | 272 | 272 |
| | Children's delivery | Children and Families | 150 | 150 | 150 | 150 | 150 |
| | Communications | Governance and Policy | 21 | 21 | 21 | 21 | 21 |
| | Procurement | Commissioning Support Unit | (10) | (10) | (10) | (10) | (10) |
| | | | 556 | 556 | 556 | 556 | 556 |
| Downwards Rightsizing from Underspends | Capital Financing Costs | Corporate/Other Services | (970) | (970) | (970) | (970) | (970) |
| | Oxygen Finance | Corporate/Other Services | (750) | (750) | (750) | (750) | (750) |
| | Legal Services Income | Governance and Policy | (150) | (150) | (150) | (150) | (150) |
| | Members Allowances | Corporate/Other Services | (150) | (150) | (150) | (150) | (150) |
| | Network Management Income | Environment Services | (100) | (100) | (100) | (100) | (100) |
| | Adult Social Care | Adult Social Care | (5,376) | (5,376) | (5,376) | (5,376) | (5,376) |
| | | | (7,496) | (7,496) | (7,496) | (7,496) | (7,496) |
| Optimism Bias | Provision for a 10% optimism bias for the benefits from the transformation programme. This is included to mitigate the risk to the sustainability of the MTFS. A transparent change control process will be put in place before any of this provision is released. Any provision not required as the level of savings are confirmed will be released back into the MTFS for allocation in future years. | Corporate/Other Services | 315 | 693 | 994 | 1,159 | 1,324 |
| | | | 315 | 693 | 994 | 1,159 | 1,324 |
| | | | | | | | |
| | | Total Right-sizing and Transformation Benefits | (9,778) | (13,180) | (15,886) | (17,371) | (18,856) |
| | | | | | | | |
| | | Additional in-year Right-sizing and Transformation Benefits | (9,778) | (3,402) | (2,706) | (1,485) | (1,485) |

2020-25 Budget Balancing Plan Summary

| Service | What the change entails | Budget Reduction | | | | |
|--------------------------------|--|------------------|------------------|------------------|------------------|------------------|
| | | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| | | | | | | |
| Better Procurement | | | | | | |
| Environment Services | Capitalisation of flood prevention works - To fund contributions to flood prevention schemes from capital resources as they are about infrastructure investments that are capital in nature and this aligns with the capital funding received from partner organisations as matched funding. | 200 | 200 | 200 | 200 | 200 |
| | Total Better Procurement | 200 | 200 | 200 | 200 | 200 |
| | | | | | | |
| Efficiency Improvements | | | | | | |
| Adult Social Care | Commissioning approach for younger adults - Redesign the commissioning approach for younger adults to ensure a more efficient arrangement and an improved brokerage function. The impact will be a reduction in packages of care for younger adults alongside more effective brokerage arrangements maximising capacity and resources. | 0 | 200 | 500 | 500 | 500 |
| | Housing with support for older people - Further develop the housing with support offer to reduce reliance on residential provision for all ages; including consideration of capital investment to secure revenue savings. The impact will be delivery of a placement sufficiency strategy for Older People, providing for reduced costs in packages of care, a reduced trajectory in the increasing numbers of people requiring support from Adult Social Care and more people using community assets to enable them to live independent of formal Adult Social Care support. | 0 | 200 | 700 | 1,200 | 1,700 |
| | Integrated commissioning and delivery arrangements with NHS partners - Arrangements will form part of the Coventry and Warwickshire Integrated Health and Care Partnership and associated System Plan. The impact will be improved integrated commissioning and delivery arrangements with NHS partners. | 0 | 0 | 0 | 0 | 667 |
| Children and Families | House project - Further investment and expansion of the House Project countywide to provide accommodation for care leavers. The impact will be fewer care leavers in need of crisis support or homeless. | 0 | 0 | 0 | 200 | 200 |
| Children and Families | Development of effective local provision of children's placements - Facilitate the market to develop local provision that more effectively meets needs through the improved efficiency and effectiveness of the Placement Hub. The impact will be to reduce need and spend on emergency placements for children and young people. | 0 | 0 | 0 | 500 | 1,000 |

2020-25 Budget Balancing Plan Summary

| Service | What the change entails | Budget Reduction | | | | |
|---|--|------------------|------------------|------------------|------------------|------------------|
| | | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Children and Families | Integrated commissioning and delivery arrangements with NHS partners - Arrangements will form part of the Coventry and Warwickshire Integrated Health and Care Partnership and associated System Plan. The impact will be improved integrated commissioning and delivery arrangements with NHS partners. | 0 | 0 | 0 | 0 | 667 |
| Education Services | Education transport route optimisation - Using route optimisation software to map the most efficient way to transport groups of learners to school. This will reduce home to school transport costs. | 58 | 100 | 100 | 100 | 100 |
| | Review of provision of passenger transport assistants - Reduced cost of passenger assistants as a result of their withdrawal from routes except for cases where a learner has an EHC plan. | 12 | 20 | 20 | 20 | 20 |
| | SEN transport savings - Learners grouped into fewer multi-occupancy vehicles travelling a shorter distance to school will deliver savings. The impact will be avoided SEN transport costs (comparative to placements in independent specialist provision). | 0 | 94 | 314 | 451 | 493 |
| Environment Services | Drainage maintenance review - The use of new technology to move the gulley cleansing programme onto a 'risk based' approach. There is some reputational risk of moving to an evidence-led approach to delivery. The financial risk is understanding how much the technological approach will actually reduce the need for cleansing. | 0 | 0 | 100 | 100 | 100 |
| Governance and Policy | Electronic record keeping - Reduced storage requirements as a result of the move to electronic record keeping. | 10 | 20 | 30 | 40 | 50 |
| Strategic Commissioning for Communities | Countywide integrated waste collection and disposal service - The development of a joint service delivery model for waste management across the county, linked to the new national waste strategy for England expected to be published in 2020/21. A joint model is expected to be more efficient, and changes in collection schedules should reduce residual waste. Collecting food waste weekly and residual waste every 3 weeks will drive best behaviour in waste management. Residual waste will decrease and recycling and composting will increase. This will have positive environmental and financial benefits for the Council and for Warwickshire. Discussions with the district and borough councils on this approach are at a very early stage. This saving is therefore relatively high risk at the moment. | 0 | 0 | 1,000 | 1,800 | 1,800 |

2020-25 Budget Balancing Plan Summary

| Service | What the change entails | Budget Reduction | | | | |
|---|---|------------------|------------------|------------------|------------------|------------------|
| | | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Strategic Commissioning for Communities | Review of staffing as a result of further service redesign and reviews - A restructuring of teams across Communities (Strategy & Commissioning) will create a flatter and more agile service areas, and enable us to focus our resources better on key priority areas and exploit opportunities to lever in external funding. The redesign and service reviews will seek to improve efficiencies while increasing the effectiveness of our work around the Council's key priorities. In addition, we will pro-actively seek to secure additional funding from external sources to co-invest in the service activities undertaken and therefore reducing demand on WCC resources. | 0 | 0 | 0 | 285 | 285 |
| Strategic Commissioning for People | Integrated commissioning and delivery arrangements with NHS partners - Arrangements will form part of the Coventry and Warwickshire Integrated Health and Care Partnership and associated System Plan. | 0 | 0 | 0 | 0 | 666 |
| Total Efficiency Improvements | | 80 | 634 | 2,764 | 5,196 | 8,248 |
| | | | | | | |
| Increased Income | | | | | | |
| Corporate | Treasury management investment returns - A target to increase returns on investment by 10 basis points based on a more pro-active approach to treasury management. This will enable a longer term, risk-based approach to investing the authorities cash resources. There is a risk to the delivery of the savings if the authority's operations reduce the level of cash balances available or interest rates reduce more generally thereby reducing the ability to earn interest on our investments. | 0 | 175 | 350 | 350 | 350 |
| | Reinvestment of capital receipts - Material receipts are forecast from the sale of strategic sites. Reinvestment of the capital receipts will reduce the Council's need to borrow for capital investment in the future. If the land is sold and the capital receipts are used as per this savings proposal, the funding will not be available to invest in the delivery of the capital strategy. | 2,523 | 2,983 | 3,716 | 4,630 | 5,544 |
| Environment Services | Expansion of traded services re County Fleet Management (CFM) and Archaeology - Improving efficiencies in CFM and increasing income from external contracts, new future external contracts and MOT sales to public. It is also is very dependent on the housing market which drives the amount of work through the Archaeology team. | 0 | 100 | 200 | 200 | 200 |
| Governance and Policy | Legal Services additional surplus - Additional surplus from external trading with other local authorities and public sector bodies | 30 | 60 | 100 | 150 | 200 |

2020-25 Budget Balancing Plan Summary

| Service | What the change entails | Budget Reduction | | | | |
|---|---|------------------|------------------|------------------|------------------|------------------|
| | | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Strategic Commissioning for Communities | Increased income from new services in the business centres portfolio - The introduction of conferencing facilities at Eliot Park Business Centre, and the introduction of virtual office space so that businesses can use the mail/phone/meeting space functions at the Business Centres but not physically rent a unit. A greater range of facilities and options at business centres, that would be beneficial to local businesses and wider partners (The limited conferencing facilities currently in Nuneaton, and research suggests there is demand for this). | 0 | 0 | 100 | 100 | 100 |
| | Increased costs of residents parking permits - This proposal sees the cost of all permits increased to £80 per permit to recover all associated costs. | 0 | 0 | 0 | 0 | 433 |
| | Implementation of on-street parking charges in Nuneaton - The installation of approximately 20 pay and display machines. This proposal has been previously consulted on and was not progressed. Our local transport policy makes specific reference to not using parking as a competitive tool between Warwickshire towns and the introduction of pay and display measures in Nuneaton would result in all CPE areas in Warwickshire being treated equally in this regard. | 0 | 0 | 235 | 235 | 235 |
| | Increase cost of visitor permits - Currently visitors permits are priced at £25 each. This proposal will see an increase to £80 per permit to recover all associated costs and align cost with residents parking permits. | 0 | 0 | 0 | 0 | 282 |
| | Implementation of business parking permits - Currently only residential addresses may apply for on-street parking permits in residential permit scheme zones. Businesses operating in such zones may park their vehicles for limited time only. The proposal would see an allowance of two business permits per organisation. This change is likely to be supported by businesses. | 0 | 445 | 445 | 445 | 445 |
| | Increase in on-street pay and display charges - Initial increase in pay and display charges to re-introduce linear charging. Cost would be 20p per ten minutes up to a maximum of £2.40 for two hours. The change would provide for improved transparency for customers and establish a differential between on-street and off-street parking in line with the Council's policy. | 0 | 0 | 228 | 228 | 570 |
| Strategic Commissioning for People | Third party funding for commissioning and delivery - Continue to secure third party funding for commissioning and service delivery activity. | 0 | 0 | 100 | 100 | 100 |
| Total Increased Income | | 2,553 | 3,763 | 5,474 | 6,438 | 8,459 |
| | | | | | | |
| Reduce Demand | | | | | | |

2020-25 Budget Balancing Plan Summary

| Service | What the change entails | Budget Reduction | | | | |
|---------------------------------|--|------------------|------------------|------------------|------------------|------------------|
| | | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 |
| Adult Social Care | Suppressing demand in older people services - Implementing multiple activities that are already in projects across adult social care. These include an improved early intervention and prevention offer, further refinement of the in-house Reablement offer and further development of Assistive Technology. | 250 | 500 | 1,000 | 1,500 | 2,040 |
| | Prevention and self-care - Develop and implement a prevention and self care strategy and invest in programmes, projects and services that reduce people's reliance on paid care and support. | 0 | 0 | 0 | 167 | 334 |
| Children and Families | Restorative practice and early help - Through restorative practice and an improved early help offer the impact will be to reduce demand on children's social care. | 0 | 0 | 250 | 500 | 1,000 |
| | Prevention and self-care - Develop and implement a prevention and self care strategy and invest in programmes, projects and services that reduce people's reliance on paid care and support. | 0 | 0 | 0 | 167 | 334 |
| Strategic Commissioner - People | Prevention and self-care - Develop and implement a prevention and self care strategy and invest in programmes, projects and services that reduce people's reliance on paid care and support. Across all of the prevention and self-care proposals the impact will be reduced costs in packages of care, a reduced trajectory in the increasing numbers of people requiring support and more people using community assets to enable them to live independent of formal support. | 0 | 0 | 0 | 166 | 332 |
| Education Services | Education transport - Risk assessment and review of eligibility within the home to school transport policy. The first year of this new approach has demonstrated avoided costs, mainly due to reassessment of single-occupancy taxis to multi-occupancy taxis. | 209 | 360 | 360 | 360 | 360 |
| Governance and Policy | Paper free meetings - Reduction in the cost of printing as a result of moving to paper free meetings | 0 | 0 | 10 | 10 | 10 |
| | Total Reduced Demand | 459 | 860 | 1,620 | 2,870 | 4,410 |
| | | | | | | |
| | Total Reductions | 3,292 | 5,457 | 10,058 | 14,704 | 21,317 |
| | | | | | | |
| | Total In-Year Reductions | 3,292 | 2,165 | 4,601 | 4,646 | 6,613 |

Reserves Strategy 2020-25

Introduction

Picture of Peter Butlin

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

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

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

Picture of Rob Powell

Rob Powell
Strategic Director for
Resources

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

This reserves strategy sets out why effective management of reserves is important, how we make decisions about the level of reserves to hold and how our approach enables us to deliver on this.

Our approach will be a success if across the Council it is understood that the money we have in reserves is proportionate to the risks and uncertainties we face, promotes financial resilience and is actively managed to identify where one-off resources that can be invested in support of our outcomes and key objectives.

Section 1: The Purpose of our Reserves Strategy

What are Reserves?

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

What is a Reserves Strategy?

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

1. Our strategic intent – what we are seeking to achieve through holding reserves;
2. Our programme – the level of reserves we hold and our plans for their use over the period of the 2020-25 Medium Term Financial Strategy (MTFS); and
3. Our framework – the way we will determine the level of reserves we need, manage those reserves and plan for their use in line with best practice and statutory requirements.

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

Why do we need a Reserves Strategy?

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

To ensure we can manage these financial risks whilst being able to maintain services requires that the Authority holds funds in reserve to meet these costs as and when they arrive. A reserves strategy enables us to do this in a planned way.

How does it fit with our other strategies?

The reserves strategy is part of a suite of supporting strategies that supplement the 2020-25 Council Plan and MTFS. All the supporting strategies are aligned to the Council Plan and MTFS and provide an additional level of granularity that help create a bridge between the high-level over-arching plan and operational delivery. As such it forms part of a collective accountability framework for the management of the Authority's financial resources.

Maintaining the current high standards of financial management across the organisation is critical to the successful delivery of the 2020-25 Council Plan and MTFS. Any weakening of financial management has a direct impact on the level of reserves needed to offset the risk of services overspending and/or the non-delivery of savings targets. The central role in the management of the Authority's reserves lies with Strategic Directors, both individually and collectively, with support and advice from Finance.

Section 3: Our Reserves

[All figures and diagrams to be updated after Q3 monitoring, the finalisation of the 2020/21 budget proposals and outcome of Government consultation on the funding of DSG deficits].

Our drivers for holding reserves are to:

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

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

Our current level of reserves in £163.5 million. We are holding the £163.5m for the following reasons:

- a) £76.1 million to manage financial risk, including volatility;
- b) £31.6 million for investment in projects to drive forward the delivery of the Council's objectives;
- c) £19.3 million to meet externally set funding conditions; and
- d) £19.5 million available for investing to pump-prime the delivery of the Council's key objectives



| Key | |
|-----------------------------------|--------|
| Not available for use | Red |
| To be reviewed on an annual basis | Orange |
| Available for investment | Green |

Section 4: Our Reserves Framework

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

Guiding principles for managing and using Reserves

Our guiding principles for managing and using reserves are:

- The primary purpose is to manage financial risk and promote financial sustainability.
- Subject to meeting this requirement we will:
 - Maximise the ability to use reserves flexibly to deliver the organisation's priorities;
 - Control the amount of scarce resources held in reserves; and
 - Hold reserves at a corporate/directorate level unless there is a business/technical reason for not doing so.
- The planned use of reserves will be agreed as part of the annual budget setting and medium-term financial planning process. Other than in exceptional circumstances the planned use of reserves is only expected to change in year as a result of:
 - Change projects approved by Corporate Board/Members; and
 - Adjustments to reflect the impact of the previous year's outturn that were not known at the time the budget for the year was agreed.
- Service risk reserves will be held at Directorate level to manage in-year financial risk and to cover any over/underspends across the Directorate at the end of the year.
- All reserves will be subject to a year-end review to ensure the reason for holding the reserve and the plans for its use aligns with the MTFS and this strategy.
- Reporting on each reserve and seeking approval for any variations or to create a new reserve will form part of the quarterly monitoring report to Corporate Board and Cabinet.

Year-end review of reserves

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

- Plans for use of the reserve including sunset clauses/closure dates
- Benefits to be delivered from the investment
- Without an approved delivery plan in place a reserve cannot be accessed

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

Management of
Financial Risk -
Corporate

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

Management of
Financial Risk -
Directorate

- To manage in-year financial variations e.g. fluctuations in demand, financial risks associated with the delivery of the savings plan and to manage any overspend
- Maximum of 5% of the Directorate net revenue budget
- Held at Directorate level with the Strategic Director accountable
- Decisions and proposals reported to Cabinet as part of the outturn report each year with any use replenished as part of setting the Directorate's financial planning for the following financial year

Volatility

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

Earmarked

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

Investment Funds

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

Current Reserves aligned to the proposed Reserves Strategy

| Directorate | Service | Description | £'000 | Commentary |
|-------------------------------|-------------------------------------|---|----------|--|
| Earmarked - Schools Reserves | | | | |
| Schools | Education Services | DSG Reserve - County Council spend | 4,426 | This is the forecast overspend on the DSG spend, primarily relating to high needs |
| | Other Services | School Balances | (14,804) | This is the net level of school reserves. Any decisions about the use of this funding rest with individual schools or the Schools Forum. |
| | | Loans To Schools | 26 | This is loans made to school in the past and is held as a negative reserve. Repayment schedules agreed with all schools at the point the loan is taken out. |
| | | Schools Absence Insurance Equalisation Account | (1,001) | Insurance Fund that schools subscribe to that meets the costs of cover for staff absence. A review in 2018/19 recommended £1m is the optimum balance to ensure any reasonable level of demand can be accommodated. |
| | | Total Earmarked Schools Reserves | (11,353) | |
| Earmarked - External Reserves | | | | |
| Communities | Education Services | School Improvement Monitoring & Brokering Reserve | (420) | Delivery of School Improvement activity - academic year grant funding direct from DfE. Expected to be used in 2019-20 at which point the reserve will be closed. |
| | Environment Services | Proceeds of Crime | (147) | Confiscation awards required by Home Office to be spent on enforcement activity and the reduction of future criminal activity. |
| | | S38 Developer Funding | (350) | To manage the timescale of schemes completion as funding is not received in the same profile and expenditure requirements. |
| | Strategic Commissioning Communities | Speed Workshops | (813) | A joint owned reserve with the Warwickshire Road Safety Partnership covered by an SLA. |
| | | Rural Growth Network | (168) | Held for match funding for future years of ERDF Business Support Programme. |
| People | Children and Families | Adoption Central England | (1,188) | This reserve is held to fund the partnership where costs are uneven over financial years and the nature of adoption cases span financial years. The legal Agreement states that the reserves are under the joint "ownership" of all 5 LA's to the proportions of the funding agreement - so WCC's legal share is <30% of this total. |
| | | House Project Grant - Innovation Programme Grant | (94) | |
| | | Controlling Migration Fund | (146) | |

Current Reserves aligned to the proposed Reserves Strategy

| Directorate | Service | Description | £'000 | Commentary |
|--|--------------------------------|--|----------------|---|
| Resources | Business and Customer Services | Museum, Records and Libraries Trust Funds and Bequests | (324) | These funds are held for the purchase of key records or artefacts as and when the opportunity arises, for the benefit of the people of Warwickshire. |
| | Finance | LA Counter Fraud Fund Grant | (16) | |
| | Governance and Policy | One Public Estate | (168) | Earmarked grant if not spent must be returned to Government. |
| Corporate | Other Services | NNDR Pool Surplus Reserve | (4,027) | This reserve is the net surplus on the business rates pool held as a safety net for the districts/boroughs. The balance will be distributed across pool members at the end of the pool's life (expected to be when business rates retention comes in at the latest). It is held as part of the County Council's accounts because we are the lead authority. None of this funding belongs to the County Council. |
| | | Total Earmarked External Reserves | (7,861) | |
| Reserves Subject to Annual Review - Internal Policy | | | | |
| People | Children and Families | Priority Families Reserve | (580) | The balance of government funding for the Priority Families initiative to support the delivery of phase 2 of the programme. |
| | | 0-5 Strategy for Children | (1,521) | These reserves are committed to planned initiatives over the life time of the OOP2020 and beyond with individual allocations having been approved by the governance arrangements approved by Members. The investment will support the planned medium term transformation of the Business Unit. |
| Resources | Business and Customer Services | Warwickshire Local Welfare Scheme | (455) | The spend is for projects that meet the criteria agreed by members. |
| | Enabling Services | Community Energy Scheme | (39) | |
| | Governance and Policy | Going for Growth Apprenticeship Scheme | (245) | |
| Corporate | Other Services | LATC Operational Reserve | (248) | Funding to provide support to Educaterers in future should they make a loss and/or not be able to pay dividends at the planned level. |
| | | Corporate Apprenticeship Fund | (737) | Apprentice salaries are not covered by the apprenticeship levy therefore, funding has been kept aside to pay for new apprenticeship post salaries as the organisation works towards achieving the government's apprenticeship target. |

Current Reserves aligned to the proposed Reserves Strategy

| Directorate | Service | Description | £'000 | Commentary |
|---|-----------------------|--|-----------------|--|
| | | Redundancy Fund | (9,414) | |
| | | Schools in Financial Difficulty | (1,947) | Funding held aside to fund costs of assisting schools in financial difficulty. |
| | | Total Annual Review - Internal Policy | (15,186) | |
| Reserves Subject to Annual Review - Volatility | | | | |
| Communities | Environment Services | Domestic Homicide Reviews | (100) | Held to fund costs associated with statutory domestic homicide reviews costs of which can be very high but are not part of business as usual activity and therefore not manageable within annual service budget |
| | Fire and Rescue | Pensions Reserve | (268) | Potential Pensions costs that cannot be predicted. This reserve and the annual fire pensions budget are not available to support the cost of the service more generally. |
| People | Children and Families | Secure Remand Reserve | (472) | Held to fund costs associated with secure remand - costs of which can be very high but can not be planned for or easily mitigated against. The build up of these reserves has occurred by using under-spends on revenue budget that has partly been funded by external partner contributions through the Youth Justice Board. |
| Corporate | Other Services | Financial Instruments Reserve | (3,077) | Technical accounting reserve introduced in response to a change in accounting standards. The reserve will ensure variations in the end of year valuation of our financial investments do not impact on the authority's position in an unplanned way. |
| | | Insurance Fund | (8,942) | As an authority it is financially a better option to self-insure for some risks. We also have a number of excesses on the various corporate insurance policies. This Fund provides cover for both of these risks. Without this Fund individual services would be required to meet the cost of excesses or of any risks we self-insure for (e.g. ICT equipment) from their revenue budget as and when claims arise. |
| | | Capital Fund | (1,437) | Funding set aside from capital receipts to meet the sale expenses and any associated fees. A rolling fund is required as the costs of selling assets etc. are incurred before any receipt is received. |

Current Reserves aligned to the proposed Reserves Strategy

| Directorate | Service | Description | £'000 | Commentary |
|-----------------------------|----------------|---------------------------------------|-----------------|---|
| | | NNDR Appeals Reserve | (6,739) | There remains a significant backlog in business rates appeals that have yet to be settled and may go back several years. Looking forward towards 2021/22 there will be further increased volatility in business rates income as a result of moves towards increased localisation of business rates and the effect of the fair funding review where local authority funding baselines will be reset. This reserve provides some capacity to manage any impact. |
| | | Pensions Deficit Reserve | (466) | To fund pension fund deficits in future years if required. |
| | | Quadrennial Elections | (421) | Funding held to cover the cost of elections as recharged by districts/boroughs. The reserve builds up over four years and then is depleted in election year. |
| Corporate | Other Services | Audit Fee Reserve | (770) | The external audit fee is variable between years depending on the auditors perceived level of financial risk, the number of additional grant claims to be audited and investigations into any issue that emerge during the audit or are reported to the auditors. This reserve of accumulated underspends ensures that in any one year there will be no impact on the revenue budget and will ensure sufficient funds are available to meet additional audit requirements, including the need to revalue all our assets on an annual basis to meet tighter audit validation requirements. |
| | | Interest Rate Volatility Reserve | (5,436) | This reserve will allow fluctuations in interest rates, as they impact on both the interest we can earn and the interest we pay on any borrowing to be smoothed and avoid the need to allocate resources to fund capital financing costs whilst spend/borrowing is at the level set out in the MTFS. |
| | | Total Annual Review Volatility | (28,128) | |
| Invest to Save Funds | | | | |
| Corporate | Other Services | Systems Replacement Reserve | (16,762) | This fund will enable the replacement of systems to be funded now rather than formally requesting capital investment later which would incur future debt and charges. |
| | | Fire Transformation Fund | (972) | Funding set aside to aid the transformation of the Fire & Rescue Service. |
| | | Corporate Transformation Fund | (10,617) | Funding to support the delivery of the authority's transformation agenda. |
| | | Digital Transformation Fund | (2,046) | Funding set aside to support the various digital transformation schemes taking place around the authority. |

Current Reserves aligned to the proposed Reserves Strategy

| Directorate | Service | Description | £'000 | Commentary |
|---|---|---|-----------------|--|
| | | Total Invest to Save Funds | (30,397) | |
| Reserves Subject to Annual Review - Specific Investment Projects | | | | |
| Communities | Education Services | Virtual School for children looked after | (42) | Grant allocation for a specific piece of work to be completed in 2019/20. |
| | | Education management information system | (50) | Ongoing project to be completed in 2019/20. |
| | Environment Services | Flood Management Reserve | (459) | £250k to deal with potential remediation work surrounding the FBUK situation. Balance to support schemes which protect and alleviate flood risk. |
| | Fire and Rescue | Vulnerable People Earmarked Reserve | (29) | Balance of partnership funding of Hospital to Home scheme which will be utilised in 2019/20. |
| Communities | Fire and Rescue | Fire and Rescue Systems Replacement Project | (470) | Funding set aside to cover required upgrades/replacements of various IT systems necessary to the delivery of the Fire & Rescue service. Specifically MDTs and Station End equipment are critical to the operational service and require replacement within next 12 months. |
| | | Fire Control Project | (824) | Specific project funded through one off grant from the Home Office in advance of expenditure being incurred in future years. Committed to completion of requirements under the national project and will also require reporting of expenditure to the Home Office. |
| | Strategic Commissioning for Communities | Kenilworth Station | (500) | Final payments to Contractor and Network Rail/DfT still under negotiation. |
| | | Skills Delivery for Economic Growth | (96) | Remainder being held for match funding on skills projects that go beyond timescales of the current Skills for Employment project. |
| | | European Match Funding | (166) | Remainder being held for match funding for future years of ERDF Business Support Programme. |
| Resources | Business and Customer Services | Corporate Customer Journey Programme | (479) | The budget is to progress the work on the customer 'front door' including digital by design work, the one stop shop service offer, business and customer support functional operating model. |

Current Reserves aligned to the proposed Reserves Strategy

| Directorate | Service | Description | £'000 | Commentary |
|-------------------------------------|-------------------|---|------------------|---|
| Resources | Enabling Services | HR - Service Improvement Projects | (60) | Reserve held pending decisions around future projects following the implementation of the new HR operating model. |
| | Enabling Services | Your HR Implementation | (87) | |
| Corporate | Other Services | Local Resilience Forum - Brexit Funding | (88) | Funding received by MHCLG to cover additional costs to local authorities of Brexit. |
| | | Early Intervention | 293 | The overdrawn position is temporary pending the adjustments as part of outturn in 2019/20. |
| | | Total Annual Review Specific Investment Projects | (3,057) | |
| Management of Financial Risk | | | | |
| Communities | | Directorate Risk Reserve | (4,900) | 5% directorate risk contingency |
| People | | Directorate Risk Reserve | (11,700) | 5% directorate risk contingency |
| Resources | | Directorate Risk Reserve | (2,400) | 5% directorate risk contingency |
| Corporate | | General Reserves | (29,000) | Minimum level of General Reserves. This includes a provision to manage any overspend in DSG in 2019/20 and 2020/21. This element of the funding is held pending the outcome of the Government consultation on whether local authorities can make-good overdrawn DSG reserves. |
| | | Total Management of Financial Risk | (48,000) | |
| Available for Use Reserves | | | | |
| Corporate | | Medium Term Financial Contingency | (19,513) | |
| | | Total Available for Use Reserves | (19,513) | |
| | | | | |
| | | Total | (163,495) | |

| | | |
|--|-------|--------------|
| Earmarked - Schools (£17.8m) | #REF! | #REF! |
| Earmarked - External (£7.9m) | #REF! | #REF! |
| Earmarked - Internal Policy/Projects | #REF! | #REF! |
| Earmarked - Internal Volatility (£28.1 | #REF! | #REF! |
| Management of Financial Risk (£40.0 | 40 | (40,000,000) |
| Invest to Save Funds (£20.5m) | #REF! | #REF! |
| Available Reserves (£21.0m) | #REF! | #REF! |
| | | |
| | | |
| Total | #REF! | #REF! |



| | |
|--|-------|
| Forecast Reserves as per Q2 monitoring | 163.5 |
| Further transformation spend in 2019/20 | |
| Transformation underspends | 2.6 |
| | 166.1 |
| Transformation spend agreed for future years | |
| Adult social care capacity not needed in 2020/21 | 3 |
| Capital financing capacity not needed in 2020/21 | 5 |

Time-limited Investment Proposals

| Service | Proposal | 2020-21 £'000 | 2021-22 £'000 | 2022-23 £'000 | 2023-24 £'000 | 2024-25 £'000 | Total £'000 |
|---|--|------------------|------------------|------------------|------------------|------------------|----------------|
| | | | | | | | |
| Allocations Previously Approved by Council | | | | | | | |
| Strategic Commissioning for Communities | LEP Growth Hub - A time-limited allocation to continue to provide funding as Warwickshire County Council's investment in the Coventry and Warwickshire wide Growth Hub. The allocation supports a simplified, co-ordinated and coherent approach to business support across the Coventry & Warwickshire area, making it easier and more likely that businesses will access support to help them grow. Evidence shows that those businesses that access help and support and more likely to survive and grow than those who do not. | 128 | 128 | 0 | 0 | 0 | 256 |
| Strategic Commissioning for Communities | HS2 - A time-limited allocation to continue work to mitigate the impacts of HS2 on Warwickshire residents and communities | 133 | 133 | 0 | 0 | 0 | 266 |
| Strategic Commissioning for Communities | City of Culture - A time-limited allocation to continue investment on the City of Culture to deliver economic benefits to Warwickshire's communities and businesses | 250 | 250 | 250 | 0 | 0 | 750 |
| Strategic Commissioning for People | Homelessness - A time-limited allocation to continue the three-year joint investment project with Rugby Borough Council | 150 | 150 | 0 | 0 | 0 | 300 |
| Enabling Services | Old Shire Hall - A time-limited allocation to provide a provision for a subsidy to the facility as it transfers to a commercial operating basis | 200 | 200 | 0 | 0 | 0 | 400 |
| Education Services | Specialist Provision in Nuneaton and Bedworth (Pears) - A time-limited allocation to increase state-funded specialist education provision in Warwickshire to meet population growth. This provides for short-term funding for the DSG place funding lag. Together with the allocation below for the property costs, the project will result in the better use of resources by educating young people with SEND in provision in-County. This will reduce forecast costs for education provision (avoiding independent specialist provision) and transport. | 1,034 | 1,252 | 740 | 0 | 0 | 3,026 |
| Enabling Services | Specialist Provision in Nuneaton and Bedworth (Pears) - A one-off allocation to provide for the operational costs of running the property until it transfers to service providers/school | 719 | 0 | 0 | 0 | 0 | 719 |
| | Total of Allocations Previously Approved | 2,614 | 2,113 | 990 | 0 | 0 | 5,717 |
| | | | | | | | |
| Allocation of Ring-fenced Funding | | | | | | | |

Time-limited Investment Proposals

| Service | Proposal | 2020-21 £'000 | 2021-22 £'000 | 2022-23 £'000 | 2023-24 £'000 | 2024-25 £'000 | Total £'000 |
|--|---|------------------|------------------|------------------|------------------|------------------|----------------|
| Adult Social Care | Winter Pressures - A one-off allocation to the service to meet the terms of the grant allocation. Detailed spending plans will need to be agreed with the Clinical Commissioning Groups. | 2,235 | 0 | 0 | 0 | 0 | 2,235 |
| Adult Social Care | Improved Better Care Fund - A one-off allocation to the service to meet the terms of the grant allocation. Detailed spending plans will need to be agreed with the Clinical Commissioning Groups. | 3,149 | 0 | 0 | 0 | 0 | 3,149 |
| Children and Families | Children's Transformation Programme - A one-off allocation to extend the programme of investment in children's social care | 3,817 | 0 | 0 | 0 | 0 | 3,817 |
| Total Allocations of Ring-fenced Funding | | 9,201 | 0 | 0 | 0 | 0 | 9,201 |
| Proposed New Time-Limited Allocations | | | | | | | |
| Fire and Rescue | Fire Protection - A one-off allocation to restructure Fire Protection team in anticipation of the conclusion of the Hackitt review and meet the increasing level of demand for statutory inspections. Better delivery of statutory functions such as building regulations, planning and licensing will directly contribute to the safety of Warwickshire residents and protection of commercial premises in the county. Once the team is fully developed they will be in a position to roll out a wider offer to local businesses which should generate income and make the County a more welcoming business base. | 600 | 0 | 0 | 0 | 0 | 600 |
| Strategic Commissioning for People | Independent Inquiry into Child Sexual Abuse - A one-off allocation to deal with legal costs beyond those already in the budget; to employ staff on fixed term contracts to manage the response to the inquiry (or backfill those who have to do this) and to put in place any measures where we identify gaps in provision. | 600 | 0 | 0 | 0 | 0 | 600 |
| Strategic Commissioning for Communities | Cycle-racing - A time-limited allocation to continue to provide funding to support the cycling events for a further two years | 200 | 200 | 0 | 0 | 0 | 400 |
| Total Proposed New Time-Limited Allocations | | 1,400 | 200 | 0 | 0 | 0 | 1,600 |
| Total Time-Limited Allocations Proposed | | 13,215 | 2,313 | 990 | 0 | 0 | 16,518 |

DRAFT

***Investing in Warwickshire-
Capital Strategy 2020-30***



Introduction



Cllr Peter Butlin

Deputy Leader and Portfolio
Holder for Finance and Property



Rob Powell

Strategic Director for
Resources
Warwickshire County Council

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

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

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

Together, these factors influence our approach to capital investment. To respond effectively, we need to take a strategic and holistic approach to the use of our capital fund and assets to deliver our key priorities.

Our refreshed Capital Strategy 2020-30 aims to optimise the way in which we generate, manage and allocate the capital funds at our disposal. It

forms a critical part of our policy and financial planning process. It is an integral part of the Medium-Term Financial Strategy to help deliver our Council Plan 2025.

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

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

We recognise the lasting impact and legacy of good, evidence-based capital investment and the Capital Strategy 2020-30 sets out our approach to making this happen in and for Warwickshire.

1.

Purpose of our Capital Strategy

What is Capital?

Within Local government, Capital is funding which is used to purchase or upgrade specific assets such as buildings, machinery, equipment, ICT, vehicles or intangible assets.

Unlike for revenue funding, these are investments that last a number of years and deliver long term benefit to the community, place and council.

Such capital Investment is funded by borrowing, grants, capital receipts, developer contributions, council contributions etc.

The costs are charged to revenue for depreciation and amortisation.

What is a Capital Strategy?

A capital strategy sets out the choices we make in relation to the amount and nature of the capital investment we spend. It is made up of three key elements:

1. **Strategic intent** – Sets out the aspiration and direction for our capital investment, defining the outcomes we are seeking to achieve through investment (Why).
2. **Programme** – Sets out the activity, programmes and projects that are funded by our capital investment (What).
3. **Framework** – Sets out the way we will plan and prioritise investments; manage capital spend and the capital programme in line with best practice and statutory requirements; execute the delivery of projects; manage risks and measure performance (How).

Together these elements set out the ambition for investment, the nature of that investment and the assurance of delivery.

2.

Why do we need a capital strategy?

Our Capital strategy sets out the direction, nature and focus of the capital programme and the framework which we operate to.

As a public body, we have a statutory duty to produce a capital strategy. An effective Capital Strategy helps ensure that the Council's capital and revenue expenditure on the asset portfolio is directed to deliver our key priorities. The Council Plan 2025 has a clear vision to make **Warwickshire the best it can be, sustainable now and for future generations.**

Our capital investment will be aimed at delivering our priority outcomes using the draft investment criteria below:

Warwickshire's communities and individuals are supported to be safe, healthy and independent (Supporting people) - invest to:

- **manage long-term demand through innovation**, sustainable service redesign, new technology and digital solutions;
- **strengthen community assets and community resilience** by investing in community capacity, self-help and capability, supporting local actions and priorities like climate change;
- **keep communities, including children, safe** by investing in safety, providing early support, preventing harm and helping to reduce crime;
- **meet future demand** through early intervention and timely provision of capital assets to support vulnerable people to live well (school places, independent living accommodation).

Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure (Shaping places) - invest to:

- make Warwickshire sustainable now and for the future through actions to secure carbon reduction, mitigate against climate change, increasing recycling, reducing waste, using products from sustainable sources and encouraging community actions;
- help economic growth by reducing unemployment, improving skills, improving education provision, supporting business growth and local industries and attracting investment to Warwickshire;
- enable infrastructure improvement to improve connectivity, enable modal shifts in travel, maintain networks etc;
- support local economic resilience through local area regeneration, sustaining town centres;
- enhance Warwickshire as a place to live and visit improving Warwickshire's attractiveness, public spaces, natural parks, visitor assets and community places.

Making the best use of our resources (Maximising our resources) - invest to:

- **generate income** through investments that generate tax revenue, grow revenue streams or deliver enhanced capital receipts;
- **create social value** through our procurement, commissioning, service delivery and estate management to produce wider social, economic or environmental benefits for our communities and
- **ensure good stewardship of Council assets** through timely maintenance, appropriate use of technology and energy efficiency.

Strengthening
our strategic
focus

Matching
our
programme to
our ambition

Optimising
Delivery

Our enhanced approach is to adopt:

- 
- a portfolio view;
 - a holistic and outward looking focus;
 - investment to transform services;
 - a streamlined approach and
 - a medium/long term perspective.

Benefits of an effective capital strategy

- look to the long term future;
- influence the decisions and choices we make;
- create opportunities and influence agendas;
- focus on our place-shaping role and working with partners and
- create consistency and coherence to our investment.

How does this fit with other strategies?

The capital strategy is a key part of our strategic framework and a critical element of our Medium Term Financial Strategy (MTFS), which is in turn aligned to the Council Plan 2025.

Whilst the MTFS covers the period 2020-2025, the capital strategy reflects the long-term nature and benefit of capital investment and is written over a longer timeframe, stretching to 2030.

Our approach to capital investment is both informed by and informs our:

- Risk management strategy;
- Commercial strategy;
- Reserves strategy; and
- Treasury management strategy.

This suite of strategies builds a holistic approach to investment. It recognises the revenue cost of borrowing capital (similar to a mortgage), ensuring that we are clear about what we need. They will inform our work and influence over wider agendas and partnership working such as Health and Wellbeing, The West Midlands Combined Authority, Coventry and Warwickshire Local Enterprise Partnership, City of culture, the Commonwealth Games and other local authorities.

3.

Drivers for Capital Investment

Local and national factors that will shape the need for capital investment during the next 10 years include:

Supporting People

- Warwickshire continues to be an attractive place to live, work and visit, which will experience significant population and housing growth over the next 20 years. Population growth is forecast to increase by at least 7.2% by 2041 and may well exceed this in view of housing development trends.
- The main growth will be in older age groups: those aged 70 and over are projected to increase by almost 50% by 2041 and those aged 85 plus will more than double.
- A growing ageing population is likely to see increases in those living with disabilities and other long-term health conditions, leading to additional demand pressures on public services including health, social care and fire to protect, prevent and support vulnerable people.
- The number of Children Looked After by the Council is projected to continue to rise, reflecting population increases and national trends.
- There will be significant pressures on our social care budgets as a result of the rise in the numbers of elderly people, those with disabilities, in ill-health and children looked after by the Council. This will require us to work differently; to invest in early interventions, demand management encourage service innovation, reduce costly care packages and enable more self-help and resilience in our communities.
- Our School age population is projected to increase by 3% by 2025 but this will then slow down by 2041. There is an estimated need for an additional 8,000 school places by 2025.
- The growth in population and households will mean a need for additional infrastructure requirements, particularly transport, waste and school places including special education needs.

Shaping Warwickshire

Shaping Warwickshire as a place to live, work and visit

- The Council has declared a climate change emergency and is developing an action plan in response and in recognition of its role as community leader, service provider and estate manager.
- The number of households is projected to increase by 13% to 271,497 by 2041. In addition, Neighbourhood Plans include proposals for an additional 56,000 households by 2033, with each of the 5 District /Borough areas projecting growth in households of 10,000 or more.
- Managing and maintaining Warwickshire's transport network poses several challenges which include: the need for new infrastructure, improving connectivity, how to secure a modal shift away from cars, dealing with the impacts of increasingly car dominated and congested town centres and improving road safety.
- The Council's commitment to make Warwickshire the best it can be is informed by an emerging place-based planning which helps identify specific opportunities and needs to be addressed in the context of the Council Plan using revenue and capital resources.

- Warwickshire has a strong growing economy which outperforms most parts of the Midlands but lags the best performing areas of the South East; our productivity still lags below the national average.
- Employment growth in Warwickshire is expected to increase by 2.4% (7,800 + jobs) between 2017 and 2025 (LEFM, 2017).
- The West Midlands has been selected as the preferred partner for the government's Urban Connected Communities project which will develop a large-scale, 5G pilot across the region, with a hub in Coventry. 5G mobile connectivity is expected to revolutionise the digital environment, with benefits to business, public services and society; attracting investment and talent to the region. It will also provide opportunities for locally based businesses to contribute to the innovation ecosystem and improve connectivity to support small and social enterprises particularly the digital and creative and SME sectors.
- Strong partnership efforts and investment will be needed to sustain the role of our town centres in the face of changing consumer habits and emerging opportunities to enhance our visitor offers.

Warwickshire County Council drivers

- Population growth helps increase the Council tax base and positively impacts on our ability to borrow for capital investment.
- We need to work in different and innovative ways to reduce costs and optimise use of our assets. This will aid our sustainability in the face of growing demand and an uncertain financial climate for local authorities.
- There are opportunities and challenges to leverage external contributions (grants, developer contributions etc) for our capital programme.
- We need to optimise our commercial approach and activities to generate income and make better use of resources in a way that delivers wider outcomes for Warwickshire.
- Technological advances and changes in the way customers interact with service providers, will lead us to maximise the use of digital and other technologies across our services.
- Our asset management strategies and estate modernisation plans will help sustain our core assets, (council and fire) support modern flexible ways of working, our climate change commitment and our people strategy.

4.

Guiding principles for our Capital investments.

Approach

This capital strategy represents a step change in our approach to capital investment, and is guided by these three key principles:



The key principles of our Capital Strategy are:

Strengthening our strategic focus

Focusing on our core purpose and supporting the Council's priority outcomes: The capital strategy exists to deliver the Council's Corporate Plan priority outcomes, strategic objectives and to help implement our key strategies. It will take a holistic, balanced and joined up view on investment across the full spectrum of Council objectives as set out in the Council Plan 2025.

Matching the programme content to our ambition

Taking a holistic view and ensuring strategic fit: The capital strategy will drive the right prioritisation of capital investment in an integrated approach across the Council and with our transformation programme to drive innovation and creative solutions for managing demand, improving productivity and reducing cost. It will support good investments, maximise returns and exploit opportunities. Our capital plan will make the best use of resources to meet current needs, deliver a sustainable future for the next generation and be affordable.

Being risk aware: We will be risk aware, ensuring compliance with our statutory duties and providing proportionate and appropriate scrutiny to drive improvement. We will operate within agreed tolerances for risk, reading across the entire capital programme and learning from the delivery of individual projects.

Optimising delivery

Building a commercial and business-like approach to investment: The capital strategy is critical to embedding a more strategic, business-like and risk-aware approach, as encapsulated by our new commercial strategy. It will be informed by a long term pipeline of investment and external funding opportunities. All capital investments will be supported by a robust business case, setting out the requirement, objectives of the capital expenditure, intended outcomes and benefits, the costs and the risks.

Assurance: The capital strategy must drive a capital delivery programme which maximises the return (social value and financial benefits) from our capital investment. It will be supported by the right capabilities, plans and delivery management to minimise slippage, accelerate benefits realisation and achieve value for money.

5.

Capital Programme

The Council maintains an approved capital programme, that covers a 5 year period, which is subject to an annual update as part of the budget process and Medium Term Financial Plan. The capital programme incorporates:

- the roll forward of existing approved capital projects;
- an annual 'rightsizing' of approved capital budgets to ensure optimal allocation of corporate resources;
- allocations for rolling, annual maintenance programmes; and
- a single investment pot to fund new priorities.

The effect of investment priorities is reflected in both the Medium-Term Financial Strategy and Treasury Management Strategy.

Capital Programme approval process

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

The Corporate Board will review the draft future capital programme, consider its affordability and make recommendations to the Cabinet.

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

Project approval

Capital projects will be brought to Members for approval throughout the year. Capital approval rules allow for this, meaning that the capital programme evolves throughout the year.

Assessment of bids for investment will take place through the new capital governance process. Once a need for a new asset/project has been identified, it will be developed in line with the Council's project management framework and standards (available on the Council's Intranet). This will involve preparing an outline business case to enable an assessment of the desirability and affordability of the project.

If approved, a full business case is developed and submitted for approval through our Gateway

process. The full business case will include an options appraisal and will ensure that the full implications of every proposal are clearly understood to enable decisions on whether to proceed with the project and to prioritise the application of capital against our investment criteria. It will also ensure that capacity to deliver the project, risks associated with the project, and value for money have all been considered.

Once approved, these will be added to the Capital Programme.

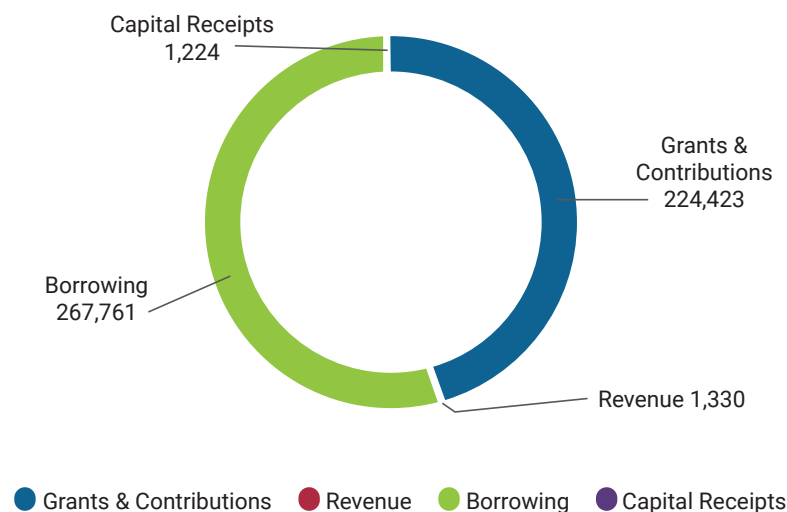
Financial Monitoring

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

The funding of capital expenditure and funding principles

Our main capital resources are service specific grants, third-party contributions, capital receipts,

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



Based on current estimates, WCC is expecting to spend £494.7m over the next 5 years. A breakdown of the capital programme is attached to the capital budget resolution and analysis of the allocations is included in the technical appendix. Future capital priorities not yet included in the capital programme are included in Annex D to the technical appendix.

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

Our current assumptions, subject to Member approval for the delivery of the overall capital programme are:

- £35.600 million new borrowing annually, funded as part of the revenue budget proposals for 2020-25 Medium Term Financial Strategy.
- £10.682 million of maintenance allocations are funded from a top slice of this borrowing and are strictly cash limited.
- The balance of the £35.600 million annual borrowing (£24.918 million a year) will be allocated to the Capital Investment Fund where services will be invited to submit business cases to bid for funding throughout the year.
- All capital receipts (excluding those from the disposal of schools) are used to repay debt. Exceptions to this policy are only considered when as part of an invest-to-save project such that investing the capital receipt will result in bigger reductions in debt outstanding or greater revenue savings than would have been achieved by simply repaying debt.
- The disposal profile of capital receipts will be used to inform the MTFs and revenue savings targets by offsetting the cost of new borrowing.
- The base level of investment in the school stock is fixed at the level of government capital grant for schools plus receipts generated from the sale of school assets and developer contributions. £3.000 million of the government grant forms an annual contribution to the cost of school maintenance. The remainder of funding is used to invest in the provision of additional places.
- The base level of investment in the maintenance of Warwickshire's highways and street lighting and casualty reduction is fixed at the level of government grant for this purpose.
- Contributions from developers are maximised and applied to appropriate schemes ahead of Council resources whenever possible.

CIPFA Prudential Code

The 2017 edition of the CIPFA Prudential Code for Capital Finance in Local Authorities introduced the requirement for authorities to produce a capital strategy. The purpose of the capital strategy is to place decisions about borrowing in the context of the overall longer-term financial position of the authority and to provide improved links between the revenue and capital budgets. The guidance is not prescriptive and allows the capital strategy to be tailored to the individual authority's circumstances. The Council has adhered to this guidance in this Capital Strategy.

6.

Capital Framework

Our Capital Framework covers:

- how we plan for capital investment, identifying priorities, inter-relationships and a long- term pipeline;
- the selection of projects, sub-programme priorities and the total capital programme;
- governance, including decision-making, risk management, assurance and control;
- the planning and execution of projects (using PMO, Prince2 & RIBA standards); and
- performance measurement using KPIs (financial, technical, economic, environmental & social metrics) to track progress at different stages, delivery, benefits/ achievements, reporting and lessons learnt.

The capital framework will include a methodology to classify and define stages/phases of the way we deliver our capital investments, which will be based on recognised industry standards e.g. PRINCE2 and RIBA Plan of work, along with other best practice.

We will be providing a clear definition about what performance is, and how it will be measured so that we can assess whether our projects and investments are on track, KPIs and benchmarking will be used to capture our position and how well we are doing.

A robust monitoring approach will provide early warnings for the management of risks before they become issues. Our framework will have a clear definition and understanding of the quality of Capital Programme delivery to help us learn and drive improvements.

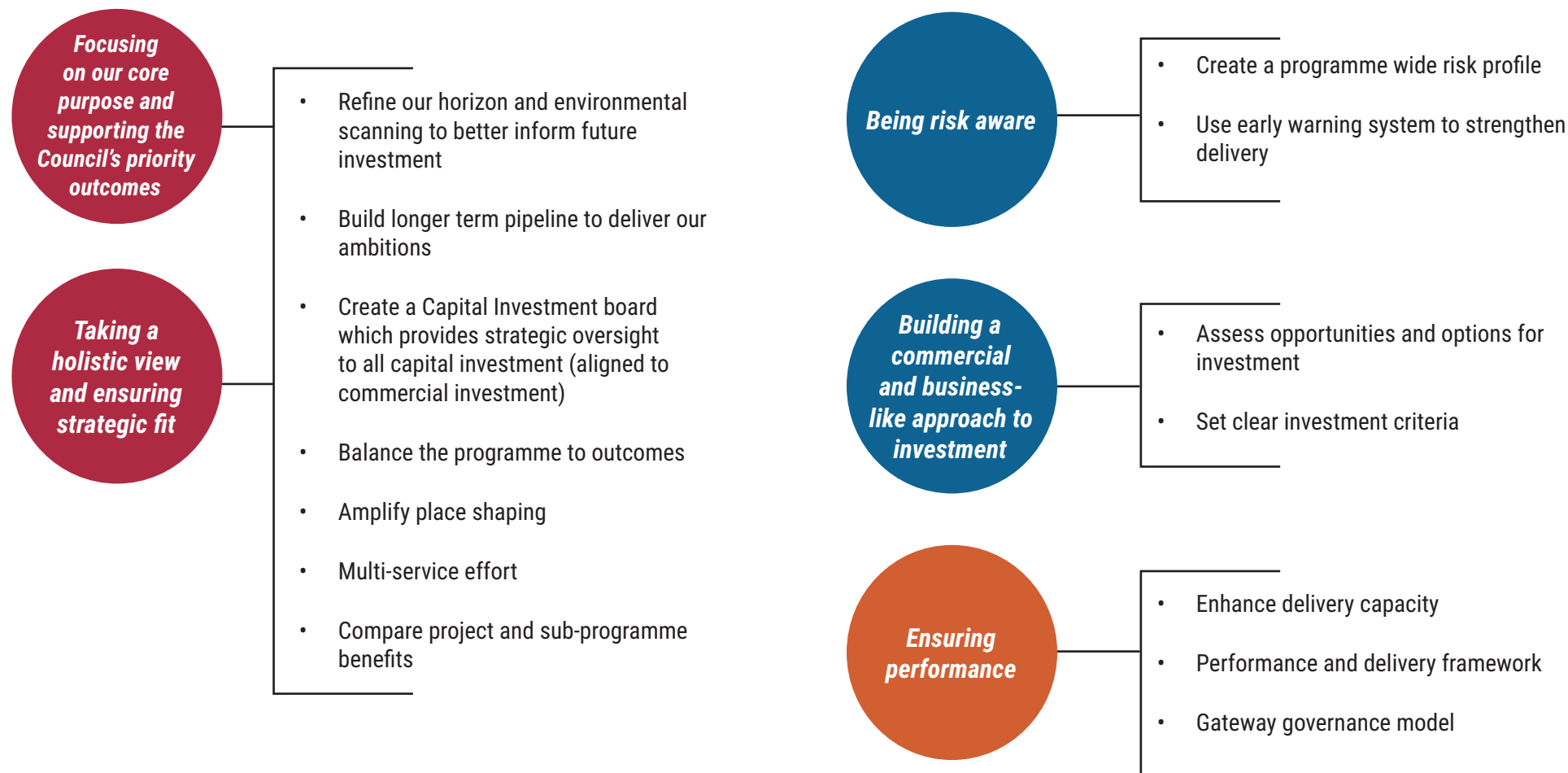
These will be used in conjunction with the overall performance framework of the council and with the MTFS.

We will be creating definitions and processes relevant to the work of Warwickshire County Council around; why projects change and how that change is managed through structured change control; how we validate variations within our capital projects and how we plan ahead and account for change e.g. use of financing contingency, financing risk and identifying optimism bias.

7.

Making it happen

The following are some key actions that will help the delivery of the strategy over the next 12 months.



Our Capital strategy will be reviewed annually alongside the annual refresh of the Capital Programme

The enhanced assurance framework will ensure that the programme and framework are constantly reviewed and relevant.

Performance will be reported quarterly to Cabinet.

December 2019

2020/21 Capital Programme - by Outcome and Service

| Service | Type of Spend | Scheme Title | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total £'000 |
|---|---------------|---|------------------|------------------|------------------|------------------|------------------|----------------|
| | | | | | | | | |
| Warwickshire's Communities and Individuals are supported to be safe, healthy and independent | | | | | | | | |
| Children and Families | Investment | Children and families property adaptations, purchases and vehicles | 107 | 50 | 0 | 0 | 0 | 157 |
| | Recurring | Investment to support carers | 125 | 125 | 125 | 125 | 125 | 625 |
| Strategic Commissioning for Communities | Investment | A426 Gateway Rugby to Rugby Town Centre Cycle Scheme | 265 | 0 | 0 | 0 | 0 | 265 |
| | | A439 Southern Casualty Reduction | 500 | 0 | 0 | 0 | 0 | 500 |
| | | Average Speed Cameras | 1,764 | 0 | 0 | 0 | 0 | 1,764 |
| | | Barford Junction Safety and Capacity Improvement Works (s106) | 170 | 0 | 0 | 0 | 0 | 170 |
| | | Bermuda Connectivity | 4,705 | 0 | 1,000 | 700 | 0 | 6,405 |
| | | Green Man Coleshill Signalised Junction | 500 | 0 | 0 | 0 | 0 | 500 |
| | | Hinckley to Nuneaton cycle route | 260 | 163 | 0 | 0 | 0 | 423 |
| | | Home to School Routes | 792 | 0 | 0 | 0 | 0 | 792 |
| | | Kenilworth Station | 880 | 0 | 0 | 0 | 0 | 880 |
| | | Nuneaton to Coventry cycle route | 300 | 692 | 0 | 0 | 0 | 992 |
| | | Bus shelters, Narrow Hall Meadow nr GP Surgery Chase Meadow (s106) | 20 | 0 | 0 | 0 | 0 | 20 |
| | | School Safety Zones | 127 | 0 | 0 | 0 | 0 | 127 |
| | | Small Business Grants | 361 | 183 | 17 | 0 | 0 | 561 |
| | | Southbound bus stop on A426 Leicester Road Rugby | 0 | 41 | 0 | 0 | 0 | 41 |
| | | Temple Hill / Lutterworth Road Wolvey Casualty Reduction Scheme | 1,000 | 0 | 0 | 0 | 0 | 1,000 |
| | | Transforming Nuneaton | 3,170 | 0 | 0 | 0 | 0 | 3,170 |
| | | Upgrade existing shared pedestrian/cycle path, Bermuda | 11 | 0 | 0 | 0 | 0 | 11 |
| | | Weddington Road , Nuneaton implement toucan crossing | 101 | 0 | 0 | 0 | 0 | 101 |
| Education Services | Investment | Pears Centre | 500 | 0 | 0 | 0 | 0 | 500 |
| Environment Services | Investment | Install CCTV on Emscote Road Warwick (Tesco Stores) | 9 | 0 | 0 | 0 | 0 | 9 |
| Fire and Rescue Services | Investment | Fire Emergency Services Network (ESN) preparedness | 732 | 0 | 0 | 0 | 0 | 732 |
| | | Fire and Rescue Training Programme | 1,874 | 0 | 0 | 0 | 0 | 1,874 |
| | | Fire and Rescue HQ Leamington Spa | 2,236 | 0 | 0 | 0 | 0 | 2,236 |
| | | Training Centre - new build | 700 | 0 | 0 | 0 | 0 | 700 |
| | Recurring | Operational equipment | 200 | 120 | 120 | 120 | 120 | 680 |
| | | Total for Warwickshire's Communities and Individuals are supported to be safe, healthy and independent | 21,409 | 1,374 | 1,262 | 945 | 245 | 25,235 |

2020/21 Capital Programme - by Outcome and Service

| Service | Type of Spend | Scheme Title | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total £'000 |
|---|---------------|--|------------------|------------------|------------------|------------------|------------------|----------------|
| | | | | | | | | |
| Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure | | | | | | | | |
| Strategic Commissioning for Communities | Investment | Transforming Nuneaton (Library and Business Centre) | 771 | 12,133 | 6,054 | 233 | 0 | 19,192 |
| | | Duplex Fund | 992 | 168 | 87 | 53 | 0 | 1,300 |
| | | Capital Growth Fund Business Loans and Grants | 195 | 206 | 137 | 275 | 0 | 812 |
| | Recurring | Casualty reduction schemes | 669 | 350 | 350 | 350 | 350 | 2,069 |
| | | Household Waste Recycling Centre maintenance | 104 | 80 | 80 | 80 | 80 | 424 |
| Education Services | Investment | All Saints Primary, Nuneaton, replace temporary classrooms | 59 | 0 | 0 | 0 | 0 | 59 |
| | | Campion Phase 1 (incl sports hall refurbishment) | 2,267 | 0 | 0 | 0 | 0 | 2,267 |
| | | Eastlands Primary temporary classroom | 60 | 0 | 0 | 0 | 0 | 60 |
| | | High Meadow Infant School - new classrooms, group rooms and toilets | 1,590 | 0 | 0 | 0 | 0 | 1,590 |
| | | Kineton High refurbishment - phase 1 | 125 | 0 | 0 | 0 | 0 | 125 |
| | | New School, The Gateway, Rugby | 2,750 | 2,265 | 0 | 0 | 0 | 5,015 |
| | | Newdigate Primary School - expansion and internal refurbishment | 1,326 | 0 | 0 | 0 | 0 | 1,326 |
| | | Ridgeway School - reconfiguration of classrooms | 60 | 0 | 0 | 0 | 0 | 60 |
| | | Round Oak School - reconfiguration of classrooms | 190 | 0 | 0 | 0 | 0 | 190 |
| | | The Ferncumbe Primary temporary classroom | 20 | 0 | 0 | 0 | 0 | 20 |
| | | Welcombe Hills vehicle access alterations | 442 | 0 | 0 | 0 | 0 | 442 |
| | Recurring | Investment in school adaptations to reflect pupils access needs | 400 | 400 | 400 | 400 | 400 | 2,000 |
| | Unallocated | Provision of additional school places | 31,623 | 4,510 | 4,510 | 4,510 | 4,510 | 49,663 |
| Enabling Services | Investment | Development of Rural Broadband | 5,007 | 1,732 | 1,521 | 0 | 0 | 8,260 |
| | | Renewable energy | 995 | 0 | 0 | 0 | 0 | 995 |
| | Recurring | Schools asbestos and safe water remedials | 746 | 746 | 746 | 746 | 746 | 3,728 |
| | | Schools planned building, mechanical and electrical backlog | 6,988 | 6,988 | 6,988 | 6,988 | 6,988 | 34,940 |
| Environment Services | Investment | A3400 Birmingham Road Stratford corridor improvements | 3,393 | 0 | 0 | 0 | 0 | 3,393 |
| | | A422 Alcester Road access to development and relocation of crossing | 6 | 0 | 0 | 0 | 0 | 6 |
| | | A422 Banbury Road Ettington Ghost Island right turn lane | 10 | 0 | 0 | 0 | 0 | 10 |
| | | A426/A4071 Avon Mill Roundabout Rugby improvement scheme | 1,123 | 0 | 0 | 0 | 0 | 1,123 |
| | | A426 Southam Rd Southam access to quarry at Griffins Farm | 10 | 0 | 0 | 0 | 0 | 10 |
| | | A428 Lawford Road Rugby right turn lane and access to development site | 50 | 0 | 0 | 0 | 0 | 50 |
| | | A429 Ettington Rd Wellesbourne new roundabout and puffin crossing | 10 | 0 | 0 | 0 | 0 | 10 |
| | | A444 corridor improvements - phase 2 | 662 | 3,796 | 0 | 0 | 0 | 4,458 |

2020/21 Capital Programme - by Outcome and Service

| Service | Type of Spend | Scheme Title | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total £'000 |
|----------------------|------------------|---|------------------|------------------|------------------|------------------|------------------|----------------|
| | | A452 Europa Way, Olympus Avenue to Heathcote Lane roundabout | 0 | 0 | 7,481 | 0 | 0 | 7,481 |
| Environment Services | Investment | A452 Europa Way Warwick traffic signals | 191 | 0 | 0 | 0 | 0 | 191 |
| | | A452 M40 spur west of Banbury Road | 0 | 7,591 | 0 | 0 | 0 | 7,591 |
| | | A46 Stanks Island, Warwick | 4,248 | 0 | 0 | 0 | 0 | 4,248 |
| | | A46 Stoneleigh junction improvements | 0 | 4,881 | 0 | 0 | 0 | 4,881 |
| | | A47 Hinckley Road corridor | 2,862 | 0 | 0 | 0 | 0 | 2,862 |
| | | A47 Hinkley Road Nuneaton puffin crossing | 10 | 0 | 0 | 0 | 0 | 10 |
| | | A47 The Long Shoot Nuneaton refuge island and right turn lane | 16 | 0 | 0 | 0 | 0 | 16 |
| | | B439 Salford Road Bidford - access and puffin crossing | 75 | 0 | 0 | 0 | 0 | 75 |
| | | B4429 Ashlawn Rd Rugby new puffin crossing | 10 | 0 | 0 | 0 | 0 | 10 |
| | | Bridleways improvements Brownsover Rugby | 6 | 0 | 0 | 0 | 0 | 6 |
| | | Butlers Leap Link Road - traffic signal improvements | 300 | 0 | 0 | 0 | 0 | 300 |
| | | C98 Loxley Rd , Tiddington - site accesses and improved footways | 500 | 0 | 0 | 0 | 0 | 500 |
| | | Warwick Town Centre transport package | 4,046 | 0 | 0 | 0 | 0 | 4,046 |
| | | Cycle routes - Kenilworth to Leamington | 2,519 | 2,230 | 0 | 0 | 0 | 4,749 |
| | | D7050 Common Lane Kenilworth traffic signal junction | 500 | 0 | 0 | 0 | 0 | 500 |
| | | MOVA operation on traffic signal junctions Emscote Road Warwick | 75 | 0 | 0 | 0 | 0 | 75 |
| | | Install traffic signals junction Colliery Lane / Back Lane Exhall | 45 | 0 | 0 | 0 | 0 | 45 |
| | | Install variable message signs A444 | 82 | 0 | 0 | 0 | 0 | 82 |
| | | Lawford Road / Addison Road casualty reduction | 736 | 0 | 0 | 0 | 0 | 736 |
| | | M40 Junction 12 | 57 | 30 | 0 | 0 | 0 | 87 |
| | | Minor bridge maintenance schemes | 400 | 0 | 0 | 0 | 0 | 400 |
| | | Portobello Bridge | 200 | 1,296 | 10 | 0 | 0 | 1,506 |
| | | Rugby Gyatory improvement scheme | 25 | 0 | 0 | 0 | 0 | 25 |
| | | Rugby, Hunters Lane - through route New Tech Drive To Newbold Rd | 329 | 0 | 0 | 0 | 0 | 329 |
| | | S106 Rights of Way scheme at Long Shoot development Nuneaton | 6 | 0 | 0 | 0 | 0 | 6 |
| | Recurring | Highways maintenance | 12,995 | 12,879 | 12,879 | 12,879 | 12,879 | 64,511 |
| | Non-Controllable | s.278 developer funded schemes | 51,349 | 0 | 0 | 0 | 0 | 51,349 |
| | | Total for Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure | 144,224 | 62,282 | 41,243 | 26,514 | 25,953 | 300,215 |

2020/21 Capital Programme - by Outcome and Service

| Service | Type of Spend | Scheme Title | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | Total £'000 |
|---|---------------|---|------------------|------------------|------------------|------------------|------------------|----------------|
| | | | | | | | | |
| Making the best use of resources | | | | | | | | |
| Business and Customer Services | Investment | Improving the customer experience/one-front-door improvements | 168 | 500 | 1,274 | 0 | 0 | 1,942 |
| Strategic Commissioning for Communities | Investment | Design Services area delegated funding | 11 | 0 | 0 | 0 | 0 | 11 |
| | | Land at Crick Road Rugby (Rugby Parkway) | 2,487 | 0 | 0 | 0 | 0 | 2,487 |
| | | Nuneaton and Bedworth town centre - Queens Rd West improvements | 50 | 0 | 0 | 0 | 0 | 50 |
| | | Rugby Area Committee | 36 | 0 | 0 | 0 | 0 | 36 |
| | Recurring | Area delegated funding | 4,700 | 2,000 | 2,000 | 2,000 | 2,000 | 12,700 |
| | | Countryside Rural Services capital maintenance | 334 | 200 | 200 | 200 | 200 | 1,134 |
| | | Flood defence | 200 | 200 | 200 | 200 | 200 | 1,000 |
| Enabling Services | Recurring | Non-schools - planned building, mechanical and electrical backlog | 2,122 | 2,122 | 2,122 | 2,122 | 2,122 | 10,610 |
| | | Non-schools asbestos and safe water remedials | 325 | 325 | 325 | 325 | 325 | 1,625 |
| | | ICT purchases | 481 | 400 | 400 | 400 | 400 | 2,081 |
| Environment Services | Recurring | Gypsy and Traveller site maintenance | 20 | 20 | 20 | 20 | 20 | 100 |
| Governance and Policy | Investment | Maintaining the smallholdings land bank | 844 | 0 | 0 | 0 | 0 | 844 |
| | | Strategic site planning applications | 1,300 | 0 | 0 | 0 | 0 | 1,300 |
| | Recurring | Rural services capital maintenance | 356 | 356 | 356 | 356 | 356 | 1,780 |
| | | Total for Making the best use of resources | 13,434 | 6,123 | 6,897 | 5,623 | 5,623 | 37,700 |
| | | | | | | | | |
| Capital Investment Fund | | | | | | | | |
| Corporate | Unallocated | Capital Investment Programme - Existing | 6,996 | 0 | 0 | 0 | 0 | 6,996 |
| | Unallocated | Capital Investment Fund - New | 24,918 | 24,918 | 24,918 | 24,918 | 24,918 | 124,592 |
| | | Total for Capital Investment Fund | 31,914 | 24,918 | 24,918 | 24,918 | 24,918 | 131,588 |
| | | | | | | | | |
| | | TOTAL CAPITAL PROGRAMME | 210,981 | 94,697 | 74,320 | 58,001 | 56,739 | 494,738 |