

2024/25 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 (MTFS). 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. 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. The prioritisation of our capital investment will reflect the level of choice for the Authority in the decision being made. Capital investment schemes will in future fall into one of three categories:
- **Category A – ‘Must Do’, highest priority** – those schemes where the Authority has minimal choice about whether to invest, with the focus being on ensuring value for money in how the scheme is delivered. The main areas of capital investment in this category are expected to be the sufficiency of school places and investment required to ensure the continued delivery of existing services.
 - **Category B – ‘Should Do’, secondary priority** – invest-to save schemes that deliver savings in the Authority’s revenue budget and/or generate additional income to support the revenue budget. The main areas of investment in this category are expected to be expanded resource provision in schools to reduce the deficit on the DSG High Needs block, the expansion of our own children’s homes to reduce the reliance on the independent sector and estate rationalisation.
 - **Category C – ‘Optional’, third priority** – investment to deliver on the Council’s wider ambitions and support the delivery of the Council Plan.
- 1.6. There are two areas whether we expect Corporate Board to bring forward proposals for a programme of capital investment covering the five years of the MTFS at the earliest opportunity. These are the investment programmes needed to ensure the sufficiency of school places and the expanded resource provision in schools to reduce the deficit on the DSG High Needs block.
- 1.7. Looking further ahead we will create a long-term Infrastructure Strategy for Warwickshire that extends beyond the five years of our capital programme. 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.
- 1.8. All proposals will continue 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.
- 1.9. Our focus for 2024/25 will be the delivery and impact of the schemes already in the approved capital programme until we have greater clarity as to the extent our scarce capital resources will be required to deliver on our highest priorities of the provision of school places and the resource provision in schools to support pupils with SEND.

1.10. Over the next 12 months, our priorities for new capital investment are:

Best Lives	<ul style="list-style-type: none"> • Investment to ensure the sufficiency of school places, and in particular special educational needs provision within the county. • Investment in alternative in-house options for children in care and our care leavers. • Investment as part of a holistic approach to demand management for those in receipt of adult social care support including, assistive technology to support health, care and well-being.
Sustainable Futures	<ul style="list-style-type: none"> • Defending Warwickshire against flooding. • Investment to reduce the Council’s carbon footprint. • 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 and reduces the cost of home to school transport.
Thriving Economy and Places	<ul style="list-style-type: none"> • Investment to expand the provision of business centres across Warwickshire to grow the economy and increase rental income. • Ambitious schemes to shape Warwickshire and individual parts of it, progressing housing and area regeneration schemes, including through the activity of the Warwickshire Property and Development Group. • Supporting business innovation, investment and inward investment to drive economic growth through the Warwickshire Investment Fund.
Invest-to-Save	<ul style="list-style-type: none"> • Investment to maximise the effectiveness of our property estate as part of a future plan for the use of our buildings. • Investment in the construction of salt domes as part of delivering increased efficiencies in winter gritting services. • Investment in vehicles to support improvements in the cost effectiveness of home to school transport and daytime demand response transport

1.11. We will supplement our externally leveraged capital resource with £30.6m a year of borrowing. We will continue with the separation of maintenance, asset replacement and investment programmes that has brought benefits by reducing bureaucracy.

- 1.12. We will maintain the approval of £100m over the next five years to support Warwickshire Property and Development Group (WPDG), of which £59m is approved for delivery of the 2024 business plan, and £50 million for the Warwickshire Investment Fund (WIF). 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. 2024/25 Capital Programme

- 2.1. Approval is given to a capital programme of £655.503m. Of this £250.611m is planned for 2024/25 and £404.892m for future years. There is £104.934m 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 2024-29 Medium Term Financial Strategy, in line with the priorities set out above.
- 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	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Best Lives	76.649	7.469	-	-	-	84.118
Thriving Economy and Places	38.457	74.309	12.318	0.090	-	125.174
Sustainable Futures *	3.671	0.526	0.148	-	-	4.345
Great Council and Partner	2.262	-	-	-	-	2.262
Maintenance Programme	45.755	36.282	36.714	36.714	36.714	192.179
Developer Funded Programme	7.777	0.002	0.001	0.008	-	7.788
Total Allocations	174.571	118.588	49.181	36.812	36.714	415.866
Capital Investment Fund	29.442	18.873	18.873	18.873	18.873	104.934
Warwickshire Investment Fund	20.000	15.000	15.000	-	-	50.000
Warwickshire Property and Development Group	15.726	11.420	11.367	15.013	5.555	59.081
Other Corporate Investment Funds	10.872	5.790	7.708	1.252	-	25.622
Total Programme	250.611	169.671	102.129	71.950	61.142	655.503

*Note: * Our capital investment in Sustainable Futures extends beyond the focussed schemes summarised here. All schemes are required to 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.

Service	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Total £m
Capital grants and contributions	74.340	42.035	36.916	36.064	35.966	225.321
Capital receipts	9.103	17.537	26.803	28.352	25.171	106.966
Revenue contributions	0.272	0.000	0.000	0.000	0.000	0.272
Borrowing	166.896	110.099	38.410	7.534	0.005	322.944
Total Financing	250.611	169.671	102.129	71.950	61.142	655.503

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.
- 3.3. Where there is a need to deliver capital projects in the “Category A – ‘Must Do’, highest priority” that are to be funded by developer contributions where the developer agreements are in place, but the funding is yet to be received and there is no other source of funding available, the use of temporary borrowing to forward fund developer contributions will be considered on a case-by-case basis. As part of the decision provision will be made in the revenue budget for any additional capital financing costs incurred. £4.2m has been set aside in reserves to meet these additional revenue costs, should the need arise.

4. Prudential Guidelines and Limits

- 4.1. The Affordable Borrowing Limit and other Prudential Indicators consistent with the capital programme for 2024/25 are agreed as part of the Treasury Management and Investment Strategies.

5. Executive Director for Resources: Statement

5.1. The following statement from the Executive 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 £7.716m funding remaining in the Capital 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.

There is considerable pressure on capital resources not least because of the need to fund school places and SEND provision from the Council’s capital resources in the absence of sufficient Government grants and developer contributions to fund them fully. This will require a greater degree of prioritisation to maximise the benefits delivered by the capital programme and, longer-term, a wider national solution to the funding of core infrastructure.

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 is assisting in providing greater cost certainty and supporting the effective prioritisation of scarce capital resources.

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 (other than those delegated to the Chief Finance Officer) costing less than £2 million, that 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 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 Executive 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 Executive 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 Executive Directors, the Chief Fire Officer and 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, Executive Directors, the Chief Fire Officer and 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, Executive Directors, the Chief Fire Officer and Directors, in the following circumstances and with approval from the Executive 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 Executive Directors, the Chief Fire Officer and 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 the 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. Executive Directors, the Chief Fire Officer and Directors, with approval from the Executive 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 Executive 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 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.