

2023/24 Capital Budget Resolution

Recommendations to County Council

1. Financial Direction of Travel

- 1.1. The value of our assets is £1.4 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 for 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 are 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. To support this we have allocated £4.0 million from the Capital Investment Fund to create an Investigation Design Fund (IDF). The IDF will provide the resources to carry out the early work necessary as part of large scale, high value and/or high-risk schemes to reduce the risk of approving projects without fully understanding the true costs of delivery. We intend that this will lead to a reduction in the number of capital projects which request additional funding once in the delivery stage.
- 1.8. 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.
- 1.9. We will supplement our externally leveraged capital resource with £35.5 million a year of borrowing. We will continue with the separation of maintenance, asset replacement 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, officers are asked to bring forward proposals for a Social Fabric Fund, linked to the countywide approach to Levelling Up and with potential to build more resilient communities and better protect against cost of living pressures. We have also extended the criteria used to evaluate capital investment proposals coming forward for approval to include specific assessment of the impact on the countywide approach to Levelling Up.
- 1.11. 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. • 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. • Investment to reduce the Council’s carbon footprint. • Support for communities and businesses to reduce their environmental impact, energy usage and emissions. • Increase bio-diversity and ecology through green corridors, environment banks and tree-planting. • A sustainable transport network that supports a low carbon future and rural connectivity to places of work, improving air quality, active travel to deliver the positive benefits of outdoor activity, reducing congestion and enabling growth in housing. • A safer schools programme that encourages sustainable and healthy travel to school for pupils across Warwickshire.
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, particularly targeting areas identified in the countywide approach to Levelling Up. • Supporting business innovation, investment and inward investment to drive economic growth. • Investment which contributes towards building employment skills, skills development and reskilling. • Building stronger communities by helping communities to help themselves. • The future role and sustainability of town centres.
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.

1.12. Our capital programme retains the £100 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 £87 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.

- 1.13. 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. 2023/24 Capital Programme

- 2.1. Approval is given to a capital programme of £848.566 million. Of this £316.945 million is planned for 2023/24 and £531.621 million for future years. There is £90.509 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 2023-28 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**.

Table 1: Capital Programme						
Service	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Best Lives	118.628	44.961	0.262	-	-	163.851
Thriving Economy and Places	51.468	59.210	25.261	5.806	-	141.744
Sustainable Futures *	3.229	0.451	-	-	-	3.680
Great Council and Partner	2.851	-	-	-	-	2.851
Maintenance Programme	42.683	34.154	34.182	34.658	34.658	180.335
Developer Funded Programme	32.217	14.090	0.050	-	-	46.357
Total Allocations	251.076	152.866	59.755	40.464	34.658	538.818
Capital Investment Fund	15.019	18.872	18.872	18.872	18.872	90.509
WRIF	20.600	20.000	20.000	26.500	-	87.100
WPDG	19.101	21.763	7.611	0.242	51.334	100.051
Investigation Design Fund	0.800	0.800	0.800	0.800	0.800	4.000
Inflation Contingency Fund	4.429	5.739	-	-	-	10.168
Asset Replacement Fund	5.920	3.000	3.000	3.000	3.000	17.920
Total Programme	316.945	223.040	110.038	89.878	108.664	848.566

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.

- 2.3. Included in the figures above is approval of the addition of up to £4.182 million to the Bermuda Connectivity project, to increase the total budget in the capital programme to £14.941 million, with £3.202 million funded from the Capital Investment Fund and £0.980 million from the Inflation Contingency Fund.

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	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Capital grants and contributions	150.183	66.522	30.527	21.928	21.828	290.988
Capital receipts	17.113	22.146	32.923	18.636	20.206	111.024
Revenue contributions	0.320	-	-	-	-	0.320
Borrowing	149.328	134.371	46.588	49.314	66.629	446.230
Total Financing	316.945	223.039	110.038	89.879	108.664	848.566

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 2023/24 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 continues to face inflationary risk as a result of supply chain/labour market issues, with £10.168 million funding remaining in the Inflation Contingency Fund to meet the impact of exceptional inflationary costs on the approved programme. 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.

The introduction of the new, three stage approval process, and the creation of the Investigation Design Fund to provide up-front funding for work to give greater cost certainty when a full business case is submitted for approval will also assist in providing greater cost certainty.

The retention of the Capital Investment 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.