Investing in Warwickshire
Capital Strategy 2024-2029 – Technical Appendix

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

What is Capital?

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

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

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

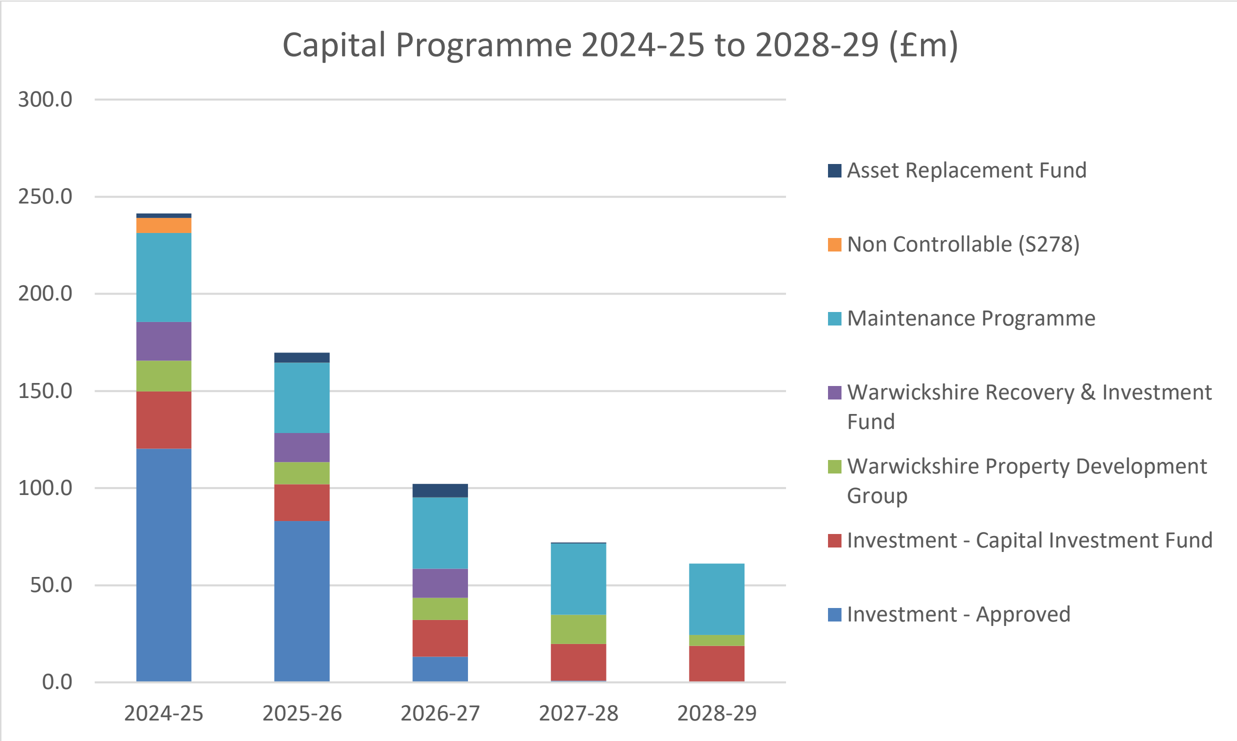
We operate a general de minimis of £6,000 on a project-by-project basis (£3,000 where the spend relates to primary schools or nurseries); expenditure below this level is treated as revenue and not part of the capital programme, unless under exceptional circumstances. Further details of our capitalisation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

Our Capital Programme

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

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

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



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

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

Guiding principles for our Annual Capital Maintenance Spending

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

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

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

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

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

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

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

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

Guiding principles for our Capital Investments

Capital Investment: Non-Schools

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

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

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

Capital Investment: Schools and Educational Facilities

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

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

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

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

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

Capital Investment Fund

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

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

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

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

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

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

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

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

Guiding Principles for Non-Treasury Capital Investments

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

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

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

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

Warwickshire Property and Development Group

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

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

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

Warwickshire Recovery and Investment Fund

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

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

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

Guiding principles for our Corporate Capital Funds

Planned Asset Replacement Programme

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

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

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

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

Planned Asset Design Programme

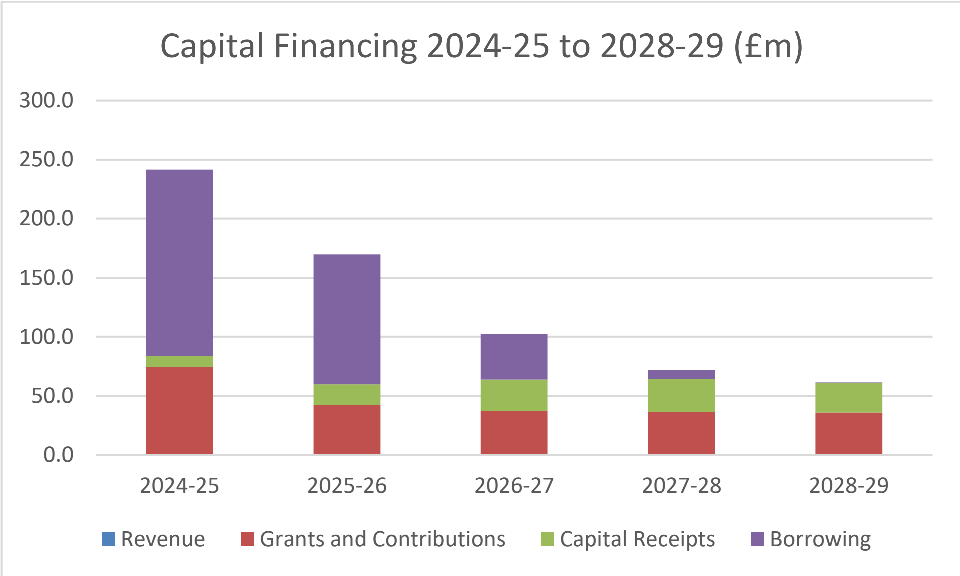
A £4.0m top slice from the available CIF funding was taken in 2023-24 to establish an Investigation Design Fund (IDF). The IDF allows managers to access resources to finance and carry out the early work necessary as part of large scale, high value and/or high-risk schemes.

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

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

Guiding principles for our Capital Funding

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



Capital Receipts

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

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

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

Grants and Contributions

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

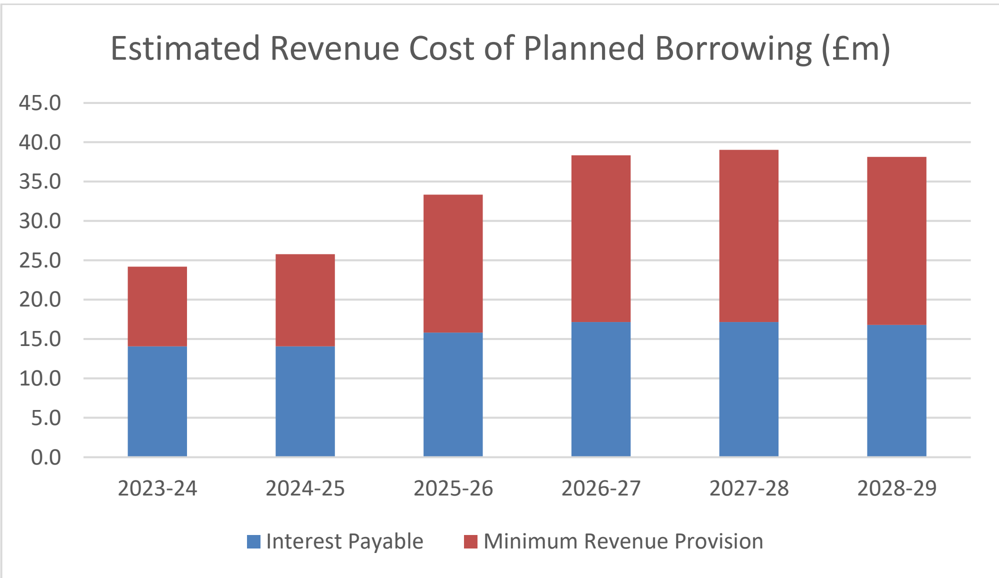
Our approach to enable flexibility in funding the capital programme is that specific grants and contributions are used first to finance spend before the used of un-ringfenced grants, capital receipts, revenue contributions and corporate borrowing.

Borrowing

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

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

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



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

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

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

Capital Financing Requirement

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

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

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

Debt Capacity

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

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

A similar approach being introduced by DLUHC and OFLOG using a narrower suite of national metrics at this stage.

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

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

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

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

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

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

Accounting for Leases

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

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

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

Making It Happen

Management of the Capital Programme

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

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

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

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

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

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

- post-contract appraisal is carried out to provide feedback on the success, or otherwise, of the design solution, procurement process and customer satisfaction levels;
- more accurate costings at the point of project approval;
- more effective monitoring and reporting, supported by fit-for-purpose systems and processes;
- improved risk management;
- development of skills and knowledge supported by appropriate training;
- a better understanding of the link between financial performance and operational delivery; and
- a culture which supports all of these changes

Summary of Capital Investment Fund Scheme Evaluation Criteria

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

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

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

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

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

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

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

Prioritisation of the Annual Maintenance Programme

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

Flood Defence

Prioritisation Methodology

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

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

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

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

Household Waste Recycling Centres (HWRC) and Transfer Stations

Prioritisation Methodology

Maintenance will be prioritised as follows:

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

Balance of Planned Maintenance and Emergency Work

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

Highways Maintenance and Street Lighting

Prioritisation Methodology

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

Planned Versus Emergency Maintenance

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

Schools and Non-Schools Building Maintenance

Prioritisation Methodology

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

Balance of Planned Maintenance and Emergency Work

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

Country Parks Maintenance

Prioritisation Methodology

Maintenance will be prioritised as follows:

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

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

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

Balance of Planned Maintenance and Emergency Work

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

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

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

Gypsy and Traveller Sites Maintenance

Prioritisation Methodology

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

Balance of Planned Maintenance and Emergency Work

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

Rural Services

Prioritisation Methodology

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

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

Balance of Planned Maintenance and Emergency Work

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

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

Prioritisation Methodology

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

Balance of Planned Maintenance and Emergency Work

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

Schools and Non-schools' asbestos and safe water

Prioritisation Methodology

Asbestos

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

Water Hygiene

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

Balance of Planned Maintenance and Emergency Work

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

Climate Change Emergency

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

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

Equipment for Fire Engines

Prioritisation Methodology

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

Balance of Planned Maintenance and Emergency Work

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

Appendix D

Annex C

Related Documents

Asset Management Strategies

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

Treasury Management and Investment Strategies

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

Other relevant strategies, plans and documents

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