

# 2020/21 Capital Budget Resolution

## Conservative Recommendations to County Council

### 1. Financial Direction of Travel

1.1. The value of our assets is £1.1 billion. Each year we need to spend money to ensure these assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements, and deliver the Council's vision to make Warwickshire the best it can be, sustainable now and for future generations, and strategic objectives as set out in the draft Council Plan 2025. This investment forms the basis of our capital programme and maximising value for money for our residents and the taxpayer pound.

1.2. Our Capital Strategy (**Appendix A**) has been developed alongside the 2020-25 Council Plan and Medium-Term Financial Strategy. It sets out how we aim to use our capital resources and deliver our priorities by providing:

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

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

1.3. We will create a more strategic and commercial focus to our approach to capital and investment aligned to the medium and longer-term place-shaping of Warwickshire, whilst still delivering our shorter-term programmes, such as our investment in the purchase of Pears.

- 1.4. We will continue with our benefit-driven, strategic approach to determining our capital investment priorities, ensuring our scarce resources are used in the most effective way. We expect all proposals to be subject to a robust scrutiny process prior to approval to ensure widespread support for capital investments, a strong business case and the deliverability of the project to ensure benefits for those who live, work and visit Warwickshire.
  
- 1.5. We will supplement our externally leveraged capital resource with £25 million a year of borrowing. We will consider invest-to-save and commercial investments in excess of this where the investment will deliver revenue savings or create additional resource for investment. We will continue with the separation of maintenance and investment programmes that has brought benefits by reducing bureaucracy.
  
- 1.6. We will use our capital resources to deliver capital schemes that support the vision and objectives set out in the Council Plan 2025. As a priority, over the next 12 months, we expect investment proposals for the following to have been brought forward for decision:

<b>Supporting people</b>	<ul style="list-style-type: none"> <li>• Investment in new school places, and in particular special educational needs provision within the county, including in the south of the county, similar combined provision to the new school/social care facility in Exhall for special educational needs and children’s social care.</li> <li>• Assistive technology to support health, care and well-being.</li> </ul>
<b>Shaping places</b>	<ul style="list-style-type: none"> <li>• Investments in accident hot spots to save lives</li> <li>• Further developing our network of cycle paths</li> <li>• Investment in 5G/broadband to connect our residents and support businesses across Warwickshire</li> <li>• Investments in place through ambitious schemes to shape Warwickshire and individual parts of it in line with commercial strategy priorities</li> <li>• Redoubling our efforts to attract inward investment</li> <li>• Bringing employers to Warwickshire as part of our place shaping to help our residents’ prosperity</li> </ul>
<b>Maximising income and reducing expenditure</b>	<ul style="list-style-type: none"> <li>• Helping new start-up business centres</li> <li>• Developing proposals to help meet the county’s future needs by investing in housing, land and property (residential, business and housing, including affordable), for example through a county property company</li> <li>• Waste management improvements across Warwickshire</li> <li>• Reducing the Council’s office footprint</li> </ul>

	<ul style="list-style-type: none"> <li>• Investment in developing the Fire and Rescue Service’s estate</li> <li>• Investment in digital technology to improve the quality and efficiency of service provision</li> </ul>
<b>Climate Change</b>	<ul style="list-style-type: none"> <li>• Defending Warwickshire against flooding</li> <li>• Greening our fleet and electric charging points</li> <li>• Investment to reduce the Council’s carbon footprint</li> </ul>

1.7. Our revenue recommendations include the creation of a Place Shaping and Capital Feasibility Fund that will support the development of robust proposals that will to enable us to bring forward creative and innovative investments to deliver on the ambitions of our Council Plan and supporting creation of a strong pipeline of future projects.

1.8. We will add £0.200 million a year to the maintenance programme for flood defence activity.

1.9. We require £3.000 million of the schools’ capital grant to form a contribution towards the cost of maintenance of the school estate, with the balance of the grant to be used to meet the growing demand for school places, alongside contributions from developers.

## **2. 2020/21 Capital Programme**

2.1. Approval is given to a capital programme of £494.738 million. Of this £210.981 million is for 2020/21 and £283.757 million for future years. There is £131.588 million in the Capital Investment Fund that will be allocated to specific schemes, in line with our priorities, as bids are created and considered over the five year of the 2020-25 Medium Term Financial Strategy.

2.2. Table 1 shows the breakdown of the programme across services, with the full detail of the capital programme attached at **Appendix B**.

<b>Table 1: Capital Programme Summary by Service</b>				
<b>Service</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23 and later years</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Education Services	41,411	7,175	14,730	63,317
Environment Services	86,875	32,724	46,188	165,788
Fire and Rescue Service	5,742	120	360	6,222
Strategic Commissioning - Communities	25,475	16,416	17,047	58,937
Children and Families	232	175	375	782
Business and Customer Services	168	500	1,274	1,942
Enabling Services	16,664	12,313	33,263	62,239
Governance and Policy	2,499	356	1,068	3,923
<b>Total Allocations</b>	<b>179,067</b>	<b>69,779</b>	<b>114,305</b>	<b>363,150</b>
<b>Capital Investment Fund</b>	<b>31,914</b>	<b>24,918</b>	<b>74,755</b>	<b>131,588</b>
<b>Total Programme</b>	<b>210,981</b>	<b>94,697</b>	<b>189,060</b>	<b>494,738</b>

*Note: Table may not sum due to roundings.*

2.3. In addition, we approve the addition of £26.776 million to the A46 Stoneleigh Junction Improvements scheme in the capital programme funded from third-party contributions. This approval is subject to the award of Department for Transport funding for the scheme.

### **3. Financing the Capital Programme**

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

<b>Table 2: Financing the Capital Programme – Summary by Year</b>				
	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23 and later years</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Grants	58,742	23,404	63,418	145,564
Third Party Contributions	59,329	7,633	7,481	74,443
Capital Receipts	25,242	6,048	39,698	70,988
Revenue	1,300	0	0	1,300
Borrowing	66,368	57,612	78,463	202,443
<b>Total Financing</b>	<b>210,981</b>	<b>94,697</b>	<b>180,060</b>	<b>494,738</b>

*Note: The borrowing figure is greater in 2020/21 as it includes the funding of capital spend financed by borrowing that was originally planned for in earlier years.*

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

#### **4. Prudential Guidelines and Limits**

- 4.1. Approval is given to an Affordable Borrowing Limit and other Prudential Indicators consistent with the capital programme for 2020/21 and the subsequent years as detailed in **Appendix C**.

#### **5. Strategic Director for Resources: Statement**

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

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

## **6. Delegations**

- 6.1. That the Council reconfirms the delegated powers to the Leader as follows:
- That the Leader or person(s) or body nominated by her are authorised to:
    - Agree any increases or reductions in capital starts/payments totals as part of the quarterly capital review process;
    - Approve the addition to the capital programme of projects costing less than £2 million, which are fully funded from external grants, developer contributions or from revenue; and
    - Approve individual projects within the allocations made by Council.
- 6.2. In addition, the Strategic Director for Resources is authorised to vire capital projects between Services where such virements are as a direct consequence of a restructuring within the County Council.
- 6.3. The Strategic Director for Resources, in consultation with the Leader, is authorised to reverse allocations made as part of this budget process where the investment does not progress.

## **7. Budget Management**

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

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

## **8. Managing the Maintenance Programme**

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

Assistant Director, in line with the agreed criteria and prioritisation approved by Council in the MTFS and Capital Strategy.

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

## **9. Managing the Investment Programme**

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



# *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:

**1.  
Strengthening our  
strategic focus**

and role as a shaper of place for Warwickshire by applying a holistic, forward looking and externally focused approach to our capital investment

**2.  
Matching our  
programme to our  
ambition**

Right sizing the capital programme to ensure it reflects the broad range of our ambition and outcomes

**3.  
Optimising Delivery**

Strengthening our performance in relation to capital projects, adopting commercial principles and practices which enhance evidence-based decision making and robust benefit realisation



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.

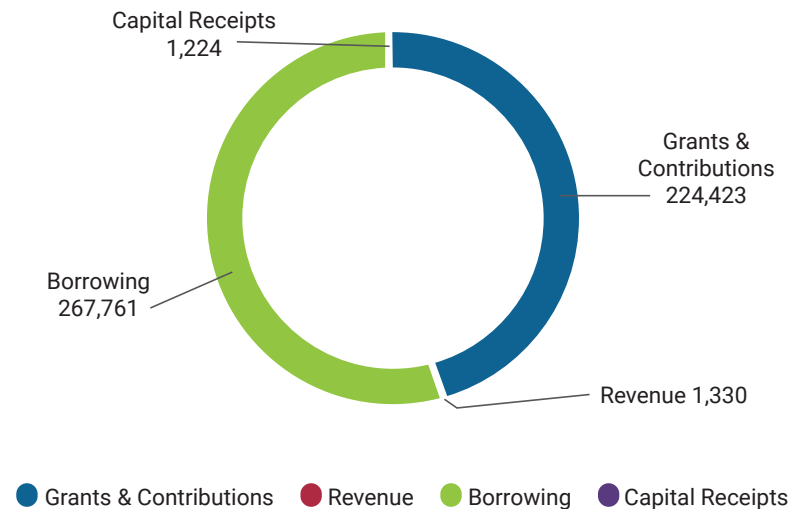
### Financial Monitoring

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.

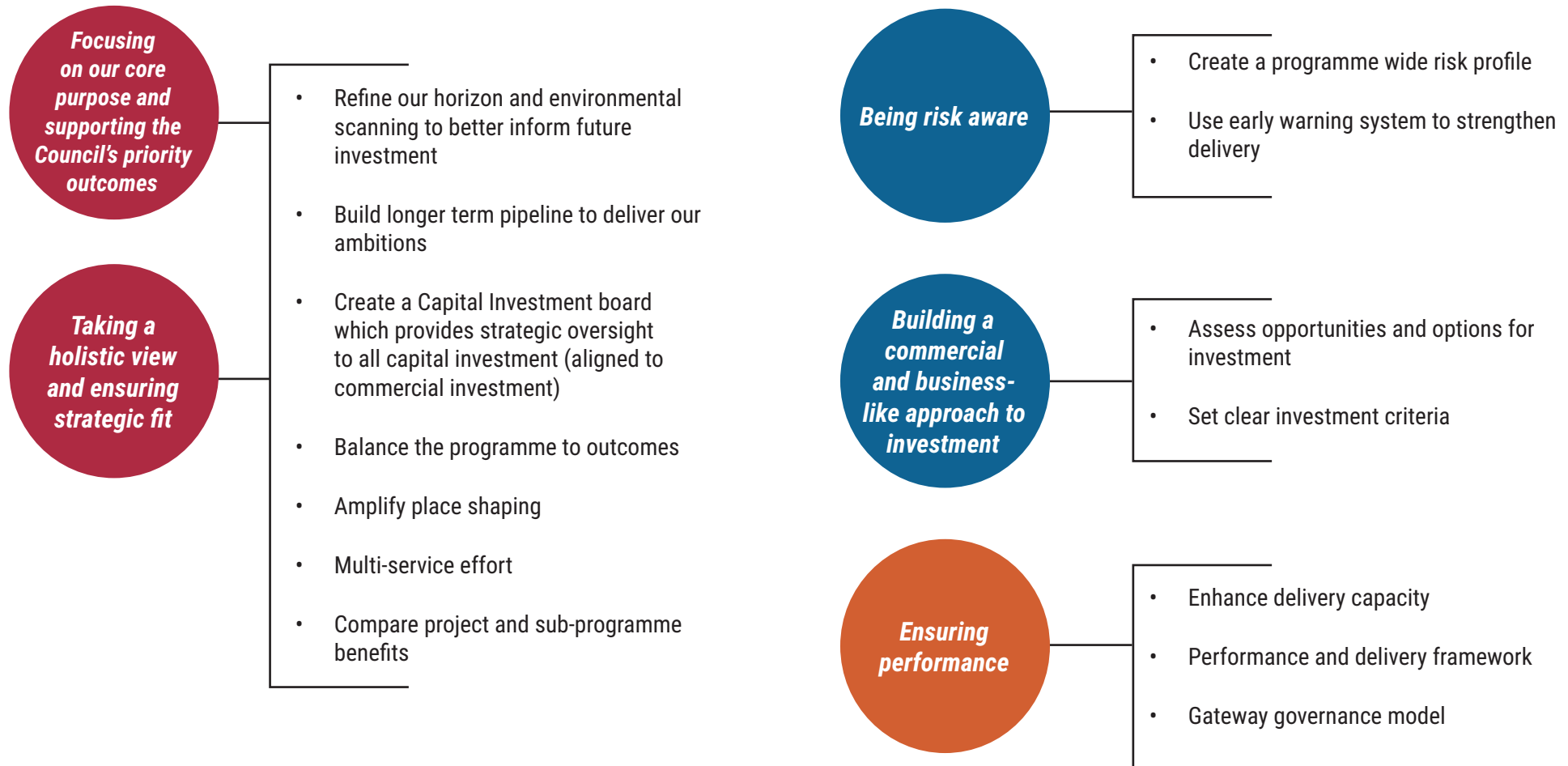
These will be used in conjunction with the overall performance framework of the council and with the MTFS.

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.

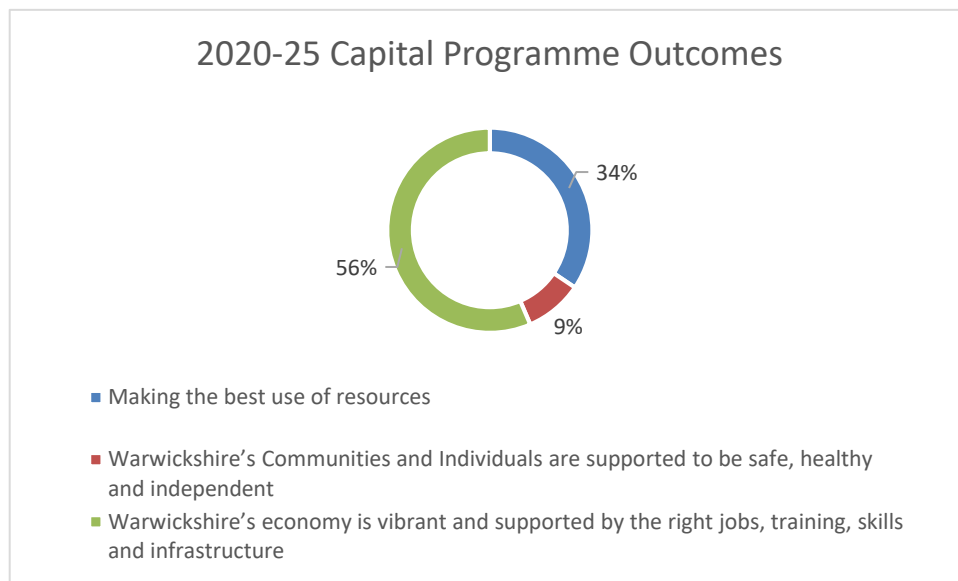
December 2019

# Investing in Warwickshire

## Capital Strategy 2020-2030 – Technical Appendix

### Why do we need a Capital Strategy?

We have over many years invested in assets that have a lasting value, for example land, roads, buildings and large items of equipment and vehicles. Each year we need to spend more money to ensure our assets are still suitable for use in the provision of services and to invest in new assets to meet our changing needs and requirements. Our capital investment is aimed at delivering our priority outcomes for which the current gearing of our capital programme is as follows:



This technical appendix to the Capital Strategy provides the structure of our capital programme, describes how we determine the content of and finance our capital programme and provides an overview of how our capital programme is managed and how we deliver the above 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 in 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 worth shown on our Balance Sheet.

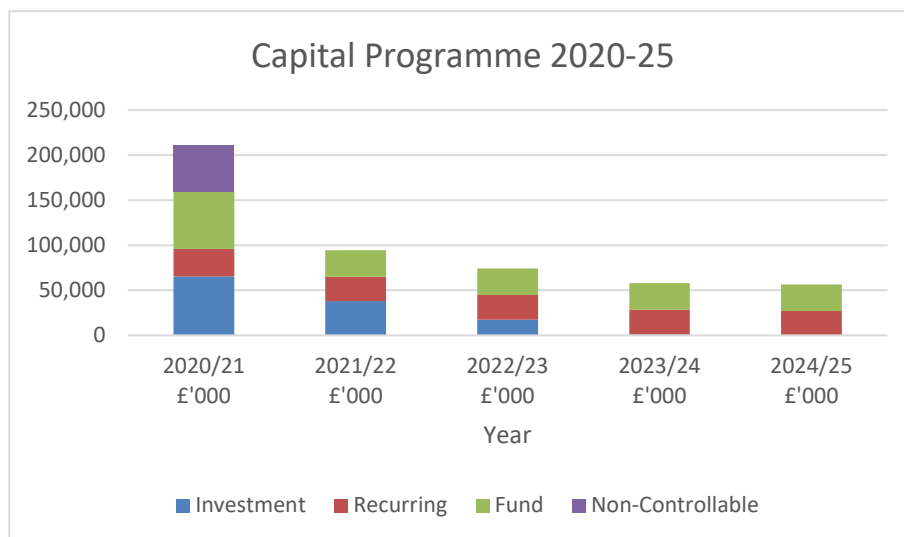
We operate a general de minimis of £6,000 on a project-by-project basis (£3,000 where the spend relates to primary schools or nurseries); expenditure below this level is treated as revenue and not part of the capital programme. Further details of our capitalisation policies can be found in the Accounting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



## Our Capital Programme

There are four broad strands to our capital programme, each programme has a number of strands that ensure a clear focus on the purpose of capital spending and the prioritisation of proposals:

- A recurring maintenance programme that ensures our assets continue to be fit for purpose and able to support the delivery of services;
- Non-controllable projects, generally funded from developer contributions and not wholly within the Council's control;
- An investment programme that creates and develops new assets through individual projects, and;
- Corporately held investment funds for allocation as business cases are submitted and approved.



\*Future non-controllable spend cannot yet be predicted so 2021/22 is not comparable with 2020/21.

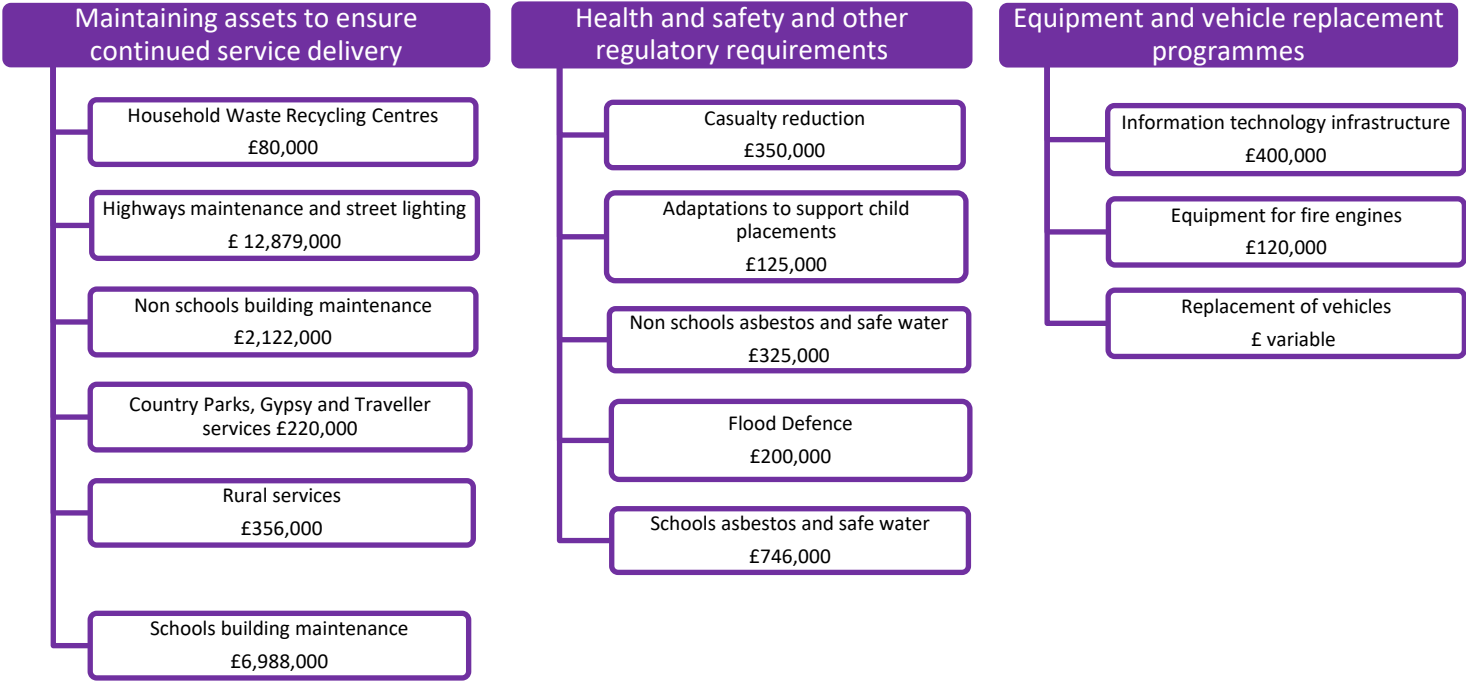
## Guiding principles for our Capital Maintenance

Each year the capital programme includes a number of schemes that relate to the routine maintenance of our asset infrastructure. It represents the level of spending which we have no choice but to incur over the medium term. Each element of the maintenance programme has a fixed annual allocation. This approach allows managers 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

Our annual maintenance programme is £10.682 million a year funded from borrowing (plus a £3.000 million allocation from the Government Grant received for schools) plus the grant received from Government for highways maintenance plus revenue funding used for the replacement of vehicles, where this is more cost effective than leasing the vehicle. The split of this annual maintenance allocation between services, including schools' elements, is shown below.



Annex C summarises the prioritisation methodology that will be used through to 2025 for each of the elements of the rolling maintenance programme.

### Guiding principles for our Capital Investments

#### Capital Investment: Non-Schools

Any capital spending not included in the recurring maintenance programme automatically forms part of our capital investment programme. Investment schemes are, by their nature, not routine and are only considered if they move the organisation towards the delivery of the corporate outcomes.

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.

We operate a clear and transparent corporate approach to the prioritisation of all capital spending. To ensure widespread support for the investment programme all proposals are subject to an officer scrutiny process prior to being considered by Corporate Board and ultimately by Members. 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. We operate a two-speed approach for the approval of schemes that enhance assets as a result of additional service delivery need.

We use a fast track approach for schemes costing less than £2 million that are wholly funded from external resources provided for a specific purpose and where there is no, or minimal, discretion over how the funding is used e.g. developer and third party funding. Fast track schemes will be required to provide a brief summary of the infrastructure investment required and how it supports the delivery of the core priorities and outcomes before going to the Leader and/or any such person/body which he/she designates for approval. For vehicles, plant and equipment this approval is delegated to the Assistant Director for Finance. Any scheme costing above £2 million requires the approval of Full Council, regardless of funding source or expenditure type.

For all other capital investment schemes, including where we are bidding for external funding, we use a structured evaluation process that assesses:

- What we are trying to achieve for Warwickshire residents, businesses and visitors by investing in particular assets;
- The contribution of the new assets to the delivery of the corporate outcomes;
- The 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 results of this evaluation process are reported to Corporate Board quarterly who consider whether to recommend the scheme to Members for approval. If the total cost of the scheme is less than £2 million this approval is by the Leader, Cabinet or a Portfolio Holder to whom powers have been delegated. Schemes over £2 million require the approval of full Council. A summary of the evaluation criteria and their relative weighting is attached at [Annex C](#). In response to the climate change emergency, the evaluation criteria specifically require that every new investment scheme explains how it will contribute to addressing climate change (where applicable).

[Annex B](#) indicates the connection between the Council's existing investment plans and its objectives. This listing covers the larger investment schemes already approved by Members and the 2020/21 maintenance programme. It also includes a number of "priority" schemes which, whilst not yet formally approved, are expected to come through to the Capital Investment Fund with applications for funding within the next financial year and for which funding has therefore been reserved from application to other schemes. [Annex B](#) includes the prioritisation of future investment programmes.

Currently the Council generally does not choose to make investments in the commercial property market purely for the purpose of generating a financial return, however with the Council moving towards taking a more commercial approach this could possibly be revised in future as part of the Commercial Strategy approved by Cabinet in October 2019, the capital strategy will be updated to reflect such changes in direction. 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.

### **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 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. Whilst the Council is not responsible for Academy schools, our strategy includes them as education providers within the county.

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. The target for Warwickshire is for the supply of places to exceed demand by approximately 4% in any planning area. The level of surplus capacity available in Warwickshire schools varies from area to area, with extremely low levels of surplus capacity available in urban areas, particularly across the primary phase of education. In contrast to this, higher levels of surplus capacity are recorded in the county's rural areas. 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 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, the County Council will work with District and Borough Councils and developers to ensure that the appropriate contributions for the provision of additional school places are given. 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 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 D](#) for link.

## Guiding principles for our Capital Funding

### Capital Receipts

Through our approach to asset management planning (see [Annex D](#)), 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:

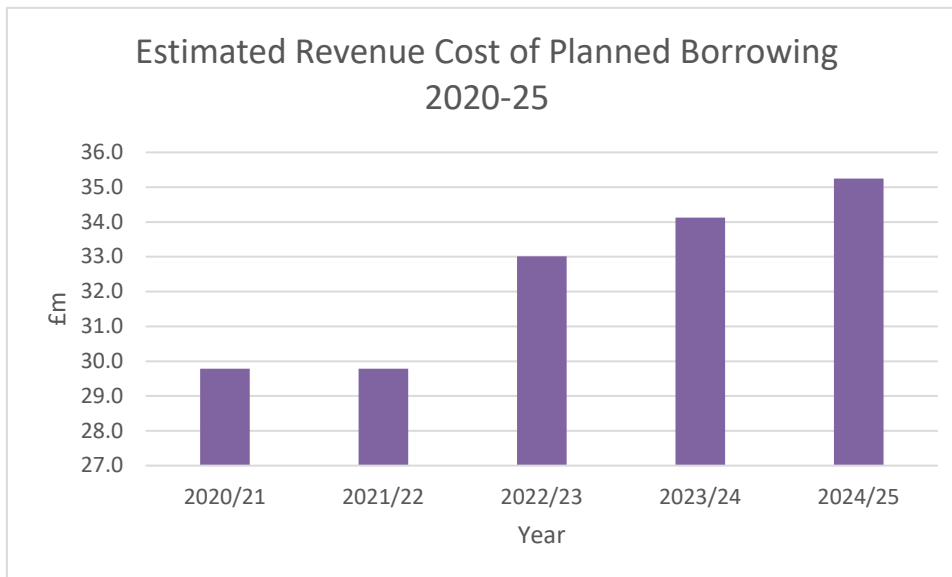
- Whether assets are surplus to requirements in the short, medium and long term;
- Whether assets are achieving their financial or service delivery performance targets;
- The level of any potential financial return;
- Any legal obligations; and
- The impact on corporate policies and the promotion of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

All capital receipts, with the exception of school receipts which are reinvested, are used to repay debt, with a consequent reduction in the Council's borrowing costs. Whilst financially there is no difference in the revenue cost to the authority as to whether capital receipts (providing they are used to repay debt) or borrowing are used to fund the capital programme, 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. Our approach to the use of capital receipts enables capital spend to be incurred when it is needed rather than being dependent on when a capital receipt comes in.

### Borrowing

We are required, by statute, to base our approach to borrowing money to finance capital investment 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. We use the term 'unfinanced expenditure' to delineate expenditure for which we expect to borrow.

Incurring an additional £35.600 million borrowing each year is affordable within the 2020-25 Medium Term Financial Strategy and is deemed to be the minimum level of borrowing needed over the medium term. The revenue cost of borrowing is felt in two ways; firstly in real interest charges incurred on our loans and secondly in the Minimum Revenue Provision, 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. This means that to forecast future years' revenue costs as a result of borrowing, we must consider both historic levels of unfinanced expenditure, the full unfinanced cost of the existing capital programme, and any decisions Members make to take out further borrowing in future years. We estimate that the total revenue cost as a result of past and planned new borrowing from these two charges will be £29.781 million in 2020/21, £29.781 million in 2021/22, £33.014m in 2022/23, £34.123m in 2023/24 and £35.245m in 2024/25.



Provision for these costs is included as part of our 2020/21 budget and medium term financial strategy. 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 the Treasury Management Strategy (see Annex D). Our modelling of future debt levels, detailed within the Treasury Management Strategy, can be compared to the Council's 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 that we will not commit the Council to future costs it cannot afford, committing the Council only 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 taxbase and providing the additional infrastructure needed as a result of housing growth. We therefore use the additional revenue resources from growth in the taxbase above the level assumed in the 2020-25 Medium Term Financial Strategy to operate a Capital Investment Fund. Through this approach we are able to support an expanded capital programme and drive economic growth and activity across the county.

### **Capital Investment Fund**

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 are affordable. We are committed to reviewing the level of the Capital Investment Fund on an annual basis to ensure it remains affordable.

## **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 slippage where the project is not delivered in accordance within the

planned timescales thereby delaying achievement of the expected benefits, and delays in or non-receipt of external contributions towards the cost of the scheme.

In order to ensure WCC 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 for capital expenditure is made available to all staff on our intranet.

We use the following mechanisms to ensure our capital spending and the delivery of this 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 for Members to consider, 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 to provide the opportunity for positive learning over time.

Capital projects will now be approved through a new capital gateway process and be more closely monitored through the capital framework which will rely on a methodology to classify and define stages/phases of delivery for our capital investments. The framework will have a clear definition and understanding of the quality of Capital Programme delivery to help us learn and drive improvements.

## Summary of Capital Investment Fund Scheme Evaluation Criteria

### Warwickshire's communities and individuals are supported to be safe, healthy & independent

10% - delivery of the strategic objective

40% - Alignment with the investment criteria of the capital strategy (Supporting People)

40% - achievability, quality of evidence base, rational evaluation and challenge of options, financial viability and risk

10% - Sustainability, climate change and environmental impact

### Warwickshire's economy is vibrant and supported by the right jobs, training and skills and infrastructure

10% - delivery of the strategic objective

40% - Alignment with the investment criteria of the capital strategy (Shaping Places)

40% - achievability, quality of evidence base, rational evaluation and challenge of options, financial viability and risk

10% - Sustainability, climate change and environmental impact

### Making the best use of available resources: delivery of savings/generation of income

10% - alignment with the organisation's other strategic objectives

40% - Alignment with investment criteria of the capital strategy (Maximising Resources)

40% - achievability, quality of evidence base, duration of required investment, rational evaluation and challenge of options, financial viability and risk

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 criteria will be brought forward to Cabinet for approval.



## Capital Investment Priority Outcomes

The table below shows the connection between the Council's capital investment plans, the organisation's key objectives and the Capital Strategy's focus for investment. Business cases are still to be completed to confirm final funding allocations and formal addition to the council's capital programme. Locations are provided for information where not clear from scheme title; where not shown, schemes may be at multiple sites or county-wide.

Pillars	Capital Investment Priorities
Supporting people	<ul style="list-style-type: none"> <li>- Investment in quality and accessible education spaces for all school children in Warwickshire</li> <li>- Investment in social care services, supported accommodation and accommodation with support</li> <li>- Capital investment to support delivery of Public Health services</li> </ul>
Shaping places	<ul style="list-style-type: none"> <li>- Improvements to the Fire &amp; Rescue Service estate</li> <li>- Investments in Place - To invest in ambitious schemes to shape Warwickshire and individual parts of it in line with commercial strategy priorities</li> <li>- Economic Development</li> <li>- Sustainable Transport</li> </ul>
Maximising our resources	<ul style="list-style-type: none"> <li>- Investment in better ways of delivering services such as libraries and heritage/culture</li> <li>- Investment in Digital and ICT</li> <li>- Investment to maximise the effectiveness of our property estate</li> </ul>
Climate Change	<ul style="list-style-type: none"> <li>- Climate Change Mitigation</li> <li>- Carbon Footprint</li> </ul>

\*Priorities will be included as part of the 2020/21 Conservative Budget Resolution

## 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.

### Household Waste Recycling Centres (HWRC) and Transfer Stations

#### Prioritisation Methodology

Maintenance will be prioritised as follows:

- a) Health and Safety – for the staff employed to run the site, members of the public using the site and also 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.); and
- c) Effect of maintenance on reputation value of the Council – a clean, tidy site with smart, neat operating staff will encourage higher rates of recycling.

#### 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

#### 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.

External validation of our approach to managing the highway assets is now possible through Department of Transport's 'Incentive Fund' programme, established to promote efficient and effective maintenance practices nationally. Warwickshire is currently assessed as 'Level 3' and, therefore, achieving the highest incentive funding.

### **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 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 for the particular area of work is then allocated to the priority list and this determines that approximate number of projects that can be carried out.

#### **Balance of Planned Maintenance and Emergency Work**

Emergency work that arises means the planned maintenance programme developed from the above methodology is revised in some areas throughout the year. Projects are reprioritised and planned maintenance programmes managed to the bottom line budget.

### **Country Parks and Greenways, Forestry Services and Gypsy and traveller sites**

#### **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 in particular 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.

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 within a tightly controlled revenue budget the planned maintenance programme developed from the above methodology is revised.

Common emergency works include repairs to paths / roads / furniture / 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.

## **Rural Services**

### **Prioritisation Methodology**

All properties are on a rolling five year rotation for condition surveys, asbestos inspections are carried out every 2 years and water hygiene inspections every four years 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. Prioritisation is then given to D2s (bad - items identified as needing to be addressed within 2 years) followed by C2s (poor - to be addressed within 2 years) and C3s (poor - to be addressed within 3-5 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
- 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'. All properties are required to meet minimum standards by 1 April 2023.

### **Balance of Planned Maintenance and Emergency Work**

The first call for emergency maintenance is a revenue maintenance budget of £145,000. 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 Service Manager and include a finance representative. The decision to award the grant is made at Service Manager level within the Business Unit, with reference to and oversight from the Head of Service.

### **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 of these 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.

However, emergency work can arise; resulting in a situation where the plan identified in the Asbestos Prioritised Remedial Work Plan and the Water Hygiene Risk Register developed from the above methodologies is revised in some areas throughout the year.

### **Balance of Planned Maintenance and Emergency Work**

Emergencies throughout the year will be dealt with in two ways;

- The budget allocation for works is reduced at year start to leave a small central contingency fund in the budget. This is reallocated at an appropriate time during the year; and
- The projects carried out are staggered throughout the year. If an emergency arises, the necessary funds are diverted from a planned scheme and allocated to the emergency. This will result in a planned project potentially being eliminated from the list in year.

## **ICT Network Infrastructure**

### **Prioritisation Methodology**

Investment is prioritised based on the need for additional facilities/capacity and the life expectancy of equipment, in terms of how long it can be used for until an unacceptable failure rate is likely to occur. The level of failure rate accepted will depend on factors such as criticality of the service and resilience and support arrangements in place.

### **Balance of Planned Maintenance and Emergency Work**

The rolling programme of investing in the maintenance of the IT infrastructure will significantly reduce the need for emergency purchases due to the regular monitoring of the equipment. However, in the event that an emergency procurement needs to be made we would adjust the planned programme, looking to extend the life of less critical equipment.

## **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 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 in the event that a front line vehicle should be lost along with its entire inventory. This is our emergency reserve which is maintained as part of the rolling capital replacement programme.

## Links to 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 and Learning Sufficiency Strategy

### Treasury Management and Investment Strategies

- The Treasury Management Strategy

### Other relevant plans and documents

- 2020-25 Council Plan
- Commercial Strategy
- Risk Management Strategy
- Reserves Strategy

## 2020/21 Capital Programme - by Outcome and Service

Service	Scheme Title	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
<b>Investment Programme</b>							
<b>Warwickshire's Communities and Individuals are supported to be safe, healthy and independent</b>							
Children and Families	Children and families property adaptations, purchases and vehicles	107	50	0	0	0	157
Strategic Commissioning for Communities	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	Pears Centre	500	0	0	0	0	500
Environment Services	Install CCTV on Emscote Road Warwick ( Tesco Stores)	9	0	0	0	0	9
Fire and Rescue Services	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
	<b>Total for Warwickshire's Communities and Individuals are supported to be safe, healthy and independent</b>	<b>21,084</b>	<b>1,129</b>	<b>1,017</b>	<b>700</b>	<b>0</b>	<b>23,930</b>



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Service	Scheme Title	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
<b>Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure</b>							
Strategic Commissioning for Communities	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
Education Services	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
	Investment in school adaptations to reflect pupils access needs	400	400	400	400	400	2,000
Provision of additional school places	31,623	4,510	4,510	4,510	4,510	49,663	
Enabling Services	Development of Rural Broadband	5,007	1,732	1,521	0	0	8,260
	Renewable energy	995	0	0	0	0	995
Environment Services	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
A452 Europa Way, Olympus Avenue to Heathcote Lane roundabout	0	0	7,481	0	0	7,481	

## 2020/21 Capital Programme - by Outcome and Service

Service	Scheme Title	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Environment Services	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 Gyrotory 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	
	<b>Total for Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure</b>	<b>71,373</b>	<b>41,239</b>	<b>20,200</b>	<b>5,472</b>	<b>4,910</b>	<b>143,193</b>

## 2020/21 Capital Programme - by Outcome and Service

Service	Scheme Title	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
<b>Making the best use of resources</b>							
Business and Customer Services	Improving the customer experience/one-front-door improvements	168	500	1,274	0	0	1,942
Strategic Commissioning for Communities	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
	Area Delegated Funding	4,736	2,000	2,000	2,000	2,000	12,736
Governance and Policy	Maintaining the smallholdings land bank	844	0	0	0	0	844
	Strategic site planning applications	1,300	0	0	0	0	1,300
<b>Total for Making the best use of resources</b>		<b>9,596</b>	<b>2,500</b>	<b>3,274</b>	<b>2,000</b>	<b>2,000</b>	<b>19,370</b>
<b>Capital Investment Fund</b>							
Corporate	Capital Investment Programme - Existing	6,996	0	0	0	0	6,996
	Capital Investment Fund - New	24,918	24,918	24,918	24,918	24,918	124,592
<b>Total for Capital Investment Fund</b>		<b>31,914</b>	<b>24,918</b>	<b>24,918</b>	<b>24,918</b>	<b>24,918</b>	<b>131,588</b>
<b>TOTAL INVESTMENT PROGRAMME</b>		<b>133,967</b>	<b>69,787</b>	<b>49,409</b>	<b>33,090</b>	<b>31,828</b>	<b>318,081</b>

## 2020/21 Capital Programme - by Outcome and Service

Service	Scheme Title	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
<b>Maintenance Programme</b>							
<b>Warwickshire's Communities and Individuals are supported to be safe, healthy and independent</b>							
Children and Families	Investment to support carers	125	125	125	125	125	625
Fire and Rescue Services	Operational equipment	200	120	120	120	120	680
	<b>Total for Warwickshire's Communities and Individuals are supported to be safe, healthy and independent</b>	<b>325</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>245</b>	<b>1,305</b>
<b>Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure</b>							
Strategic Commissioning for Communities	Casualty reduction schemes	669	350	350	350	350	2,069
	Household Waste Recycling Centre maintenance	104	80	80	80	80	424
Enabling Services	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	Highways maintenance	12,995	12,879	12,879	12,879	12,879	64,511
	<b>Total for Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure</b>	<b>21,502</b>	<b>21,043</b>	<b>21,043</b>	<b>21,043</b>	<b>21,043</b>	<b>105,672</b>
<b>Making the best use of resources</b>							
Strategic Commissioning for Communities	Countryside Rural Services capital maintenance	334	200	200	200	200	1,134
	Flood defence	200	200	200	200	200	1,000
Enabling Services	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	Gypsy and Traveller site maintenance	20	20	20	20	20	100
Governance and Policy	Rural services capital maintenance	356	356	356	356	356	1,780
	<b>Total for Making the best use of resources</b>	<b>3,838</b>	<b>3,623</b>	<b>3,623</b>	<b>3,623</b>	<b>3,623</b>	<b>18,330</b>
<b>TOTAL MAINTENANCE PROGRAMME</b>		<b>25,665</b>	<b>24,911</b>	<b>24,911</b>	<b>24,911</b>	<b>24,911</b>	<b>125,307</b>

## 2020/21 Capital Programme - by Outcome and Service

Service	Scheme Title	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
<b>Developer Funded Programme</b>							
<b>Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure</b>							
Environment Services	s.278 developer funded schemes	51,349	0	0	0	0	51,349
<b>TOTAL DEVELOPER FUNDED PROGRAMME</b>		<b>51,349</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51,349</b>
<b>TOTAL CAPITAL PROGRAMME</b>		<b>210,981</b>	<b>94,697</b>	<b>74,320</b>	<b>58,001</b>	<b>56,739</b>	<b>494,738</b>

<b>PRUDENTIAL INDICATORS</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>actual</b>	<b>forecast</b>	<b>estimate</b>	<b>estimate</b>	<b>estimate</b>
<b>Capital Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	84,077	146,555	210,981	94,697	74,319
<b>Ratio of financing costs to net revenue stream</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
	6.99	6.78	6.60	7.22	7.67
<b>Gross borrowing requirement</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Gross Debt	362,274	352,274	332,274	332,275	332,275
Capital Financing Requirement as at 31 March	301,581	304,499	358,877	402,325	416,489
Under/(Over) Borrowing	(60,693)	(47,775)	26,603	70,050	84,214
<b>In year Capital Financing Requirement</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	(12,367)	2,918	54,378	43,448	14,164
<b>Capital Financing Requirement as at 31 March</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	301,581	304,499	358,877	402,325	416,489
<b>Authorised limit for external debt -</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	516,818	438,231	515,485	543,623	560,620
Other long term liabilities	12,000	12,000	12,000	12,000	12,000
<b>TOTAL</b>	<b>528,818</b>	<b>450,231</b>	<b>527,485</b>	<b>555,623</b>	<b>572,620</b>
<b>Operational boundary for external debt -</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Borrowing	430,681	365,192	429,570	453,019	467,183
Other long term liabilities	10,000	10,000	10,000	10,000	10,000
<b>TOTAL</b>	<b>440,681</b>	<b>375,192</b>	<b>439,570</b>	<b>463,019</b>	<b>477,183</b>
<b>Upper limit for fixed interest rate exposure</b>					
Net principal re fixed rate borrowing / investment	100%	100%	100%	100%	100%
<b>Upper limit for variable rate exposure</b>					
Net principal re variable rate borrowing / investment	25%	25%	25%	25%	25%
<b>Upper limit for total principal sums invested for over 364 days</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
(per maturity date)	60,000	60,000	60,000	60,000	60,000

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

These indicators are the part of our Treasury Management Strategy that must be approved as part of the budget resolutions. The Treasury Management Strategy itself will be brought to Council in March 2020. It will reconfirm the above indicators and also introduce new monitoring ratios to assess the Council's investment risk position on a wider ongoing basis, including having regard to commercial investments.