

2022/23 Capital Budget Resolution

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. This investment forms the basis of our capital programme, maximising value for money for our residents and the taxpayer pound.
- 1.2. Our Capital Strategy (**Appendix A**) has been developed alongside the Council Plan 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, given the strategic context in which we are operating;
 - 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.
- 1.3. Much of the detail is included in the technical annex to the Capital Strategy (**Appendix B**). It provides the structure of the capital-programme, outlines how we determine the content and finance of our capital programme and provides an overview of how we manage our capital programme 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.
- 1.4. We will continue to build a more strategic and commercial focus to our approach to our capital investment, aligned to the medium and longer-term place-shaping of Warwickshire. We will move towards an approach where services are required to bring

schemes forward for consideration where they deliver on the priorities set out in this resolution, the commitments in the Council Plan and the areas of focus.

- 1.5. Looking further ahead we will create a long-term Infrastructure Strategy for Warwickshire that extends beyond the five years of our capital programme.
- 1.6. This will bring greater focus to our benefit-driven, strategic approach to determining our capital investment priorities, ensuring our scarce resources are used in the most effective way. 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.
- 1.7. We will also ask the Chief Executive to bring forward and implement a new capital management framework with an enhanced focus and scrutiny of the timely and effective delivery of the approved capital programme.
- 1.8. To support this change we have created a council-wide Asset Replacement Fund to fund the periodic replacement of operational assets, in particular vehicle, plant and machinery. Through the Fund a robust asset management planning approach will be embedded and enable the Capital Investment Fund to be focussed on the delivery of our priorities.
- 1.9. We will supplement our externally leveraged capital resource with £40.7 million a year of borrowing. We will continue with the separation of maintenance and investment programmes that has brought benefits by reducing bureaucracy.
- 1.10. We will use our capital resources to deliver capital schemes that support the vision, three priorities and seven areas of focus set out in the Council Plan. As a priority, over the next 12 months, we expect investment proposals for the following to have been brought forward for decision:

Best Lives	<ul style="list-style-type: none">• Investment in extra care housing and supported living as part of a holistic approach to demand management for those in receipt of adult social care support.• Investment in alternative in-house options for children in care and our care leavers.• Help for residents to lead a healthy and independent lifestyle, including assistive technology to support health, care and well-being.
------------	---

	<ul style="list-style-type: none"> • Investment to ensure the sufficiency of school places, and in particular special educational needs provision within the county.
Sustainable Futures	<ul style="list-style-type: none"> • Defending Warwickshire against flooding. • Greening our fleet and rolling out electric charging points. • Investment to reduce the Council's carbon footprint. • Support for communities and businesses to reduce their environmental impact, energy usage and emissions. • A transport network that supports a low carbon future, rural connectivity to places of work and active travel.
Thriving Economy and Places	<ul style="list-style-type: none"> • Ambitious schemes to shape Warwickshire and individual parts of it, progressing housing and area regeneration schemes, through our Warwickshire Property and Development Group. • Supporting business innovation, investment and inward investment through our Warwickshire Recovery and Investment Fund. • Investment which contributes towards building employment skills and skills development. • Investment in 5G/broadband to connect our residents and support businesses across Warwickshire. • The future role and sustainability of town centres. • The development of our country parks as welcoming destinations supporting the health and well-being of residents and visitors and encouraging active lifestyles.
Invest-to-Save	<ul style="list-style-type: none"> • Investment in digital technology to improve the quality and efficiency of accessible services to residents, communities and staff. • Investment to maximise the effectiveness of our property estate as part of a future plan for the use of our buildings.

1.11. Our capital programme retains the £120 million over the next five years in our capital programme to support the delivery of the Warwickshire Property and Development Group (WPDG) annual business plan and £128 million for the Warwickshire Recovery and Investment Fund (WRIF). These investments are a demonstration of our commitment to support the recovery and growth of Warwickshire for the benefit of residents and communities.

1.12. We require £3 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. 2022/23 Capital Programme

- 2.1. Approval is given to a capital programme of £844.901 million. Of this £250.115 million is planned for 2022/23 and £594.786 million for future years. There is £119.485 million in the Capital Investment Fund that will be allocated to specific schemes, in line with our priorities, as bids are developed and considered over the five years of the 2022-27 Medium Term Financial Strategy.
- 2.2. Table 1 shows the breakdown of the programme across our core outcomes, with the full detail of the capital programme attached at **Appendix C**.

Service	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Best Lives	54.941	24.543	14.031	4.510	4.510	102.535
Thriving Economy and Places	51.086	67.310	27.971	0.045	-	146.412
WRIF	30.000	30.000	30.000	30.000	7.600	127.600
Sustainable Futures *	3.644	1.039	0.026	-	-	4.709
Great Council and Partner	2.280	-	-	-	-	2.280
WPDG	4.071	24.577	21.969	35.192	34.191	120.000
Maintenance Programme	38.910	32.708	33.078	33.521	34.059	172.276
Developer Funded Programme	34.570	11.792	3.240	0.002	-	49.604
Total Allocations	219.502	191.969	130.315	103.270	80.360	725.416
Capital Investment Fund	30.613	19.648	24.658	19.715	24.851	119.485
Total Programme	250.115	211.617	154.973	122.985	105.211	844.901

Note:

- * Our capital investment in Sustainable Futures extends beyond the focussed schemes summarised here. All schemes are required to specifically consider sustainability, climate change and environmental impact as part of the evaluation and due diligence process prior to approval.

3. Financing the Capital Programme

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

Table 2: Financing the Capital Programme						
Service	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Capital grants	27.853	22.739	22.739	22.739	22.739	118.809
Third party contributions	70.984	18.909	13.080	0.002	-	102.975
Capital receipts	13.354	30.643	18.404	39.539	32.494	134.434
Revenue	0.111	-	-	-	0.000	0.111
Borrowing	137.813	139.326	100.750	60.705	49.978	488.572
Total Financing	250.115	211.617	154.973	122.985	105.211	844.901

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

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

4. Prudential Guidelines and Limits

4.1. The Affordable Borrowing Limit and other Prudential Indicators consistent with the capital programme for 2022/23 are agreed as part of the Treasury Management and Investment Strategies.

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.

The Authority is facing a growing inflationary risk as a result of supply/labour markets. There needs to be an awareness of potential inflationary costs as part of decision-making and the impact on both the costing of projects brought forward for approval and the deliverability, within the approved limits, of schemes already in the capital programme. This will need to be carefully managed through the use of the Capital Investment Fund.

The retention of the Fund means that in overall terms I am of the view that this capital programme has been prepared based on realistic assumptions about risk and affordability and that it represents a robust and realistic programme.”

6. Delegations

6.1. That the Council confirms the delegated powers to the Leader as follows:

- That the Leader or person(s) or body nominated by her are authorised to:
 - Agree any increases or reductions in capital starts/payments totals as part of the quarterly capital review process;
 - Approve the addition to the capital programme of projects costing less than £2 million, which are fully funded from external grants, developer contributions, approved revenue budgets or from other funds or borrowing previously approved;
 - Approve individual projects of less than £2 million within the allocations made by Council, including schemes that are an allocation from the Capital Investment Fund;
 - Approve capital loans to the Warwickshire Property and Development Group, triggered by the approval of a site development plan by Cabinet, where this still enables the delivery of the approved Warwickshire Property and Development Group business plan and is within the provision in the capital programme; and
 - Approve capital loans and investments through the Warwickshire Recovery and Investment Fund, following approval of a business case by Cabinet, where this is within the provision in the capital programme.

6.2. In addition, the Strategic Director for Resources is authorised to vire capital projects between Services where such virements are as a direct consequence of a restructuring within the County Council.

6.3. The Strategic Director for Resources, in consultation with the Leader, is authorised to reverse allocations made as part of this budget process where the investment does not progress.

7. Budget Management

7.1. The Chief Executive is directly responsible for the implementation of the capital programme.

- 7.2. The Chief Executive is instructed to remind all Strategic Directors, the Chief Fire Officer and Assistant Directors that budgets must not be overspent and that effective budget management arrangements should be the cornerstone of each Service's work to secure value for money.
- 7.3. The carry forward regime, which reviews whether all uncommitted capital spend at the end of the financial year remains a priority, will continue. Any funding released through this process will be used to enhance the Capital Investment Fund.
- 7.4. All member bodies, members and officers are instructed to comply with the prescriptive legal duties placed upon the Council. The Chief Executive, Strategic Directors, the Chief Fire Officer and Assistant Directors are instructed to ensure that the implementation of policies complies with legal requirements.
- 7.5. Authority is given for all necessary tenders to be obtained and contracts to be completed to give effect to this budget, subject to compliance with Contract Standing Orders, Financial Regulations and the key decision regime.
- 7.6. The Chief Executive, Strategic Directors, the Chief Fire Officer and Assistant Directors, in the following circumstances and with approval from the Strategic Director for Resources, are given authority to let contracts where the tender price would cause the project to exceed its approved budget:
- If the project is and remains fully funded from external sources; and
 - If all funding is ring-fenced to that specific project by a third party.
- 7.7. That, with the exception of the circumstances outlined in 7.6, the Council reconfirms the requirement for Strategic Directors, the Chief Fire Officer and Assistant Directors to seek Member approval to proceed with a project if, at the tender stage or any subsequent decision point, the contract price would cause the project to exceed its approved budget by more than tolerances in Contract Standing Orders and/or Financial Regulations prior to committing the Council to proceed with the project. In any event, any increase in the expected project cost should be reported to Members as soon as possible via the quarterly Financial Monitoring Report.
- 7.8. Strategic Directors, the Chief Fire Officer and Assistant Directors, with approval from the Strategic Director for Resources, are given approval to use capital receipts to fund replacement assets:
- Where the receipt is less than £100,000; and
 - Where the receipt is generated from the sale of vehicles, plant, equipment or software; and
 - Where the replacement asset provides the same service as the item sold; and

- Where the remaining cost of the replacement asset is fully funded from self-financed borrowing, revenue contributions or third-party funding that is ring-fenced to that specific asset by a third party.
- 7.9. The Chief Executive, with approval from the Strategic Director for Resources, is given approval to make allocations from the Asset Replacement Fund based on the needs driven from asset management plans.
- 7.10. In any event, capital expenditure on replacement assets should be reported to Cabinet via the quarterly Financial Monitoring Report.

8. Managing the Maintenance Programme

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

9. Managing the Investment Programme

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