

# 2021/22 Revenue Budget Resolution

## Recommendations to County Council

**The County Council is recommended to plan its budget framework for 2021/22 on the following basis:**

### **1. Financial Direction of Travel**

- 1.1. We plan our budgets over the medium term. This time last year we agreed a Medium Term Financial Strategy (MTFS) that achieved a balance of ambition and robustness. It was a financial strategy that could underpin the delivery of the outcomes and objectives we set out in our Council Plan.
- 1.2. Within a month of agreeing the MTFS we entered this unusual and unprecedented time. It means we have now had to reset our budget and future plans in the midst of a global pandemic which will have long term and societal impacts. We are likely to face significant pressures on our resources, the economic situation is hugely challenging and, at least partly as a direct result, we will continue to be faced with demand for services rising much more quickly than our resources. The direct and indirect impacts on the County Council as well as our partners are both unknown and highly volatile at this stage.
- 1.3. Our approach of ensuring our financial resilience and medium-term financial sustainability, has placed the Authority in a strong position to respond to the uncertainty and financial commitments created by Covid-19 and meet ambitions to invest to support recovery for the benefit of residents and communities. We are confident our approach will mean Warwickshire's communities and economy are able to recover and build back better.
- 1.4. We will remain robust, ambitious and prudent in setting both next year's budget and our MTFS, with a focus on outcomes and social value. Given that current economic uncertainties remain we will continue to look for efficiencies to drive better value for money for our taxpayers. We will invest our resources to ensure Warwickshire's communities and individuals are supported to be safe, healthy and independent and Warwickshire's economy is vibrant and supported by the right jobs, training, skills and infrastructure.

- 1.5. We will redouble our efforts to bring inward investment and private and public sector businesses into the County for the benefit of employment and prosperity of our residents and the future of their children.
- 1.6. Our budget for 2021/22, is the first year of a 5-year rolling MTFS that will align the resources of the Authority to the objectives and ambitions set out in the Council Plan and Recovery Plan.
- 1.7. We have had to make difficult decisions and choices in developing these proposals. We have not taken decisions to address the short-term challenges we face that undermine our financial sustainability over the medium term or leave financial 'gaps' to be closed in future years. We have recognised that our plans, whilst remaining robust and ambitious also need to be flexible to handle most plausible scenarios, whilst recognising it is impossible to guarantee this.
- 1.8. To ensure the finances of the Council are robust and sustainable we will:
- Directly invest £9.1 million in our children's social care services, providing resources to meet costs arising from: the higher numbers of Looked After Children; the limited options to tackle the foster care / placement mix; and additional support for those moving from care to independent living;
  - Invest £8.2 million to protect our elderly citizens and vulnerable adults to fund additional demand and manage the cost of placements whilst continuing to make progress on our vision of greater integration between health and social care;
  - Invest £3.8 million to continue to support children and young people with disabilities placements and to ensure they can access appropriate support within their communities;
  - Invest £1.5 million in home to school transport to ensure we continue to provide services in line with our policy whilst being able to respond to the increasing demands on the service;
  - Provide £1.3 million to offset the loss of income earned on investing our cash balances given the continued low interest rates and the proposed alternative use of our cash balances limiting the potential for investment returns;
  - Invest £0.6 million to meet our cost of the health service's Agenda for Change programme on our public health contracts;
  - Invest £0.4 million to increase the capacity of our out-of-hours social care team; and
  - Invest £0.3 million in the Waste Management service to meet the increased demand as a result of housing growth.

- 1.9. We will provide £1.5 million to meet the operating cost to the Council of the Warwickshire Property and Development Company in its first year and to ensure effective governance capacity is in place to manage the financial and commercial risks. By the end of the MTFS we expect the Company to be delivering a surplus of £3.4 million a year.
- 1.10. We intend to continue and extend the approach adopted last year to investing our short-term resources to support the priorities of the Council Plan and to invest in Warwickshire's future. All will have an added focus on supporting recovery. We will merge the Place Shaping and Economic Growth Fund with the Commercial Fund to ensure greater clarity of purpose and replace the Sustaining Prevention Fund with a Preventing Vulnerability Fund to give a greater emphasis on invest-to-save investments that deliver community benefits.
- 1.11. We are determined to make the best use of the funding we have available ensuring investments are supported by robust business cases and realise benefits and help address long-term issues such as climate change. With evidence-based decision-making we are looking to make step changes towards the delivery of our service objectives whilst ensuring any allocations do not cause difficulties with sustainability over the medium term. We will continue with the rigorous prioritisation and evaluation processes before funding allocations are confirmed.
- 1.12. Our Investment Funds contain £15m revenue funding which will be topped up during the five-year period as our finances allow. The first opportunity will be alongside the 2020/21 outturn, when we have greater clarity about the costs of our Covid-19 response. These allocations are deliberately flexible and may be varied as bids emerge and are prioritised, subject to Cabinet consideration and approval.
- 1.13. We will bring forward proposals for a dedicated 'community wellbeing fund', to sit within the overall Preventing Vulnerability investment fund. This will support our outcome that communities and individuals are supported to be safe, happy and independent. A key priority for our response and recovery from the Pandemic is around local mental health support in our communities, ranging from support for children and young people to younger adults with autism and mental health needs, including those who self-harm, to services for older people with dementia. This aligns with the key priority in our Health and Wellbeing Strategy to 'help people improve their mental health and wellbeing, particularly around prevention and early intervention in communities'.
- 1.14. We will bring forward proposals, funded from our Place Shaping and Economic Growth Fund, for a 'social/community endowment fund' that will act as a catalyst for building

stronger communities by funding significant initiatives to help communities help themselves whilst delivering our outcomes for a stronger economy and better lives.

1.15. Our Investment Funds and the key projects that we expect to see come forward for approval are:

- Preventing Vulnerability Investment Fund

To pump prime up-front investment in demand management and early intervention initiatives prior to financial benefits accruing. As well as our community wellbeing fund, we expect proposals to be brought forward to support the next phase of SEND programme delivery, to promote positive mental health, to provide targeted family/parental support, to mitigate the impact of the second Covid-19 lockdown through early help and youth provision, to continue our partnership working on tackling substance misuse and homelessness across Warwickshire and to create a challenge fund for schools in deprived areas to help them deliver extra-curricular activity that will stretch and develop learners.

- Climate Change Fund

To invest in coordinating and pump priming work across the revenue and capital budget to implement the priorities flowing from the Council Plan and Recovery Plan that protect our residents and the County's environment for future generations. Initial priorities will be taking forward the eco-school's resolution agreed by this Council, a review of the Council's waste strategy and the development of business cases for further renewable energy schemes.

- Place Shaping and Economic Growth Fund

To support strategic investment in Warwickshire's economy and improving quality of life for residents and communities. Further projects we expect to be brought forward for consideration include the development of an economic recovery programme/plan for the county of Warwickshire, investment in 5G, continuing to push outcome-focussed commercial activity in specific and limited areas including the development of a Warwickshire Recovery and Investment Fund, an enhanced economic recovery programme focussed on skills and (re)-training to get back into work, particularly targeted at young people and business support programmes.

1.16. We recognise the increased demand for services to support victims of domestic abuse, both locally and nationally, during the Pandemic. We will allocate £0.100 million in each of the next two years and remove the need to deliver £0.100 million savings in 2022/23. We expect the £0.100 million saving still to be delivered and the funding reinvested in the service, including in prevention activity.

1.17. We will continue to be responsible and commit ourselves to targeting resources that will support our vision to make Warwickshire the best it can be, sustainable now and

for future generations. As well as identifying where we want to invest in services, we have also focussed on identifying where services to residents can be broadly maintained albeit delivered in a more cost-effective way in the future. We expect the Chief Executive to continue to drive forward our internal organisational change programme, investing the Change Fund, to ensure there is sufficient capacity to invest in ways to be more efficient and effective in maximising outcomes from local and national taxpayers' money, by driving savings/headcount reduction through digital, data and automation, setting financial return and pay-back periods for invest-to-save proposals and rationalising the County's estate, to meet the changing needs of our communities and the cost-effective delivery of services.

- 1.18. We will deliver £8.0 million of budget reductions in 2021/22, increasing to £48.3 million by 2026, through better procurement, improvements in efficiency, increased income and delivering reductions in demand. We all use the services the County Council provides. We also represent and will deliver value for money for the tax payers of Warwickshire.
- 1.19. We do acknowledge the need for an increase in local tax. We will use the opportunity provided by the government to levy an additional 3% council tax, phased across two years, to provide additional ring-fenced resources to fund adult social care services. We will take 1% of this additional levy in 2021/22 and propose to take the balance in 2022/23. In addition, we require an increase of 1.99% on the council tax for all other services. In total, this means a 2.99% council tax increase for 2021/22, equivalent to an increase of 86p per week for a Band D dwelling.

## **2. Adult Social Care**

- 2.1. Adult social care is our highest spending service. In December 2020 the Government announced that local authorities would be able to levy an additional 3% on top of their normal council tax increase, spread across the two years of 2021/22 and 2022/23, with this additional funding to be ring-fenced for use in adult social care.
- 2.2. We intend to take the additional 3% levy for adult social care, spread as 1% in 2021/22 and 2% in 2022/23 and will increase the resources available to deliver adult social care by at least the amount raised from the levy. The allocations we are making in 2021/22 and the indicative allocations for 2022/23 deliver on this commitment. We know that, both locally and nationally, this is a top priority for citizens, but we also recognise that taking all of the levy in the first year would be a significant additional financial burden for taxpayers in the current economic climate. We expect the Service to manage within the funding allocated in this resolution, including the additional funding provided by

the Government through the Better Care Fund to meet demographic, statutory and inflationary pressures. We expect the Service to continue to work with partners to manage the extent of any emerging demand-led spending pressure, thereby reducing the level of savings needed.

- 2.3. We believe this approach provides the flexibility needed by the Service to manage its resources in the most effective way. Our focus is the transformation of adult social care pathways, the enhancement of information and advice to enable people to shape their own solutions and working with communities to build capacity to manage demand. This decision will protect Warwickshire adult services at a time of long-life expectancies.

### **3. Dedicated Schools Grant**

- 3.1. We continue to expect the cost of funding schools and relevant pupil-related services to be contained within the level of the Dedicated Schools Grant (DSG). Our policy remains that we do not intend to subsidise the DSG from our own resources. We will continue to allocate resources to schools and other educational settings in accordance with the National Funding Formula for schools and early years.
- 3.2. We recognise that meeting our policy aspirations in relation to high needs services and support can only be achieved over the medium term; given the nationally growing demand for services and the lack of capacity in the system. We have established an ambitious and substantial transformation programme to tackle the significant pressures on the DSG budget. These substantial pressures reflect the national position.
- 3.3. The Schools Forum have agreed to transfer 0.5% (£1.824m) of DSG funding for schools to support high needs services in 2021/22 and we thank them for their support as we work together to identify solutions to help bring the high needs budget back into balance. We will continue to invest in building capacity locally, for example through the Warwickshire Academy in Exhall, and our wider transformation programme.
- 3.4. However, with the Government requiring all schools and early years services to be provided within the level of DSG allocated we recognise more still needs to be done to ensure the budget for these services is robust and sustainable. We require that a further report is brought to Cabinet, for approval, by September 2021 that sets out the next stage of our plans for how the DSG can be brought back into balance following consultation with partners across the sector, alongside an update on the benefits being delivered from the current improvement plan.
- 3.5. Whilst the next stage of the improvement plan is developed and implemented, or the Government brings forward proposals for funding DSG deficits at a national level, we

will ensure the Authority's overall financial resilience is maintained. We will set aside sufficient funding in reserves to create an equal and opposite position to offset the projected deficit until a sustainable solution is in place.

## 4. Revenue Allocations

- 4.1. To reflect the significant pressures on communities and the increasing demand for services we are responsible for, whilst ensuring we continue to develop so we can deliver the public services expected for the future, we are making allocations totalling £37.069 million.
- 4.2. We will provide £10.618 million for the estimated cost of pay and price inflation in 2021/22, allocated between Services as shown in **Appendix A**. In making this allocation it is acknowledged that the allocation to Services for inflation is an approximate cost, recognising that some costs will increase above the standard rate and some below. Once the overall allocation has been agreed, a Service will have the opportunity to allocate the funding provided to reflect where inflation will impact at a local level.
- 4.3. In addition to meeting the estimated cost of inflation we will also provide £26.451 million to meet additional spending need, of which £4.549 million is time-limited. Details of the allocations and how we expect the funding to be used are also detailed in **Appendix A** for permanent allocations and **Appendix B** for time-limited allocations.
- 4.4. Allocations for future years, as listed in Appendices A and B, are indicative at this stage. They are detailed as part of ensuring that our budget proposals are robust and sustainable over the medium term. We require the need for, and level of, all these allocations to be reviewed as part of the 2022/23 Medium Term Financial Strategy refresh.
- 4.5. We expect Services to manage all other issues in 2021/22 from within existing financial resource levels and support the planned use of £3.719 million of earmarked reserves to provide capacity to invest in service change and to allow space to effectively implement service redesign/reprioritisation.

## 5. Funding Sources

- 5.1. Over recent years we have taken the decisions necessary so we can continue to provide services to the residents and communities of Warwickshire whilst continuing to innovate and invest in ensuring our services are fit for the future. We are financially

resilient and hold reserves to manage financial risk and promote financial sustainability. However, we recognise the need to control the amount of scarce resources held in reserves and refine our approach to managing reserves to maintain a proportionate, sustainable, flexible and risk-based approach.

- 5.2. Our approach to the effective use of reserves is set out in **Appendix C**. It provides for increased transparency and accountability around reserves and ensures the framework is in place to align decision-making around the use of reserves with the Council Plan. We will continue to consider the advice and recommendations of our Strategic Resources for Director (Section 151 Officer) bi-annually as part of budget setting and after closing our accounts. We will look to utilise our reserves prudently whilst also recognising that this is taxpayers' money.
- 5.3. We will provide sufficient resources to ensure the level of General Reserves is at least consistent with that stated by the Strategic Director for Resources as the minimum level of general reserves given the financial risks facing the authority. We will retain the Revenue Investment Funds set up last year to deliver our investment proposals over the period of the Medium Term Financial Strategy and will undertake a further review at the end of each financial year to identify where there is scope to release further resources to support our investment proposals.
- 5.4. Our plan for budget reductions will generate savings of £7.969 million in 2021/22 and a further £40.242 million over the period of the Medium Term Financial Strategy. Approval is given to the plans for the delivery of these savings detailed in **Appendix D**. If during 2021/22 any of the budget reductions do not materialise to the degree shown, the Assistant Director in conjunction with their Strategic Director and Portfolio Holder should identify alternative proposals to ensure the required levels of reduced spend are delivered and report this as part of quarterly monitoring.
- 5.5. We will fund the £1.438 million deficit on previous years' council tax collection and retain the provision for further losses over the next few years until the economy and house building recovers.
- 5.6. Just under a third of the Authority's spending each year is on staffing. The proposals to deliver budget reductions will require, in some areas, a reduction in the number of posts. Policies and processes are in place to enable us to effectively redeploy people. However, it has to be recognised, some redundancies may be necessary. We will retain our £7.9 million Redundancy Fund for realigning services, or more specifically to fund the up-front costs of redundancy, should this be needed. All allocations from the Fund must be made in accordance with the protocol issued by the Strategic Director for Resources.

- 5.7. Included within the roll-forward budgets are a number of other grants we receive from the Government for specific purposes. Any variations to the levels of funding received will be matched by an equivalent adjustment in the budget for the respective service.
- 5.8. We will use business rates funding of £67.695 million to support the overall budget of the County Council. We recognise that the level of income we will receive from business rates remains a material financial risk, despite the additional hardship funding provided by the Government. In the event of business rates funding being above or below this level the variation will be managed by an adjustment to the Business Rates Volatility Reserve during 2021/22.
- 5.9. We will use £6.735 million of reserves in 2021/22 to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax taxbases.
- 5.10. **The council tax will increase by 2.99%.** With the other funding resources identified, this will fund the proposals contained within this resolution.

## **6. Medium Term Financial Strategy**

- 6.1. We will continue to operate with a rolling five-year MTFS where we can demonstrate that the finances of the authority are allocated in accordance with the priorities of the organisation and that the underpinning finances remain robust and our service delivery sustainable for the benefit of the residents and businesses of Warwickshire. We have a track record of delivering savings and this has served us well as we have steered the Authority through some undoubtedly challenging financial times. Looking forward we will be operating in an environment of increased uncertainty over both funding and demand as we strive to deliver on the objectives and outcomes as set out in the Council Plan and Recovery Plan.
- 6.2. We recognise that changes to the system of local government finance and the increasing moves towards self-sufficiency means our financial planning processes will need to change as the level of income from local taxation will become increasingly variable and unpredictable. Alongside supporting residents, individuals and businesses as society and the economy recovers from the Pandemic, technological developments, changing national and international economic relationships, the opportunities for commercial investment and the long-term challenge of climate change also mean our plans need to be more flexible than ever and able to adapt to change at pace whilst retaining a focus on our longer-term goals and ambitions.

- 6.3. Our Council Plan and Covid-19 Recovery Plan set out our ambitions and our operating model provides the framework to deliver them. We ask Corporate Board to develop commissioning strategies, action plans, key business measures and performance management requirements aligned and consistent with the available resources of the authority.
- 6.4. The indicative future spending allocations and planned reductions we have set out deliver a balanced MTF5 over the period of the Council Plan through to 2026. To do this requires a 1.99% annual increase in the council tax and taking the 3% flexibility allowed through the adult social care levy, phased 1% in 2021/22 and 2% in 2022/23. We accept that without this level of increase in council tax, or if future spending needs exceeds the indicative levels, further budget reductions will need to be identified and delivered to ensure the budget remains sustainable.
- 6.5. We therefore expect the focus of change to be on invest-to-save projects that will release the resources needed to invest in our ambitions. We require services to focus on the preventative agenda to manage demand downwards, so we can secure even more value for money. Investment decisions should be based on a more commercial approach, aligned with the recently approved commercial strategy. This work should drive the options for further budget reductions over the period of the MTF5.
- 6.6. We expect the MTF5 to reflect on and respond to the Council's key strategic risks of:
- The heightened economic and political uncertainty due to external factors, including the continuation of the Covid-19 pandemic into 2021;
  - The pace and ability to influence post-Covid economic recovery, and the impact of new European Union trading regimes on key sectors, 'place', local businesses, employment levels and re-skilling;
  - The widening inequalities, including learning gaps, and worsening health and well-being outcomes for communities;
  - The continuing demand and cost pressures on social care services and disruption to the care markets;
  - The safeguarding of children and vulnerable adults;
  - The continuing demand pressure on special educational needs and disability provision;
  - Changing how we work, taking advantage of opportunities to innovate and make the best use of our resources;
  - The delivery of our ambitions on the declared Climate Emergency; and
  - The impact of Local Government Reform.
- 6.7. We recognise our MTF5 means significant challenges for the organisation, including the changing way in which people want to access services. Our proposals recognise

that this will take time and investment and a broad engagement with all those affected, both inside and outside the organisation. Our MTFS requires the use of £32.9 million of reserves, including £6.7 million in 2021/22, to fund time-limited costs and budget allocations and to accommodate the differences in timing between spending need and the delivery of savings and/or growth in the business and council tax taxbases. The availability of this level of reserves is consistent with our Reserves Strategy, attached at Appendix C.

- 6.8. Whilst we have an excellent track record of delivering savings, we acknowledge that this needs to continue if our 2021/22 budget is to remain balanced and be sustainable over time. We ask Corporate Board to review the arrangements for the oversight of the delivery of the savings plan to ensure there is clarity about delivery and, where there are areas of concern, any necessary corrective action is put in place at the earliest opportunity.

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

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

*“The 2003 Local Government Act places specific responsibilities on me, as “Chief Financial Officer”, to report on the robustness of the budget and the adequacy of proposed financial reserves when the authority is considering its budget requirement. The Council is required to have regard to this report when it sets the budget. There are a range of other safeguards that I must also consider to prevent the Local Authority from over committing itself financially, including:*

- *the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992);*
- *the legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs (section 151 of the Local Government Act 1972).*

*The uncertainties of the economic environment, the fact we are awaiting a multi-year Spending Review settlement, the scale of the expenditure reductions required and the growing demands on services, mean that there are significant risks facing the Authority in delivering a balanced budget. In fulfilling the various responsibilities placed on me as Chief Financial Officer, I have set out below, what I see as the key risks associated with the proposed budget and how they can be managed, so that Members are clear on the risks associated with these budget proposals when making their budget decision.*

### **Risk 1 – Delivery of the Planned Budget Reductions**

*The planned budget reductions need to be fully implemented to ensure the Council's 2021/22 budget remains balanced and sustainable into the future. To mitigate this risk:*

- *Key policy changes associated with major savings proposals in 2021/22 have been identified;*
- *Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders have been charged with ensuring that processes are in place to ensure that the planned budget reductions are delivered to the required timetable;*
- *If the planned budget reductions are not delivered, Assistant Directors, Strategic Directors, the Chief Executive and Portfolio Holders are required to identify alternative ways of balancing the Service and/or Directorate budgets; and*
- *Monitoring of the delivery of the planned budget reductions will be extended to include the monitoring of project delivery milestones to ensure decisions are taken in a timely manner and implementation timescales are met.*

### **Risk 2 – On-going Impact of the Covid-19 pandemic**

*This budget is being agreed at a time when the country remains in a national lockdown. The Council is currently in the midst of the response phase to the additional demand for services from residents and communities. The timing and potentially phased relaxation of the current restrictions is currently unknown, and this will determine how and when we can transition from response to recovery. Although we are due to receive £10.8 million Government support into 2021/22 the level of uncertainty means we do not know if this will be sufficient or, if it is not, whether additional funding from the Government will be forthcoming. There is also a lack of clarity as to the extent of any on-going support from health for the additional adult social care costs being experienced and any extension of the current levels of support for businesses and individuals, including the furlough scheme.*

*The potential additional costs and loss of income need to be managed to ensure the Council's 2021/22 budget remains balanced and sustainable into the future. To mitigate this risk:*

- *All Covid-related funding received is managed corporately, with decisions on the allocation of any resources requiring Corporate Board approval to ensure the effective use of resources;*
- *The prioritisation of investment to support recovery in the use of the revenue and capital investment funds;*
- *The creation of a taxbase volatility reserve, alongside the existing business rates appeals reserve to provide for any deficits on the collection of the council tax and business rates from the current economic downturn; and*
- *The reflection of a gradual economic recovery in projections of future resource levels in the Medium Term Financial Strategy.*

**Risk 3 – Repayment of Overspends**

*Arrangements will need to be put in place, as part of the financial outturn report to Cabinet and this budget resolution, to stabilise the financial position of those services overspending. If overspends occur in future years, services will need to deliver additional budget reductions to repay overspends as well as delivering the planned budget reductions in 2021/22. The flexibility to manage this through reserves is reduced as a result of the use of reserves proposed in this resolution.*

*However, the retention of directorate risk reserves, equivalent to 3% of their net budget, should enable services to manage any in-year overspends without impacting on service delivery.*

**Risk 4 – Dedicated Schools Grant Deficits**

*There is a financial risk to the Authority as a result of the new provisions that local authorities will not be permitted to fund any part of the DSG deficit without the authorisation of the Secretary of State, in the absence of any extra funding to resource any deficit. This has been mitigated by an equal and opposite provision in reserves to offset the projected deficit, but this does not provide a long-term solution or remove the need to identify options for bringing spending into line with the level of DSG received.*

**Risk 5 - Treasury Management**

*The level of interest receipts and return on Treasury Management activities and borrowing costs are subject to market rates. Members are advised of this risk each year and this is mitigated by application of the Council's annual Treasury Management Strategy. However, actual interest returns/costs are determined by a variety of factors largely outside the Council's control.*

*The capital programme, setting up of the Warwickshire Property Company and the support for the proposed development of a Warwickshire Recovery and Investment Fund, highlighted in this budget resolution and the accompanying capital budget resolution, will create additional financial risk for the Council from the associated treasury management and investment activity. These risks have been mitigated as far as possible through the governance arrangements that are, or will be, put in place, but the risk cannot be completely removed. Collectively the proposals will see a material increase in the Council's borrowing and, alongside the significant use of reserves proposed in the Medium Term Financial Strategy, this will increase the requirement to ensure we have sufficient liquid cash balances to manage our day-to-day activity.*

*It will mean decision-making will need to take a broader range of financial risk criteria into account than has traditionally been necessary.*

**Risk 6 – Uncertainty of the National Funding Position**

*There is uncertainty around the national funding position for local government as a result of the lack of a three-year Comprehensive Spending Review, wider economic uncertainty*

*given the need to agree and work within new EU and international trade agreements. This means we need to have a higher level of general reserves, and may face more significant revenue pressures until the multi-year spending review which it is hoped will be received later this year.*

**Risk 7 – Local Government Funding Reform**

*The changes to the funding of local authorities, making us more dependent on the level of business rates collected locally, is likely to result in volatility to the Council's funding to a greater extent than in previous years. This places greater importance on the need to maintain reserves to manage any volatility. There is also greater uncertainty with the pending Fair Funding review of local government and how this may affect the resources available to the Council.*

**Risk 8 – Pensions**

*Given the range of possible changes to the Local Government Pension Scheme, this remains a key risk for the Council, in terms of possible costs arising from any new scheme and the financial consequences of large numbers of staff leaving the scheme.*

**Risk 9 – Impact on the Medium Term Financial Strategy**

*The Medium Term Financial Strategy (MTFS) outlines the significant additional financial challenge to the authority in future years. The indicative future spending allocations and planned reductions deliver a balanced MTFS over the period of the Council Plan with a 1.99% annual increase in the council tax in future years plus the additional 2% adult social care levy in 2022/23. Without this level of increase in council tax, or if future spending needs exceeds the indicative levels, further budget reductions will need to be identified and delivered to ensure the budget remains sustainable. Given this challenge Members are advised it is important that decisions taken in agreeing the 2021/22 budget do not increase this financial risk. The commitment of Members to meet the financial challenges ahead and take the decisions needed to ensure the finances of the authority remain robust into the future is welcomed.*

*The budget information used in preparing this budget resolution has undergone extensive scrutiny by:*

- Assistant Directors and their staff;*
- Staff within the Finance Service; and*
- Corporate Board.*

*In addition to this I have worked closely with members in preparing this budget resolution. In overall terms I am of the view that this revenue budget has been prepared on realistic assumptions in an uncertain environment and that as such it represents a robust, albeit challenging, budget.*

*I have also undertaken a risk analysis of the adequacy of financial reserves, taking account of the financial risks above. This highlighted the need to retain a minimum of £21.4 million in general reserves in 2021/22. This resolution makes provision for this level of reserves. I am therefore of the view that this budget does provide for an adequate level of reserves."*

## 8. Summary of Service Estimates

8.1. Approval be given to the individual service net revenue estimates shown below, which will be finalised for the service estimates to be presented to Cabinet in March 2021 of:

	Base Budget £	Additional Investment £	Funding Sources £	Total £
Education Services	125,587,154	6,355,000	(44,000)	131,898,154
Environment Services	25,863,439	266,000	(352,000)	25,777,439
Fire and Rescue Service	21,851,946	436,000	(385,000)	21,902,946
Strategic Commissioning - Communities	21,184,330	1,773,000	(95,000)	22,862,330
Adult Social Care	153,127,335	8,181,000	(1,867,000)	159,441,335
Children and Families	60,760,274	9,139,000	(1,632,000)	68,267,274
Strategic Commissioning – People	33,356,498	1,443,000	(287,000)	34,512,498
Business and Customer Services	18,303,246	120,000	(524,000)	17,899,246
Commissioning Support Unit	6,042,401	128,000	(46,000)	6,124,401
Enabling Services	24,807,801	688,000	(1,118,000)	24,377,801
Finance	5,379,891	150,000	(16,000)	5,513,891
Governance and Policy	1,976,785	0	(358,000)	1,618,785
Other Services – spending	29,861,490	8,390,000	(1,245,000)	37,006,490
Other Services - schools and funding	(92,269,000)	0	(139,681,000)	(231,950,000)
	<b>435,833,590</b>	<b>37,069,000</b>	<b>(147,650,000)</b>	<b>325,252,590</b>
<u>Contributions to/(from) reserves:</u>				
- Service Reserves	3,719,000	0	0	3,719,000
- General Reserves	0	0	(6,735,412)	(6,735,412)
<b>Budget Requirement</b>	<b>439,552,590</b>	<b>37,069,000</b>	<b>(154,385,412)</b>	<b>322,236,178</b>

## 9. Council Tax Requirement

- 9.1. Approval is given to a council tax requirement and a Band D Council Tax for the County Council for the year ending 31 March 2022 as follows:

	£
Budget Requirement	322,236,177.65
Less Council Tax Surplus on Collection	1,438,435.00
<b>Council Tax Requirement for the year ended 31 March 2022</b>	<b>323,674,612.65</b>
Divided by aggregate Council Tax Base for the County Area	211,067.82
<b>Basic Amount of Council Tax (Band D)</b>	<b>1,533.51</b>

## 10. Council Tax

- 10.1. The council tax for 2021/22 is increasing by 2.99%. Therefore, approval is given to Council Tax amounts for each category of property as follows:

	£
Band A	1,022.3400
Band B	1,192.7300
Band C	1,363.1200
Band D	1,533.5100
Band E	1,874.2900
Band F	2,215.0700
Band G	2,555.8500
Band H	3,067.0200

## 11. Precepts

- 11.1. The Chief Executive is authorised to issue the 2021/22 precepts on the Warwickshire billing authorities, as follows:

	£
North Warwickshire Borough Council	32,312,696.56
Nuneaton and Bedworth Borough Council	58,899,205.43
Rugby Borough Council	59,401,245.94
Stratford-on-Avon District Council	87,312,569.43
Warwick District Council	85,748,895.29

## **12. Budget Management**

- 12.1. The Chief Executive is directly responsible for the implementation of the budget.
- 12.2. Cabinet will continue to receive quarterly reports on service performance, financial performance and progress on the delivery of the savings plans.
- 12.3. The Chief Executive and Strategic Director for Resources are authorised to vire revenue budgets between Services where such virements are as a direct consequence of the specific spending allocations, delivery of the planned net reductions and funding strategies contained in this resolution and the accompanying capital budget resolution.
- 12.4. The Chief Executive and Strategic Director for Resources, in consultation with the Leader, are authorised to reverse allocations made as part of this budget process where the investment does not progress.
- 12.5. The Chief Executive and Strategic Director for Resources are authorised to draw down from reserves and vire money between reserves where these adjustments are as a direct consequence of the specific spending allocations, delivery of the planned budget reductions and funding strategies contained in this resolution and the accompanying capital budget resolution.
- 12.6. The Chief Executive and Strategic Director for Resources are authorised to make the necessary budget adjustments to fund the new responsibilities given to the County Council during the year, or where responsibility for services transfers out, up to the level of Government funding provided/withdrawn.
- 12.7. The Chief Executive is instructed to remind the 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 Services' work to secure value for money.
- 12.8. Services, and also schools, are encouraged to take a medium term view of spending commitments and ensure a prudent approach is adopted in entering into initiatives which create commitments in future years and developing clear strategies for the utilisation of service reserves.
- 12.9. All member bodies, Members and officers are instructed to comply with the prescriptive legal duties placed upon the Council. The Chief Executive, Strategic

Directors, Chief Fire Officer and Assistant Directors are instructed to ensure that the implementation of policies complies with legal requirements.

- 12.10. That 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.

### **13. Pay Policy**

- 13.1. Section 38 of the Localism Act 2011 requires us, as a local authority to prepare and approve an annual pay policy statement by 31 March, immediately preceding the year to which it relates.
- 13.2. The pay policy statement must set out the authority's policies for the financial year relating to the remuneration of chief officers (which, in the case of the County Council, includes the Chief Executive, Strategic Directors and Assistant Directors) and the remuneration of employees who are not chief officers.
- 13.3. Our pay policy statement that meets these statutory requirements is set out in **Appendix E** and the County Council agrees the application of these remuneration policies for the financial year 2021/22.

## 2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Education Services</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service.	536	547	559	569	581
<b>Home to school transport</b> - An allocation to meet the demand for home to school transport for pupils and students; thereby ensuring that eligible children have a seat to get to and from school.	1,517	1,288	1,453	1,400	1,500
<b>Direct payments for children with disabilities</b> - An allocation to continue to support the children and young people with disabilities who already receive a direct payment and to reflect the continuing growth in overall numbers. The increase will enable children and young people to access the appropriate support within their own community; promoting learning, inclusion, social opportunities, independence and skills for life.	308	50	53	56	59
<b>Placements for children with disabilities</b> - An allocation to continue to support current placements and to meet the expected demand for future placements. This will ensure looked after children are in appropriate specialist places to meet their need.	3,457	478	198	206	215
<b>Education psychology service</b> - An allocation to increase capacity in the service to meet the growth in the number of Education Health and Care referrals and to engage in more preventative work with longer term benefits for students and the budget.	200	0	0	0	0
<b>Total Education Services</b>	<b>6,018</b>	<b>2,363</b>	<b>2,263</b>	<b>2,231</b>	<b>2,355</b>

## 2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Environment Services</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service, including the cost of highways maintenance contract inflation above the level of general provision for price inflation.	266	274	278	283	288
<b>Total Environment Services</b>	<b>266</b>	<b>274</b>	<b>278</b>	<b>283</b>	<b>288</b>
<b>Fire and Rescue</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service.	71	73	74	75	77
<b>Firefighter pension fund</b> – An allocation to meet the administration cost of the Firefighter Pension Fund required to be accounted for separately rather than as part of the Warwickshire Pension Fund.	65	0	0	0	0
<b>Total Fire and Rescue</b>	<b>136</b>	<b>73</b>	<b>74</b>	<b>75</b>	<b>77</b>

## 2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Strategic Commissioning for Communities</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service, including the cost of waste management contract inflation above the level of general provision for price inflation.	568	584	509	516	522
<b>Waste management</b> - An allocation to address the increased waste management costs being incurred as a result of housing and population growth within the county and as set out in the District and Borough Council Local Plans.	300	300	300	300	300
<b>Civil parking enforcement</b> - An allocation to reduce the budgeted income from civil parking enforcement following the Cabinet decision not to fully implement proposed increases in parking charges.	198	0	0	0	0
<b>Infrastructure and sustainable communities resource</b> - An allocation to increase the staffing capacity of the team to support for the Authority's activity around the national cycling tours, infrastructure development and HS2.	96	0	0	0	0
<b>Total Strategic Commissioning for Communities</b>	<b>1,162</b>	<b>884</b>	<b>809</b>	<b>816</b>	<b>822</b>

## 2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Adult Social Care</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service, including the cost of average care provider inflation above the level of general provision for price inflation.	4,450	4,614	4,673	4,726	4,844
<b>Care demand for adults</b> - An allocation to meet the cost of increase in demand for adult social care due to population growth, the increased length of support and intensity of care need as a result of increased life expectancy and the estimated reduction in people who can fund their own care over time.	3,354	3,680	4,000	4,000	3,800
<b>Liberty Protection Standards</b> - An allocation to meet the estimated cost of implementing the new legislative requirements around Liberty Protection Standards from 1 October 2020.	250	0	0	0	0
<b>Emergency duty team capacity</b> - An allocation to increase capacity of the out of hours social care team to meet the demand increases seen across Children and Adults. The total £0.4m cost is split between Children's Services, Adult Social Care and Business Support.	127	0	0	0	0
<b>Total Adult Social Care</b>	<b>8,181</b>	<b>8,294</b>	<b>8,673</b>	<b>8,726</b>	<b>8,644</b>

## 2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Children and Families</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service.	715	730	744	758	774
<b>Child allowances</b> - An allocation to meet the costs of increased demand for Special Guardianship Orders, Residential Orders and Child Arrangements Orders to support children to leave or avoid care through allowances for extended family members caring for children.	275	102	124	85	98
<b>S17 children</b> - An allocation to meet the increased costs associated with support for parents and children to remain together at home, providing support for families who are destitute.	55	11	12	11	12
<b>Children leaving care supported accommodation</b> - An allocation to fund the increased cost of supported accommodation for those aged 16 plus, particularly care leavers, due to continued increases in the complexity of placements driving cost increases.	1,026	107	113	120	127
<b>Children's placements (exc. children with disabilities)</b> - An allocation to meet the impact of fostering/placements framework contracts and changes to the placement mix on costs.	5,839	1,276	722	763	799
<b>Legal cost pressures</b> - An allocation to meet the increased cost of legal fees as a result of increases in the number of cases requiring court action and in the timescales for these proceedings to be carried out.	250	0	0	0	0

## 2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Homelessness support service for care leavers to age 25</b> - An allocation to replace the previous DfE grant funding and so allow continuation of the statutory service at the current level.	95	0	0	0	0
<b>MASH capacity</b> - An allocation of further resource needed to provide oversight, leadership and capacity within the Multi-Agency Safeguarding Hub.	265	0	0	0	0
<b>Emergency duty team capacity</b> - An allocation to increase capacity of the out of hours social care team to meet the demand increases seen across Children and Adults. The total £0.4m cost is split between Children's Services, Adult Social Care and Business Support.	199	0	0	0	0
<b>Children's other pressures</b> - An allocation to meet a range of additional cost pressures across the service, including the Privileged Access Management system replacement, targeted staffing across Children's social care, removing internal charging for Youth community centres.	420	0	0	0	0
<b>Total Children and Families</b>	<b>9,139</b>	<b>2,226</b>	<b>1,715</b>	<b>1,737</b>	<b>1,810</b>
<b>Strategic Commissioning for People</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service.	566	578	589	601	613
<b>Agenda for Change</b> - An allocation to meet the increased cost of Public Health contracts with the NHS to fund the health sector pay uplift.	627	0	0	0	0
<b>Total Strategic Commissioning for People</b>	<b>1,193</b>	<b>578</b>	<b>589</b>	<b>601</b>	<b>613</b>

## 2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Business and Customer Support</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service.	46	47	49	50	50
<b>Emergency duty team capacity</b> - An allocation to increase capacity of the out of hours social care team to meet the demand increases seen across Children and Adults. The total £0.4m cost is split between Children's Services, Adult Social Care and Business Support.	74	0	0	0	0
<b>Total Business and Customer Support</b>	<b>120</b>	<b>47</b>	<b>49</b>	<b>50</b>	<b>50</b>
<b>Commissioning Support Unit</b>					
<b>Contract management and quality assurance</b> - An allocation to provide for increased capacity to progress commissioning savings across the Council.	128	0	0	0	0
<b>Total Commissioning Support Unit</b>	<b>128</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Enabling Services</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service.	264	269	274	280	286
<b>Licence and cloud costs</b> - An allocation to meet the additional licence and cloud costs as a result of the new approach to the delivery of ICT, including as a result of the move from Google to Microsoft.	240	300	0	0	0

## 2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Recruitment</b> - An allocation to the HR Service to recentralise aspects of the recruitment process that is currently delegated to managers to improve the efficiency and effectiveness of the process and reduce the pressure on managers.	120	0	0	0	0
<b>Pensions payroll</b> - An allocation to increase the capacity of the service to meet the requirements of the Warwickshire Pension Fund.	64	0	0	0	0
<b>Total Enabling Services</b>	<b>688</b>	<b>569</b>	<b>274</b>	<b>280</b>	<b>286</b>
<b>Corporate Services</b>					
<b>Inflation</b> - An allocation to meet the cost of net price inflation across the Service.	85	86	89	90	92
<b>Insurance</b> - An allocation to meet the estimated additional cost of the Council's insurance as a result of schools moving to a nationally administered scheme reducing economies of scale and adverse market conditions, reduced market capacity and emerging Covid-related claims.	0	647	125	138	154
<b>Coroners Service</b> - An allocation to meet the County Council's share of the appointment of a part time Area Coroner appointment.	40	0	0	0	0
<b>Interest income reduction</b> - An allocation to offset the loss of income earned on investing our cash balances as a result of continued low interest rates and alternative use of cash balances limiting the potential for investment returns.	1,313	500	500	0	0

## 2021-26 Permanent Investments

Purpose of the Allocation by Service	Allocation for	Indicative Allocation for Future Years			
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>DSG deficit offset funding</b> - An allocation to ensure that the Authority's overall financial position is sustainable over the medium term by setting aside sufficient resources to fund the structural deficit in the DSG High Needs budget.	0	0	0	0	7,798
<b>Provision for pay inflation</b> - A provision for the cost of a 2% pay uplift for all Services pending final decisions on any pay award for 2021/22 and beyond.	3,051	3,111	3,175	3,242	3,241
<b>Provision for future indicative spending pressures</b> - A provision for future unknown and unquantified spending need to mitigate future potential costs as part of ensuring the Council's services are sustainable over the medium term.	1,000	5,250	5,250	5,250	5,250
<b>Total Corporate Services</b>	<b>5,489</b>	<b>9,594</b>	<b>9,139</b>	<b>8,720</b>	<b>16,535</b>
<b>Total Annual Permanent Spending Allocations</b>	<b>32,520</b>	<b>24,902</b>	<b>23,863</b>	<b>23,519</b>	<b>31,480</b>
<b>Cumulative Permanent Spending Allocations</b>	<b>32,520</b>	<b>57,422</b>	<b>81,285</b>	<b>104,804</b>	<b>136,284</b>

## Time-limited Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years			
		2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Education Services</b>					
<b>Specialist Provision in Nuneaton and Bedworth (Warwickshire Academy)</b> - A time-limited allocation to increase state-funded specialist education provision in Warwickshire to meet population growth. This provides for short-term funding for the Dedicated Schools Grant place funding lag. Together with the allocation below for the property costs, the project will result in the better use of resources by educating young people with SEND in provision in-County.	337	982	673	0	0
<b>Total Allocation - Education Services</b>	<b>337</b>	<b>982</b>	<b>673</b>	<b>0</b>	<b>0</b>
<b>Fire and Rescue</b>					
<b>Fire Protection</b> - Second year of a two-year allocation to restructure Fire Protection team in anticipation of the conclusion of the Hackitt review and meet the increasing level of demand for statutory inspections. Once the team is fully developed they will be in a position to roll out a wider offer to local businesses which should generate income and make the activity sustainable.	300	0	0	0	0
<b>Total Allocation - Fire and Rescue</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Time-limited Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years			
		2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Strategic Commissioning for Communities</b>					
<b>LEP Growth Hub</b> - Second year of a two-year allocation to continue Warwickshire County Council's investment in the Coventry and Warwickshire Growth Hub. The allocation supports a simplified, co-ordinated and coherent approach to business support across the Coventry & Warwickshire area, making it easier and more likely that businesses will access support to help them grow.	128	0	0	0	0
<b>HS2</b> - Annual allocation to continue work to mitigate the impacts of HS2 on Warwickshire residents and communities, offset by ensuring contributions from HS2 are maximised.	133	103	103	103	103
<b>City of Culture</b> - Years two and three of a three-year allocation to continue investment on the City of Culture to deliver economic benefits to Warwickshire's communities and businesses.	250	250	0	0	0
<b>Cycle-racing</b> - Second year of a two-year allocation to continue to provide funding to support the cycling events.	100	100	0	0	0
<b>Total Allocation - Strategic Commissioning for Communities</b>	<b>611</b>	<b>453</b>	<b>103</b>	<b>103</b>	<b>103</b>

## Time-limited Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years			
		2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Strategic Commissioning for People</b>					
<b>Homelessness</b> - Final year of a three-year allocation to continue joint investment project with Rugby Borough Council.	150	0	0	0	0
<b>Domestic abuse</b> - A two year allocation to reflect the current pressure on the service to support the Authority's work with victims of domestic abuse and invest in prevention activity.	100	100	0	0	0
<b>Total Allocation - Strategic Commissioning for People</b>	<b>250</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Finance</b>					
<b>Invest to save for Redesign</b> - A time-limited allocation to provide additional capacity for process redesign and to implement new digital and automation technologies including IT systems investment costs. This investment is required to support the delivery of the Finance Service savings proposals.	150	100	100	100	0
<b>Total Finance Service</b>	<b>150</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0</b>

## Time-limited Investments

Purpose of the Allocation by Service	Allocation for 2021/22 £'000	Indicative Allocation for Future Years			
		2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Corporate Services</b>					
<b>DSG deficit offset funding</b> - A time-limited allocation to ensure that the Authority's overall financial position is sustainable over the medium term by setting aside resources on an annual basis to need the forecast deficit until a sustainable solution is put in place.	1,364	6,181	6,601	8,005	0
<b>Warwickshire Property and Development Company</b> - A time-limited allocation to provide sufficient funding to meet the cost to the Authority in the first two years of the company's operation, prior to it becoming profitable and providing resources to help in balancing the budget.	1,537	1,084	0	0	0
<b>Total Corporate Services</b>	<b>2,901</b>	<b>7,265</b>	<b>6,601</b>	<b>8,005</b>	<b>0</b>
<b>Total Time-Limited Allocations</b>	<b>4,549</b>	<b>8,900</b>	<b>7,477</b>	<b>8,208</b>	<b>103</b>

# Reserves Strategy 2021-26

## Introduction



**Councillor Peter Butlin**  
Deputy Leader and Portfolio  
Holder for Finance and  
Property

I am delighted to be able to endorse this reserves strategy. It provides a clear framework for making sure the ‘rainy-day’ money we hold is effectively managed to meet the financial risks and uncertainties we face whilst enabling us to hold less overall and providing capacity for investing in the delivery of the Council Plan.

It faces head-on Members’ concerns about the number of reserves, the amount of money tied up and the lack of clarity about how specific financial risks are being managed. Most importantly it supports the building of a common understanding that balances ensuring we remain a financially resilient authority with identifying whether resources could be released for investment in the objectives we are working towards.



**Rob Powell**  
Strategic Director for  
Resources

Part of my role, as Strategic Director for Resources and the Council’s s151 officer, is to report on the adequacy of the Authority’s financial reserves and that they are sufficient to ensure the Authority remains financially sustainable and resilient over the medium-term.

This reserves strategy sets out why effective management of reserves is important, how we make decisions about the level of reserves to hold and how our approach enables us to deliver on this.

Our approach will be a success if across the Council it is understood that the money we have in reserves is proportionate to the risks and uncertainties we face, promotes financial resilience and is actively managed to identify where one-off resources that can be invested in support of our outcomes and key objectives.

## Section 1: The Purpose of our Reserves Strategy

### What are Reserves?

Reserves are revenue resources we have accumulated over time and set aside for a particular purpose as part of an integrated approach to the financial management of the Authority over the short, medium and long-term.

### What is a Reserves Strategy?

A reserves strategy sets out the choices we make in relation to the level and purposes for which we hold the reserves we have accumulated. It is made up of three key elements:

1. Our strategic intent – what we are seeking to achieve through holding reserves;
2. Our programme – the level of reserves we hold and our plans for their use over the period of the 2021-26 Medium Term Financial Strategy (MTFS); and
3. Our framework – the way we will determine the level of reserves we need, manage those reserves and plan for their use in line with best practice and statutory requirements.

Together these elements set out our ambition for reserves, the nature of that ambition and how we provide assurance.

### Why do we need a Reserves Strategy?

We plan over the short term and medium term how we will use the resources we are allocated and raise to deliver services for and to the residents and communities of Warwickshire. As a large, complex organisation there will always be variations between our actual spending/income and our plans due to variations in demand, demographic change, changes in costs and funding decisions of third parties as well as needing to deliver projects and investments spanning more than one financial year.

To ensure we can manage these financial risks whilst being able to maintain services requires that the Authority holds funds in reserve to meet these costs as and when they arrive. A reserves strategy enables us to do this in a planned way.

### How does it fit with our other strategies?

The reserves strategy is part of a suite of supporting strategies that supplement the 2021-26 Council Plan and MTFS. All the supporting strategies are aligned to the Council Plan and MTFS and provide an additional level of granularity that help create a bridge between the high-level over-arching plan and operational delivery. As such it forms part of a collective accountability framework for the management of the Authority's financial resources.

Maintaining the current high standards of financial management across the organisation is critical to the successful delivery of the 2021-26 Council Plan and MTFS. Any weakening of financial management has a direct impact on the level of reserves needed to offset the risk of services overspending and/or the non-delivery of savings targets. The central role in the management of the Authority's reserves lies with Strategic Directors, both individually and collectively, with support and advice from Finance.

## Section 2: Our Reserves

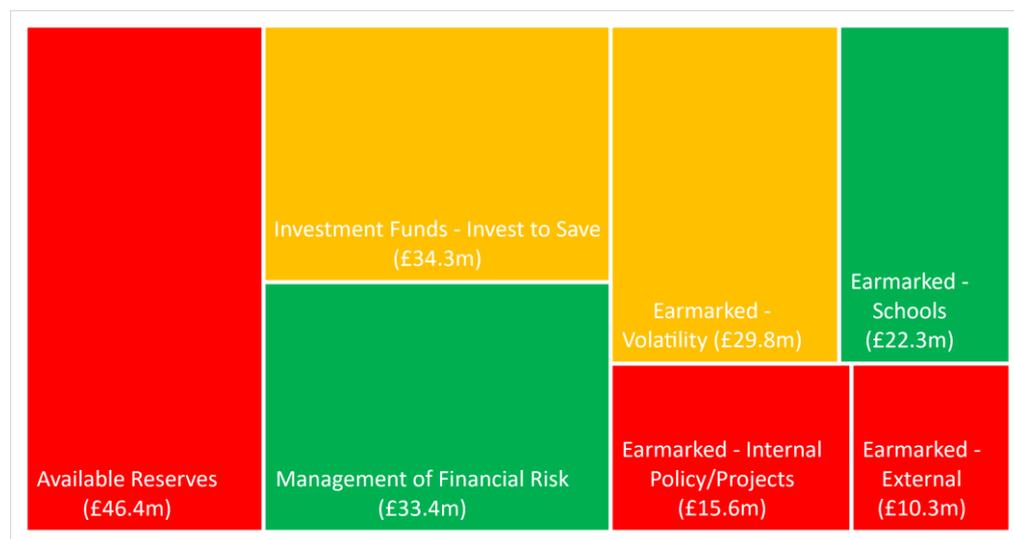
Our drivers for holding reserves are to:

- a) Manage financial risk so that the risk materialising does not undermine the Authority's overall financial position or impact on service delivery;
- b) Plan for the effective use of project resources over time;
- c) Ensure we meet funding conditions in our use of any available resources; and
- d) Retain any other accumulated underspends prior to decisions on their use.

We will always need to retain reserves for each of these reasons. All reserves that do not fall into categories a) to c) automatically fall into category d).

Our reserves are forecast to be £192.1 million at the end of 2020/21. We are holding the £192.1m for the following reasons:

- a) £63.2 million to manage financial risk, including volatility;
- b) £49.9 million for investment in projects to drive forward the delivery of the Council's objectives;
- c) £32.6 million to meet externally set funding conditions; and
- d) £46.4 million available for investing to pump-prime the delivery of the Council's key objectives



Key	
Not available for use	<span style="display: inline-block; width: 15px; height: 10px; background-color: #800000;"></span>
To be reviewed on an annual basis	<span style="display: inline-block; width: 15px; height: 10px; background-color: #FF8C00;"></span>
Available for investment	<span style="display: inline-block; width: 15px; height: 10px; background-color: #90EE90;"></span>

## Section 3: Our Reserves Framework

The Reserves Framework sets out our accountability and governance arrangements around the retention and use of reserves. In doing so it balances speed of decision-making with Member oversight and accountability for decisions about the effective use of the Council's resources.

### Guiding principles for managing and using Reserves

Our guiding principles for managing and using reserves are:

- The primary purpose is to manage financial risk and promote financial sustainability.
- Subject to meeting this requirement we will:
  - Maximise the ability to use reserves flexibly to deliver the organisation's priorities;
  - Control the amount of scarce resources held in reserves; and
  - Hold reserves at a corporate/directorate level unless there is a business/technical reason for not doing so.
- The planned use of reserves will be agreed as part of the annual budget setting and medium-term financial planning process. Other than in exceptional circumstances the planned use of reserves is only expected to change in year as a result of:
  - Change projects approved by Corporate Board/Members; and
  - Adjustments to reflect the impact of the previous year's outturn that were not known at the time the budget for the year was agreed.
- Service risk reserves will be held at Directorate level to manage in-year financial risk and to cover any over/underspends across the Directorate at the end of the year.
- All reserves will be subject to a year-end review to ensure the reason for holding the reserve and the plans for its use aligns with the MTFS and this strategy.
- Reporting on each reserve and seeking approval for any variations or to create a new reserve will form part of the quarterly monitoring report to Corporate Board and Cabinet.

### Year-end review of reserves

All reserves will be subject to a year-end review by the relevant Strategic Directors in conjunction with the Assistant Director - Finance. At the end of each financial year for each reserve a delivery plan will be prepared that sets out:

- Plans for use of the reserve including sunset clauses/closure dates
- Benefits to be delivered from the investment
- Without an approved delivery plan in place a reserve cannot be accessed

The outcome of this review will be a report to Cabinet in June each year seeking approval for further use of reserves in the current financial year and to identify where there are additional reserves to support the MTFS roll-forward.

### Management of Financial Risk - Corporate

- Level of reserve set by the Strategic Director for Resources (as Section 151 officer) as the minimum amount required, based their assessment of the financial risks facing the organisation and the extent to which these are covered elsewhere
- Allocations approved by full Council based on a recommendation from Cabinet or the Strategic Director for Resources
- Any approved use to be replenished up to the minimum level as part of setting the Council's budget for the following financial year

### Management of Financial Risk - Directorate

- To manage in-year financial variations e.g. fluctuations in demand, financial risks associated with the delivery of the savings plan and to manage any overspend
- Maximum of 3% of the Directorate net revenue budget
- Held at Directorate level with the Strategic Director accountable
- Decisions and proposals reported to Cabinet as part of the outturn report each year with any use replenished as part of setting the Directorate's financial planning for the following financial year

### Volatility

- To manage areas of spending where cost in any one year is variable and unpredictable but where annual fluctuations are averaged out over the medium-term
- The continued need for and level of all volatility funds will be subject to an annual review. Held at both Directorate and Corporate level with accountability at Assistant Director level
- In-year governance arrangements approved by the Strategic Director as part of the Council's scheme of delegation

### Earmarked

- To manage external funding received for specific purposes where the decisions on how the funding is used is not wholly within the control of the Council
- Held at Service level with accountability at Assistant Director level
- Governance arrangements agreed as part of the approval process for setting up the reserve, but will be determined by the requirements of the individual ring-fence

### Investment Funds

- Funds set up to provide pump-priming investment to deliver on the Council's key objectives
- Held at Service level with accountability at Assistant Director level
- Governance arrangements agreed as part of the approval process for the investment if the project plan is to straddle more than one financial year
- All Investment Fund reserves expected to be time-limited and subject to annual review

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Education Services</b>					
<b>Education change programme</b> - Process efficiencies in provision of Education Services from the Special Educational Needs and Early Years transformation programmes	0	55	336	721	721
<b>Attendance service</b> - Review of delivery of the pupil attendance statutory services.	0	0	10	0	0
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money.	34	29	32	32	0
<b>Maximise traded income from Education Service</b> - Increase traded income from Governor and Attendance service as well as review and modernise music services.	10	10	12	0	0
<b>Vacancy management</b> - Recognise natural underspends from staff turnover and operating under-capacity.	0	100	0	0	0
<b>Total Reductions - Education Services</b>	<b>44</b>	<b>194</b>	<b>390</b>	<b>753</b>	<b>721</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Environment Services</b>					
<b>Expansion of traded income across the service - Areas to be targeted for increased income include</b> improving efficiencies and increasing income from external contracts, new future external contracts and MOT sales to public, enforcement income from network management, ecology surveys and the forestry service.	200	360	285	80	80
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money	152	130	143	143	0
<b>Management of cost of Environment Service provision</b> - Management of the budgeted cost increases of externally purchased services	0	182	185	189	197
<b>Management of highways maintenance costs</b> - Including review of highways maintenance spend, road conditions survey work and capitalisation of contract overheads	0	575	0	0	0
<b>Review of trading standards community safety provision</b> - Efficiencies in community safety provision	0	0	45	0	0
<b>Winter gritting service review</b> - Review of winter gritting service with a view to reducing expenditure through more efficient services including the use of thematic routes to optimise services.	0	0	0	250	0
<b>Total Reductions - Environment Services</b>	<b>352</b>	<b>1,247</b>	<b>658</b>	<b>662</b>	<b>277</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Fire and Rescue Service</b>					
<b>Day crew plus fatigue mitigation</b> - Review of the level additional funding allocated to mitigate the fatigue risk posed by the day-crewed-plus crewing system. The change delivers a long term saving of £140,000 a year, with higher savings possible as the service change is implemented in 2021/22.	370	(230)	0	0	0
<b>Fleet transport savings</b> - Revenue savings from purchase of Fire transport vehicles, ending lease agreements	0	0	60	7	0
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money	15	13	14	14	0
	<b>385</b>	<b>(217)</b>	<b>74</b>	<b>21</b>	<b>0</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Strategic Commissioning for Communities</b>					
<b>Country parks income review</b> - Apply commercial approach to Country Parks income streams	0	30	45	25	0
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money	37	32	35	35	0
<b>Household waste recycling centre storage</b> - Purchase of storage containers to remove revenue cost of hire	38	0	0	0	0
<b>Income from S106 monitoring</b> - Ensure S106 contributions are efficiently and effectively generated and collected	0	0	25	0	0
<b>Increased income from business centres portfolio</b> - The introduction of virtual office space so that businesses can use the mail/phone/meeting space functions at the Business Centres but not physically rent a unit. A greater range of facilities and options at business centres, that would be beneficial to local businesses and wider partners.	0	100	0	50	0
<b>Parking</b> - Implementation of business parking permits from 2022/23, with all other additional parking charges removed pending the outcome of the Member Working Group.	0	445	0	0	0
<b>Review of staffing from further service redesign</b> - A restructuring of teams across Communities (Strategy & Commissioning) to create a flatter structure and more agile service areas, enabling resources to be better focussed on key priority areas and to exploit opportunities to lever in external funding and to the net cost of posts in the establishment.	0	0	285	0	0
<b>Road safety advice income</b> - Maximising income opportunities from road safety advice	0	100	100	0	0
<b>Transport network service review</b> - Remove external consultancy support for transport network reviews	20	0	0	0	0
<b>Total Reductions - Strategic Commissioning for Communities</b>	<b>95</b>	<b>707</b>	<b>490</b>	<b>110</b>	<b>0</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Adult Social Care</b>					
<b>Business support and direct payments</b> - Reduced cost of business support as part of the wider organisation review of support functions and the introduction of the new payments system.	300	0	0	0	0
<b>Commissioning approach for younger adults</b> - Redesign the commissioning approach for younger adults to ensure a more efficient arrangement and an improved brokerage function.	200	300	0	0	0
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money.	217	186	204	204	0
<b>Housing with support for older people</b> - Further develop the housing with support offer to reduce reliance on residential provision for all ages; including consideration of capital investment to secure revenue savings.	200	500	500	500	0
<b>Integrated commissioning with Health</b> - Efficiencies through joint working and increased purchasing power for externally commissioned care. Arrangements will form part of the Coventry and Warwickshire Integrated Health and Care Partnership and associated system plan.	0	0	0	667	0
<b>Management of cost of adults service provision</b> - Management of the budgeted cost increases of externally commissioned care	700	1,000	1,499	2,000	2,064
<b>Prevention and self-care</b> - Develop and implement a prevention and self care strategy and invest in programmes, projects and services that reduce people's reliance on paid care and support.	0	0	167	167	0
<b>Reduce demand for adult social care support</b> - Implementing the service change and transformation activities underway across adult social care. These include an improved early intervention and prevention offer, further refinement of the in-house reablement offer and further development of assistive technology.	250	800	1,000	1,539	935
<b>Total Reductions - Adult Social Care</b>	<b>1,867</b>	<b>2,786</b>	<b>3,370</b>	<b>5,077</b>	<b>2,999</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Children and Families</b>					
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money	52	44	49	49	0
<b>House project</b> - Review accommodation solutions for young people to reduce reliance on more expensive fostering and supported accommodation	0	0	200	0	0
<b>Manage demand for children's services</b> - Implementing the service change and transformation activities underway across Children's Services, aimed at a reduction in the number of children needing care, single assessments and Children in Need.	0	0	1,741	2,603	1,073
<b>Maximise income and contributions to care packages</b> - Efficient collection of health contributions to children in care placements and income from safeguarding training	275	200	150	0	0
<b>More efficient use of legal support</b> - Reduce legal costs through a reduction in initiation of care proceedings.	0	0	200	0	0
<b>New ways of working in children's services</b> - Expected reductions in staff travel, room hire, client travel and expenses from new ways of working post-Covid	315	56	92	0	0
<b>Recalibration and reduction of staff</b> - Reduction of posts across the Children Families Service through natural wastage and redeployment alongside recognising natural underspends from staff turnover and operating under capacity.	889	0	0	0	0
<b>Rightsize Children's and Families budgets</b> - Remove contingency budget for Early Help and replace boarding school budget with existing budget in Children's Services.	101	10	14	0	0
<b>Total Reductions - Children and Families</b>	<b>1,632</b>	<b>310</b>	<b>2,446</b>	<b>2,652</b>	<b>1,073</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Strategic Commissioning for People</b>					
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money	103	89	97	97	0
<b>Health, wellbeing and self-care</b> - Rationalise the public health offer, preserving budgets for mandated public health functions, and rationalising the non-mandated public health offer including redesign, removal and rightsizing of current service offer.	115	115	130	0	0
<b>Integrated and targeted support</b> - Review of expenditure on smoking cessation and falls prevention targeted support.	69	0	0	0	0
<b>Integrated commissioning with Health</b> - Efficiencies through joint working and increased purchasing power for externally commissioned care. Arrangements will form part of the Coventry and Warwickshire Integrated Health and Care Partnership and associated system plan.	0	0	0	666	0
<b>Maximise income and contributions to care packages</b> - Ensure partner contributions are efficiently and effectively generated and collected.	0	100	0	0	0
<b>Prevention and self-care</b> - Develop and implement a prevention and self care strategy and invest in programmes, projects and services that reduce people's reliance on paid care and support.	0	0	166	166	0
<b>Redesign the housing related support offer</b> - Replace housing related support service offer with appropriate care delivery consistent with standard council provision.	0	0	0	500	500
<b>Review subsidy of community meals service</b> - Review subsidy of non-statutory community meals for residents.	0	0	160	0	0
<b>Total Reductions - Strategic Commissioning for People</b>	<b>287</b>	<b>304</b>	<b>553</b>	<b>1,429</b>	<b>500</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Business and Customer Support</b>					
<b>Business and Customer process efficiencies</b> - Efficiencies through ongoing service redesign and automation.	0	0	0	0	200
<b>Community development</b> - Efficiencies in the delivery of the internal community development function.	0	0	20	0	0
<b>Customer support service redesign</b> - Review and rationalisation of the organisation's approach to customer support.	150	266	94	0	0
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money.	14	62	13	13	0
<b>Reduced use of printing and stationery</b> - Future reductions in spend on printing and stationery predicated on digitisation work.	100	100	100	0	0
<b>Vacancy management</b> - Recognise natural underspends from staff turnover and operating under-capacity.	260	0	0	0	0
<b>Total Reductions - Business and Customer Support</b>	<b>524</b>	<b>428</b>	<b>227</b>	<b>13</b>	<b>200</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Commissioning Support Unit</b>					
<b>Business intelligence transformation</b> - Future reductions in the cost of delivering business intelligence across the organisation following the introduction of new technology and refinement of information requirements. Delivery of this saving will be apportioned across all services, co-ordinated by the Commissioning Support Unit.	0	640	0	0	0
<b>Commercial approach to contracting</b> - Securing rebates due to the Council through commercial contracting.	0	0	0	148	148
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money.	7	6	7	7	0
<b>Management of cost of CSU service provision</b> - Management of the budgeted cost increases of externally purchased services.	18	18	18	19	19
<b>Reduction in use of consultancy, subscriptions and apprentices</b> - Review of the use of subscriptions, consultants and apprentices to ensure value for money.	21	54	7	0	0
<b>Training and conferences</b> - Efficient procurement of training and conferences through centralisation of contracts.	0	0	86	0	0
<b>Total Reductions - Commissioning Support Unit</b>	<b>46</b>	<b>718</b>	<b>118</b>	<b>174</b>	<b>167</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Enabling Services</b>					
<b>Implementing automation and robotics</b> - Use of automation and robotics to drive efficiencies in processes.	0	0	50	0	50
<b>Enabling services delivery review</b> - Review of expenditure on staffing, expenses, projects in Enabling Services, including the medium term implementation of a single Enabling Service Centre for ICT, HR and property.	633	1,092	40	50	150
<b>Facilities cost savings from property asset rationalisation</b> - Facilities management and maintenance cost savings linked to asset rationalisation	44	98	100	102	127
<b>HR and Organisational development activity review</b> - Reduction in core Learning and development activity, including the administration of the Apprenticeship scheme.	0	0	0	0	234
<b>ICT applications migration and rationalisation</b> - Migrating workloads to Azure to derive efficiencies from ICT application management alongside an on-going focus on the rationalisation of applications to reduce licence and maintenance costs.	0	120	50	0	0
<b>ICT Service delivery review</b> - Review past ICT budget growth and focus on efficiencies through development projects.	64	69	240	208	90
<b>Management of cost of Enabling Service external provision</b> - Management of the cost increases of externally purchased services including a review of services purchased from third parties to ensure value for money.	147	126	139	445	12
<b>Property service delivery review</b> - Ensure effective mix of staff and agency use, drive efficiencies in facilities management resource spend and maintenance budget, including the closure of the Northgate House café.	100	50	95	32	90
<b>Review of maintenance and engineering work profile</b> - Drive efficiencies in the work planning and prioritisation across maintenance and engineering.	130	70	0	0	0
<b>Total Reductions - Enabling Services</b>	<b>1,118</b>	<b>1,625</b>	<b>714</b>	<b>837</b>	<b>753</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Finance Service</b>					
<b>Finance process efficiencies</b> - Efficiencies through ongoing service redesign and automation.	0	25	50	75	0
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money.	6	5	6	6	0
<b>Management of cost of Finance Service provision</b> - Management of the budgeted cost increases of externally purchased services.	10	10	10	10	10
<b>Total Reductions - Finance</b>	<b>16</b>	<b>40</b>	<b>66</b>	<b>91</b>	<b>10</b>
<b>Governance and Policy</b>					
<b>Electronic record keeping</b> - Reduced storage requirements as a result of the move to electronic record keeping.	10	10	10	10	0
<b>Further savings on third party spend</b> - Review of services purchased from third parties to ensure value for money.	7	6	7	7	0
<b>Legal services additional trading surplus</b> - Additional surplus from external trading with other local authorities and public sector bodies.	0	40	60	60	0
<b>Paper free meetings</b> - Reduction in the cost of printing as a result of moving to paper free meetings.	0	10	10	0	0
<b>Vacancy management</b> - Recognise natural underspends from staff turnover and operating under-capacity.	341	45	45	45	45
<b>Total Reductions - Governance and Policy</b>	<b>358</b>	<b>111</b>	<b>132</b>	<b>122</b>	<b>45</b>

## 2021-26 Planned Reductions in the Net Cost of Services

What the change entails	Reduction	Indicative Additional Future Reduction			
	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Corporate Services</b>					
<b>Digital solutions</b> - Efficiencies across Resources Directorate through investment in digital solutions and process redesign. <i>(Delivery will be the responsibility of the Assistant Director - Enabling Services).</i>	0	0	0	150	300
<b>Early Invoice Payment Rebates</b> - Increased take-up of early invoice payment offer. <i>(Delivery will be the responsibility of the Assistant Director - Finance) .</i>	185	18	2	3	2
<b>Reduction of asset sales contingency</b> - Remove budget held to cover risk of delays in sales of assets. <i>(Delivery will be the responsibility of the Assistant Director - Finance).</i>	135	0	0	0	0
<b>Treasury Management</b> - A target to increase returns on investment by 10 basis points based on a more pro-active approach to treasury management. <i>(Delivery will be the responsibility of the Assistant Director - Finance.)</i>	175	175	0	0	0
<b>Warwickshire Property and Development Company</b> - Forecast income stream for the Authority resulting from the successful delivery of the company business plan.	0	0	126	2,856	433
<b>Release of unused contingency</b>	750	0	0	0	0
<b>Total Reductions - Corporate Services</b>	<b>1,245</b>	<b>193</b>	<b>128</b>	<b>3,009</b>	<b>735</b>
<b>Total Annual Reductions</b>	<b>7,969</b>	<b>8,446</b>	<b>9,366</b>	<b>14,950</b>	<b>7,480</b>
<b>Total Cumulative Reductions</b>	<b>7,969</b>	<b>16,415</b>	<b>25,781</b>	<b>40,731</b>	<b>48,211</b>

## Warwickshire County Council – Pay Policy Statement 2021/22

### 1 Statutory Requirement

- 1.1 Section 38 of the Localism Act 2011 requires that local authorities must prepare and approve an annual pay policy statement, applicable to all staff except those employed in schools, by 31 March immediately preceding the year to which it relates.
- 1.2 The pay policy statement must set out the authority's policies for the financial year relating to:
- The remuneration of its Chief Officers (which for the purposes of this Act and in the case of the County Council, includes the Chief Executive, Strategic Directors, Assistant Directors and the Chief Fire Officer);
  - The remuneration of its lowest paid employees; and
  - The relationship between:
    - the remuneration of its chief officers; and
    - the remuneration of its employees who are not chief officers.
- 1.3 The pay policy statement must state:
- The definition of "lowest paid employees" adopted by the authority for the purposes of the statement; and
  - The authority's reasons for adopting that definition.
- 1.4 The statement must include the authority's policies relating to:
- The level and elements of remuneration for each chief officer;
  - Remuneration of chief officers on recruitment;
  - Increases and additions to remuneration for each chief officer;
  - The use of performance-related pay for chief officers;
  - The use of bonuses for chief officers;
  - The approach to the payment of chief officers on their ceasing to hold office under or be employed by the authority; and
  - The publication of and access to information relating to the remuneration of chief officers.
- 1.5 A pay policy statement may also set out the Authority's policies relating to the other terms and conditions applying to the authority's chief officers.
- 1.6 The following paragraphs seek to meet these statutory requirements by setting out County Council policy in the above prescribed areas, having firstly summarised the background to pay issues within this Authority.

## **2 Remuneration Policies**

- 2.1 The Council operates the National Living Wage for all staff regardless of age.
- 2.2 The County Council's policy in respect of the vast majority of its employees is to pay staff in accordance with pay frameworks and terms and conditions agreed by the national negotiating bodies representing local authorities and recognised trade unions. Review of Pay and Conditions and any discretionary pay awards to Hay graded staff are agreed by the Staff and Pensions Committee which has delegated authority for all issues relating to remuneration of staff.
- 2.3 For the majority of its employees the Council's policy is to implement the pay framework and terms and conditions, unless locally agreed otherwise, prescribed by the National Joint Council for Local Government Services ('NJC'). For Hay graded staff pay awards ordinarily follow the NJC national recommended award.
- 2.4 The Council's policy is to evaluate posts in accordance with the job evaluation scheme agreed by the NJC and then to incorporate these posts into the relevant pay bands accordingly within the salary spine.
- 2.5 It is the Council's policy to pay a temporary and reviewable 'market supplement' to salary levels within the NJC pay framework where there is clear and demonstrable evidence that the salary level otherwise attached to the post creates substantial recruitment, retention or 'market uncompetitiveness' difficulties.
- 2.6 Other groups of employees are paid in accordance with salaries or salary scales agreed by the relevant national negotiating bodies. These groups include uniformed fire and rescue staff, youth workers, craft workers and those falling within the ambit of the Soulbury Committee or School Teachers' Pay and Conditions agreements.
- 2.7 For all groups of staff paid in accordance with pay frameworks agreed by the national negotiating bodies, the Council's policy is to implement such salary increases as are agreed by those bodies without further local negotiation. Staff and Pensions Committee will consider pay and remuneration which falls outside of the recognised national frameworks and recommendations.
- 2.8 The only exception to the Council's policy of determining remuneration in accordance with national pay agreements, relates to senior professional or managerial employees, where a framework of locally determined incremental salary grades (known as 'Management Bands'), or in the case of the Chief Fire Officer a 'spot' salary payment, applies. Each post is evaluated using a proprietary job evaluation scheme devised by Hay Management Consultants and used widely in the public and private sectors both in the UK and abroad, known as the Hay Grading Scheme.

- 2.9 The policy of the Council is to evaluate the following posts using the Hay Grading Scheme:
- Chief Executive
  - Strategic Directors
  - Assistant Directors
  - Chief Fire Officer
  - Tier 3 Management Roles
  - Tier 4A management roles where the requirements of the Hay Grading scheme are met.
  - Posts which are evaluated at more than 760 points under the NJC job evaluation scheme and that meet the requirements of the Hay Grading scheme. (The relationship between posts covered by the NJC pay framework and this group of employees was supported by the Staff & Pensions Committee on 27 May 2010.)
- 2.10 Any pay awards to the salary levels attached to each Management Band are reviewed in line with the outcome NJC agreements and where applicable they are applied with effect from the 1st January each year. Currently, the pay framework for Management Band staff covers a salary range from £43,380 to £194,711.
- 2.11 The above policies apply save in cases where the operation of the Transfer of Undertakings (Protection of Employment) Regulations, or other statutory provision, dictate otherwise.
- 2.12 Where a person is appointed under a 'contract for service', rather than as an employee, the Council's Contract Standing Orders are followed to ensure that maximum value for money is secured.
- 2.13 The County Council will apply the remuneration policies set out above for the financial year 2021/22.**

### **3 Relationship between the highest and lowest paid employees**

- 3.1 The policy of the Council to pay employees in accordance with the NJC pay framework means that its 'lowest paid employees' are paid an annual salary of £17,842 p.a., or on a pro-rata basis if they work for less than 37 hours per week. This definition does not include those working as apprentices undergoing a recognised national training scheme, those on work experience or those on other placements related to training, which are not established posts within the Council. The reason for excluding those individuals from the definition of 'lowest paid employees' is that the primary aim of their engagement is training and as such, they are not considered to be carrying out the full range of duties when compared to employees in established posts.
- 3.2 This means that the 'salary ratios' between the Council's lowest paid staff and its Chief Executive and Strategic Directors are 1:10.6 and 1:8.2 respectively.

3.3 The salary differentials between the highest and lowest paid staff in the County Council, and local government in general, are very much less than in similar sized private sector businesses.

3.4 The salary ratios between the Council's median salary level (£27,041 pa) and that of the Chief Executive and Strategic Directors are 1:7 and 1:5.4 respectively.

#### **4 Specific policy and practice: The level and elements of remuneration for each chief officer**

4.1 The Chief Executive is paid on a four-point incremental scale (£179,299 – £194,711). Progression within the scale is determined by a performance management framework. No other salary payments are made to the Chief Executive. The Chief Executive is the Council's Returning Officer. The Returning Officer is eligible to receive a fee for undertaking this role. The Council does not include the fee in the Chief Executive's overall salary. The Chief Executive has declined to take the fee.

4.2 The Chief Fire Officer is paid a 'spot' salary of £132,228 pa based on Hay evaluation. No other salary payments are made to the Chief Fire Officer. A car is provided for this role.

4.3 Each of the Strategic Directors are paid on the same five-point incremental scale under Hay, currently £135,669 - £150,492 as agreed in December 2015 and in accordance with independent advice from Hay Management Consultants. Progression within the scale is determined by a performance management framework. No other salary payments are made to the Strategic Directors.

4.4 Assistant Directors are paid on a twelve-point incremental scale (£88,076 - £119,760). Progression within the scale is determined by a performance management framework.

4.5 Subject to the approval of the Chief Executive or Strategic Directors for Assistant Directors and Chief Fire Officer; Chief Executive for Strategic Directors; Staff and Pensions Committee for the Chief Executive, a temporary honoraria payment may be made where a Chief Officer undertakes duties outside the scope of their normal job.

4.6 It is not the Council's policy to increase the pension benefits of the Chief Officers.

4.7 It is not the Council's policy to provide benefits in kind to Chief Officers other than a car to the Chief Fire Officer which is necessary for their role.

4.8 The maximum car mileage allowance paid to Chief Officers is the County Council's mileage rate which is in line with the HMRC Tax free approved rate, currently 45p per mile for the first 10,000 miles and 25p per mile thereafter. (Agreed by Staff and Pensions Committee December 2020.)

- 4.9 Details of the salary scales attached to the roles of the Chief Officers are accessible on the Council's website.
- 4.10 The appointment of all employees is made in accordance with the Council's Officer Employment Standing Orders.

## **5 Specific policy and practice: Remuneration of Chief Officers on recruitment**

- 5.1 Where recruitment is to a new post or the duties of the post have changed significantly, the post is re-evaluated and placed on the appropriate Management Band salary scale. Otherwise, the recruitment is to the existing salary scale.
- 5.2 Appointments will be to a relevant point on the scale recognising skills, experience and market consideration.
- 5.3 Where a new salary package exceeds £100,000 this will require specific approval by the Council in advance of adoption.

## **6 Specific policy and practice: Increases and additions to remuneration for each Chief Officer**

- 6.1 The salary scale attached to a post currently occupied would only increase in the event that the duties attached to the post changed significantly and this resulted in a fresh job evaluation suggesting that the post should be on a higher Management Band.
- 6.2 Any increases to the salary levels attached to Management Band salary scales are made in accordance with paragraph 2.10 above.

## **7 Specific policy and practice: The use of performance-related pay for chief officers**

- 7.1 The performance progression of staff, in positions within Tiers 0-3 of the organisational structure, will be managed by the performance management framework. For all other staff this is managed via the appraisal process. Pay progression for all positions below Tier 3 level is to be through incremental pay scales and is on an annual basis, save that progression to the final two points of the scale for Hay positions below Tier 3 is subject to service in the post being certified as fully satisfactory by their line manager.

## **8 Specific policy and practice: The use of bonuses for chief officers**

- 8.1 It is not the Council's policy to make bonus payments to the Chief Officers.

## **9 Specific policy and practice: The approach to the payment of chief officers on their ceasing to hold office under or be employed by the authority**

9.1 The Council's policies in respect of the payment of the Chief Officer ceasing to hold office are the same as for its other employees, as follows:

- In the case of an employee whose employment is terminated on grounds of redundancy or efficiency, any redundancy or severance payment should be based upon actual earnings;
- In the case of an employee whose employment is terminated on grounds of redundancy and who is aged 54 or less or is aged 55 or over and is unable to immediately access accrued pension benefits, a severance payment based on applying a multiplier of 1.75 to the statutory redundancy payment formula, should be made; and
- In the case of an employee whose employment is terminated on grounds of redundancy and who is aged 55 or over and is able to immediately access accrued pension benefits, a severance payment based on applying a multiplier of 1.75 to the statutory redundancy payment formula, should be made for the first £26,539 of the employee's salary. Thereafter, the following multiplier should be used at the following ages:
  - 55 - 1.65
  - 56 - 1.55
  - 57 - 1.45
  - 58 - 1.35
  - 59 - 1.25
  - 60 - 1.15
  - 61 - 1.05
  - 62 - 0.95
  - 63 - 0.85
  - 64 - 0.75
  - 65 - 0.65
  - 66 - 0.55
  - 67 - 0.45
  - 68 - 0.35
  - 69 - 0.25
  - 70 - 0.15

9.2 In the case of an employee whose employment is terminated on grounds of efficiency, Strategic Directors (or where the employee is a Strategic Director, the Chief Executive; or where the employee is the Chief Executive, the Staff & Pensions Committee) have discretion to make severance payments up to the levels described above.

- 9.3 Regulation 31 of the LGPSR 2013 allows a scheme employer to award to a) an active member or b) a member who was an active member who was dismissed by way of redundancy or business efficiency additional pension in total not more than £6,500. It is the County Council's Policy that the award of additional pension should only be applied in exceptional circumstances where this is necessary to address a situation where there would otherwise be a significant risk of harm to the County Council's services or objectives.
- 9.4 The County Council will no longer apply the abatement rule save in exceptional circumstances where it determines that to not abate the pension in payment could lead to a serious lack of confidence in the public service.
- 9.5 Where an employee has to give up work in order to care for a chronically ill spouse or partner the Council's policy is to give consideration to waiving the actuarial reduction that would otherwise attach to the early payment of pension benefits.
- 9.6 Other discretions are exercised in accordance with the Council's scheme of delegation on a case by case basis.
- 9.7 The redundancy/severance payments and any pension strain costs associated with the early release of accrued pension benefits referred to in 9.1 to 9.3 above are currently subject to The Restriction of Public Sector Exit Payments Regulations 2020 ("Regulations"). The Regulations (while they remain in force) apply a cap (currently £95,000) on the value of exit payments that may be made to employees in most public sector organisations.
- 9.8 While the Regulations remain in force, the Council will propose that ministers agree to relax the cap under the Regulations in circumstances where the Chief Executive is satisfied that such proposal is being made on one or more of the permitted grounds identified by the relevant government departments from time to time and, where applicable, that the savings which the relevant exit contributes to need to be made to ensure the delivery of the service within budget and that the payment concerned will be recouped within two years or in exceptional circumstances, with the approval of the relevant Portfolio Holder, within three years.

## **10 Specific policy and practice: The publication of and access to information relating to the remuneration of chief officers**

- 10.1 The Council's policy is to provide information on the remuneration of the Chief Executive, Strategic Directors and Assistant Directors on its website ([www.warwickshire.gov.uk](http://www.warwickshire.gov.uk)) in accordance with the Code of Recommended Practice for Local Authorities on Data Transparency and as required by s.7 of the Accounts and Audit (England) Regulations 2011.

**11 Specific policy and practice: The Council's policy relating to the other terms and conditions applying to chief officers**

- 11.1 Except in respect of pay and pay related arrangements (see paragraphs 2.10 and 2.13 above), and car allowances, the terms and conditions that apply to the Chief Executive, Strategic Directors and Assistant Directors are those agreed by the Joint Negotiating Committee for Chief Officers of Local Authorities.