Agenda item No

Cabinet – 13 February 2019

Corporate Budget Plan 2018/19 to 2021/22 and Treasury Management and Investment Strategy 2019/20 Onwards

Portfolio: Councillor M. Bird – Leader of the Council (Lead Portfolio)

Related Portfolios: All

Service: Finance – council wide

Wards: All

Key decision: Yes

Forward plan: Yes

1. Summary

1.1. This report contains two sections as follows:

Section A for Cabinet approval - Findings from Budget Consultation: Financial Year 2019/20+ and Cabinet Responses. This section is for Cabinet's consideration and approval:

- **Part 1** - Report on findings from Overview and Scrutiny Committees
- **Part 2** - Report on findings from budget consultation on policy proposals.

.

Section B for Cabinet approval and recommendation to Council consists of:

- **Part 1** - The Revenue and Capital Corporate Budget Plan; comprising the final revenue and capital budget following consideration of the proposals by overview and scrutiny committees and ongoing public consultation.
- **Part 2 A** - Treasury Management and Investment Strategy as required by the Treasury Management Code of Practice (2017). It includes details on the Prudential Code Indicators (PCIs) for the next three years and asks Cabinet to approve them and recommend adoption of these to full Council. The Strategy both complies with the Local Government Act 2003, and also provides an additional framework over and above the statutory minimum for monitoring performance.
- **Part 2 B** - Treasury Management Policies as required by the Treasury Management Code of Practice (2017).

2. Recommendations

2.1 That Cabinet note:

a) That at the time of despatch of this report, the precepting authorities (fire and police) had not formally notified the authority of their final council tax precept levels for 2019/20. (The council has been advised that they will be approved following meetings scheduled for early to mid February, final figures will therefore be provided prior to or at the Council meeting of 28 February 2019).

b) That at the time of despatch of this report, the levy authorities (Environment Agency and West Midlands Combined Authority (Transport Levy)) had not formally notified the authority of their final demand for 2019/20. Current estimates have been used for both the Environment Agency and Transport Levy based on informal communication, but these are subject to formal approval. (The final levies are expected to be approved early February, and will be included within the final papers to Council).

c) That the council tax base, set by the Chief Finance Officer, under officer delegations, is 70,792.74 for 2019/20.

d) The feedback from Overview and Scrutiny Committees on the draft capital programme and revenue budget and responses to recommendations, as set out in Section A: Part 1.

e) That Members must have due regard to consultation feedback and the public sector equality duty (section 149 of the equality act 2010) when making budget decisions.

2.2 That Cabinet approve:

a) The attached report as set out in Section A Part 2: The Findings from Budget Consultation: Financial Year 2019/20+ and Cabinet Responses and that Members have had regard to their duties in relation to consultation, and in relation to the public sector equality duty, in forming their budget recommendations.

b) The allocation of revenue resources for 2019/20 as set out in Section B: Part 1 "The Revenue and Capital Corporate Budget Plan", and delegate authority to the relevant executive directors to implement the 2019/20 savings.

c) Policy service changes as set out in section 13.5 and Table 1 of this report, and instruct executive directors to implement these.

d) Where, in accordance with Table 1 of this report, further consultation is required on service change, that officers be instructed to begin consultation arrangements, and report back to a future Cabinet meeting on the outcomes of that consultation and equality impact assessments, where required.

e) That delegated authority be given to the Chief Finance Officer to make any necessary amendments, in consultation with the Leader (portfolio holder for finance), to take account of the final levies and precepts; final grant allocations and final technical guidance or legislation on the budget, and to make any necessary amendments to the statutory determinations and council tax bands to take account of those changes and the resulting final analysis of the budget and for these amendments to be submitted and therefore recommended to Council at its meeting on 28 February 2019.

f) That delegated authority be given to the Leader of the Council, in consultation with the Chief Finance Officer and Chief Executive, to agree the council's contribution to the West Midlands Combined Authority.

g) The leasing programme set out at 2.3.2 and delegate authority for approval of in year expenditure to the Head of Finance (up to a cumulative value of £500k) and the Chief Finance Officer (above £500k).

h) That Walsall Council be the accountable body for the 'Walsall for All' Walsall Integration Programme, and for governance arrangements to be confirmed with partner organisations, funded from government s31 grant, as referred to in 3.2.

2.3 Cabinet is asked to approve <u>and recommend to Council</u>, subject to receipt of final precepts and levies, receipt of final grant allocations, technical/legislative guidance and final specific grant allocations (*substitute figures and resolution to be provided to Council by the Chief Finance Officer to take account of any changes arising from these*):

2.3.1 <u>Revenue</u>

a) The allocation of revenue resources for 2019/20 as set out in Section B: Part 1 "The Revenue and Capital Budget Plan".

b) A Walsall Council net council tax requirement for 2019/20 of £121.37m and a 3.99% increase in council tax (inclusive of 1% precept for Adult Social Care).

c) That the recommendations of the S151 Officer (Chief Finance Officer) in respect of the robustness of the estimates made for the purposes of the budget calculations and the adequacy of reserves **be approved**, including the levels of central contingency and an opening general reserve of not less than £13.8m, as set out in **Annex 10** of the Budget Plan**.**

d) The (estimated) levies below for outside bodies and Cabinet **approve** that the final figures **be substituted** for these provisional ones once they are available at the Council meeting on 28 February 2019. (An estimate has been used within this report based on informal notification from the authorities).

LEVY	**AMOUNT (£)**
West Midlands Combined Authority Transport Levy	**11,137,950**
Environment agency	**81,474**

e) The following statutory determinations (references are to the Local Government Finance Act, 1992 as amended), and subject to any final changes arising from receipt of final precepts and levies, receipt of final grant allocations, technical/legislative guidance and final specific grant allocations, **and Cabinet approve that these will be substituted** at the Council meeting on 28 February 2019 for the final figures once received:

I. **£627,825,478** being the aggregate gross expenditure, which the council estimates for the items set out in Section 31A(2) (a) to (f) of the Act.

II. **£506,452,033** being the aggregate income which the council estimates for the items set out in Section 31A(3) (a) to (d) of the Act.

III. **£121,373,445** being the amount, by which the aggregate at (e) (I) above exceeds the aggregate at (e) (II), calculated by the council in accordance with Section 31A(4) of the Act, as its council tax requirement for the year.

IV. **£1,714.49** being the amount at (e) (III) above, divided by the council tax base of 70,792.74, calculated by the council in accordance with Section 31B of the Act, as the basic amount of its council tax for the year (average council tax at band D).

V. Valuation bands
Being amounts given by multiplying the amount at (e) (IV) above by the number which, in the proportion set out in Section 5 (1) of the Local Government Act 1992, is applicable to dwellings listed in valuation band D, calculated by the council in accordance with Section 30 and 36 of the Act as the amounts to be taken into account for the year in respect of categories of dwelling listed in different valuation bands.

A	B	C	D
1,142.99	1,333.49	1,523.99	1,714.49
E	**F**	**G**	**H**
2,095.49	2,476.49	2,857.48	3,428.98

f) The draft precept from the Fire and Rescue Authority and the Police and Crime Commissioner, issued to the Council in accordance with Section 40 of the Local Government Finance Act, 1992, for each of the categories of dwelling shown below and Cabinet **approve** that the final figures **be substituted** once they are available at the Council meeting on 28 February 2019.

PRECEPTING AUTHORITY	VALUATION BANDS			
Police And Crime Commissioner	**A**	**B**	**C**	**D**
	101.70	118.65	135.60	152.55
	E	**F**	**G**	**H**
	186.45	220.35	254.25	305.10
Fire & Rescue	**A**	**B**	**C**	**D**
	40.40	47.13	53.87	60.60
	E	**F**	**G**	**H**
	74.07	87.53	101.00	121.20

g) That having calculated the aggregate in each case of the amounts at (e) (v) and (f) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the amounts of council tax for 2018/19 for each of the categories of dwellings shown below and Cabinet **approve** that the final figures **be substituted** once the final precepts are available at the Council meeting on 28 February 2019.

A	B	C	D
1,285.09	1,499.27	1,713.46	1,927.64
E	**F**	**G**	**H**
2,356.01	2,784.37	3,212.73	3,855.28

h) That notice **be given** of the council tax within twenty one days of it being set by publishing details of the same in the “Walsall Advertiser” newspaper circulating in the Authority’s area.

i) That the Chief Financial Officer **be instructed** to take all necessary action in relation to council tax, community charge and national non-domestic rates, including, where appropriate, the signing of all documents, billing, the giving of notices and the taking of necessary steps to ensure collection thereof.

j) That the Chief Finance Officer **be given delegated authority** to make transfers to and from reserves in order to ensure that reserves are maintained as necessary and in particular, adjusted when reserves are no longer required, or need to be replenished.

k) That, pursuant to Section 52ZB and 52ZC of the Local Government Finance Act 1992, the relevant basic amount of council tax for the Council is not excessive in relation to determining whether a referendum is required.

2.3.2 *Capital*

a) The allocation of capital expenditure plans as set out in Section B: Part 1 “The Revenue and Capital Budget Plan”.

b) That the capital and leasing programme set out in the following tables **be approved** bearing in mind the principle that unless affordable from within current resources, specific projects funded by borrowing will not be commenced until a payback agreement is in place. Schemes funded from grant will commence when final allocations are published. Reserve list items will only commence should funding become available during the financial year.

c) That the Chief Finance Officer be **given delegated authority** to determine how each source of finance is used to fund the overall capital programme and to alter the overall mix of financing as necessary, to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the Council.

d) That the Chief Finance Officer, in consultation with the Leader (portfolio holder for finance), be **given delegated authority** to release capital resources held back for any contingent items that may arise (earmarked capital receipts for essential or emergency spend), and also for any match funding requirements that may be required of the Council in order to secure additional external capital funding (e.g. bids for government or other funding).

e) The capital strategy set out in **Annex 8** of the Budget Plan **be approved**.

CAPITAL PROGRAMME – COUNCIL FUNDED SCHEMES			
Scheme	**2019/20 £**	**2020/21 £**	**2021/22 £**
Ongoing implications of prior year approvals (new spend)			
Supporting transformation - Looked after children – out of borough placements.	150,000	150,000	
Supporting transformation - Looked after children – 2/3 bedroomed small residential home	60,000	60,000	
Traffic Signals - Replacement of obsolete traffic signal control equipment		200,000	200,000
Provision of community dropped crossings along footways	20,000	20,000	20,000
Promotion of Community Health and Safety	120,000	120,000	120,000
Public Realm Improvements – contribution to NPIF external funding	229,500		
Open water safety schemes - signage	2,000	5,000	2,000
Streetly Crematorium - Installation of air conditioning units and refurbishment of public toilets	215,351		
M6 Junction 10 road improvements in partnership with Highways England (grant)		650,000	
Walsall Arboretum Extension and Country Park – infrastructure improvements		190,000	
Procurement of system for Human Resources management and Oracle financials	1,400,000		
Maintaining a safe and secure environment - review of ICT infrastructure	2,949,000		
Service improvement for single mobile device management solution	51,000		
Rolling Programme Schemes			
Memorial Safety in Walsall cemeteries	40,000	40,000	40,000
Highway Maintenance Programme – legal responsibility to maintain the highway network	2,600,000	2,800,000	2,800,000
Aids and Adaptations, Preventative Adaptations and Supporting Independence	400,000	400,000	400,000
Health through warmth	75,000	75,000	75,000
Funding to support essential works including health and safety	750,000	750,000	750,000
New Capital Bids			
School classrooms – requirement for temporary builds due to condition of existing facilities.	250,000		
School estate condition surveys	250,000		
Streetly Youth Club Demolition Works - and to secure the perimeter and make good the area adjacent to Streetly Library and St Annes Primary School	22,000		
New rail stations at Willenhall, Darlaston and Aldridge – local 10% contribution	1,000,000	1,000,000	500,000
Yorks bridge – increased funding for construction of replacement bridge			750,000
A454 Black Country Route carriageway surface treatment	450,000		
Hatherton Road MSCP structural maintenance	200,000		
Willenhall Lane Cemetery Extension / Development of land for burials	832,800	525,600	

Scheme	2019/20 £	2020/21 £	2021/22 £
Town Centre Master Plan Development	250,000		
Willenhall Lane Travellers site pumping station pump replacement		44,400	
ICT telephony		500,000	
ICT windows server 2008 upgrade	200,000		
CCTV – replacement of 5 cameras and 3 backup	150,000		
Civic Centre window replacement – improving energy efficiency			1,307,025
Civic Centre plumbing – non heating related			66,600
Council House smoke and heat detection, fire alarm	333,000		
Council House general heating	50,000	1,085,000	1,085,000
Council House fire doors / fire seals		55,500	
Print and design upgraded lighting and ventilation system	24,000		
Council Chamber and Committee Room Audio Visual system and seating refurbishment	200,000		
Replacement cemeteries administration system	75,000		
Replacement fencing at Streetly cemetery	16,000		
Strategic Acquisition for Third Sector Hub and operational accommodation - purchase of accommodation to support the formation of a third sector co-located hub and provide additional office accommodation for the Council to support its ongoing rationalisation of its operational estate.	2,527,148		
Operational repair and maintenance of council owned buildings	500,000		
Total	**16,391,799**	**8,670,500**	**8,115,625**

CAPITAL PROGRAMME 2019/20 - SCHEMES FUNDED FROM EXTERNAL SOURCES	**Estimated Value £**
Basic Need school allocation (grant)	11,981,629
Devolved Formula Capital school allocation (grant)	534,800
Capital Maintenance school allocation (grant)	2,222,387
Special provision fund – provision for pupils with special educational needs (grant)	319,229
M6 Junction 10 road improvements in partnership with Highways England (grant)	14,270,000
LTP Highway Maintenance Programme (grant)	1,943,000
West Midlands Strategic Transport Plan (STP) ‘Movement for Growth’	1,279,000
Growth Deal (grant)	19,044,119
National Productivity Investment Fund Programme for junction and cycling improvements (grant)	2,601,500
Integrated Community Equipment Store – specialised equipment as part of BCF (grant)	750,000
Disabled Facilities Grant –supports the council’s statutory requirement to provide disabled facility grants (DFGs) (grant).	2,145,000
Total	**57,090,664**

CAPITAL PROGRAMME RESERVE LIST 2019/20 – COUNCIL FUNDED SCHEMES	**Estimated Value £**
School classrooms – temporary builds due to condition of existing facilities	250,000
School estate condition surveys	350,000
Further provision for Highways maintenance programme	200,000
Further provision for Preventative / Aids and Adaptations and Supporting Independence	250,000
Further provision for Health Through Warmth – tackling fuel poverty	75,000
Total	**1,125,000**

LEASING PROGRAMME 2019/20	**Expenditure £**
Refuse vehicles	359,000
Light commercial vehicles	479,000
Tractors and agricultural machinery	194,000
Welfare vehicles	48,000
Equipment	118,000
Total	**1,198,000**

2.3.3 <u>Treasury Management</u>

1. Section B – Part 2 A – The Treasury Management and Investment Strategy 2019/20 onwards, including the council's borrowing requirement, borrowing limits, and the adoption of the prudential indicators**, be approved**.

2. That decisions to effect movements between conventional borrowing and other long term liabilities, such as leases, **be delegated** to the Chief Financial Officer.

3. That decisions to use capital receipts or borrowing within the framework of approved prudential indicators **be delegated** to the Chief Financial Officer.

4. Section B – Part 2 B – Treasury Management Policies**, be approved**.

3. Report detail

3.1 The council's budget is a financial representation of the organisation's plans. It is constructed as an integral part of the council's planning processes and aligned to its priorities and objectives. The attached budget plan at **Section B Part 1** sets out the revenue and capital plans for service delivery for 2019/20 and beyond.

3.2 Included within the budget is a draft year 2 allocation for the council's participation in the Integration Area Programme. The delivery plan and bid for resources to Ministry of Housing, Communities and Local Government (MHCLG) was agreed on 5 September 2018 – one of only five local authorities participating in the scheme. Funding of £813,201 will be via a section 31 grant in 2018/19, with a similar amount expected in 2019/20, which has yet to be confirmed. A Memorandum of Understanding is being completed between Walsall Council and MHCLG as a standard framework setting out monitoring and reporting requirements. Cabinet are asked to approve Walsall as the accountable body of the scheme and for the governance arrangements to be confirmed with all partner organisations.

4. Council Corporate Plan priorities

4.1 The budget is the financial plan supporting delivery of the organisations key objectives and priorities. The budget process is a four yearly cycle, updated annually, aiming to support delivery of council priorities within the available resources. It aims to achieve this through the delivery of efficiencies, income reviews and service reviews and redesign to redirect existing and reducing resources to areas of high council priority. This budget has been prepared using the council's high level purpose and priorities as outlined in the Council's Corporate Plan.

5. Risk management

5.1 Budget Plan: The council reviews corporate financial planning and budget principles in accordance with the medium term financial strategy (MTFS). The budget setting process includes a comprehensive financial risk assessment to determine key risks and their impact on the budget. Services undertake risk assessments of their services and budgets by identifying risk factors, potential changes to service delivery and funding streams. This ensures that adequate budgetary provision is available to cover unforeseen future events. This successful approach is now embedded and is used to inform the level of earmarked and general reserves.

5.2 The identification of risks, and level of reserves, is referred to in the CFO statement at **Annex 10** of the Budget Plan. It is, however, unlikely that all risks identified will arise, however new risks may also emerge. Managers are required to deliver services within their approved budget. Any known changes in service demand or costs arising from legislative or government demands are identified and dealt with within the overall revenue budget. The level of reserves should be sufficient to cover all but the most unusual of events. Any in-year use of general reserves may require replenishment to ensure the opening level of reserves is as required by the MTFS.

6. Financial implications

6.1 The council must set a balanced budget to meet its legal requirements as set out under legal implications. This report proposes cash limits for services to deliver the Council's key priorities.

7. Legal implications

7.1 The legal duty for a council's finances falls within s151 of the Local Government Act 1972. Arrangements for the proper administration of the council's affairs is secured by the s151 Officer (the Chief Finance Officer).

7.2 Cabinet recommend the revenue budget and capital programme to Council. Councils are responsible for making a calculation in accordance with sections 31A to 37 of the Local Government Finance Act 1992 (as amended). This includes the statutory determinations (aggregate gross expenditure, gross income, council tax requirement for the year and setting the council tax for a financial year).

7.3 Under the Local Government Act 2003 (s25), an authority must set a council tax and balanced budget, giving 14 days' notice of the council tax level prior to the date of billing. The Council must set a budget before 11 March of each year. This will include the S151 Officer's report that deals with the robustness of the budget and the adequacy of the reserves for which the budget provides, together with an assessment of risk. This is provided at **Annex 10** of the Budget Plan.

7.4 The Local Government Act 2003 and supporting Regulations require the Council to have regard to the Prudential Code and to set prudential indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable. The Act requires the Council to set out its treasury strategy for borrowing and to prepare an annual investment strategy (as required by investment guidance issued subsequent to the Act); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. This is provided at **Part 2** of the Budget Plan.

7.5 In recent years central Government has capped the level of council tax rises. For 2019/20, the Government have announced that local authorities will again need to seek approval of their electorate via a local referendum if they propose to increase council tax levels by 4% or above as confirmed as part of the final local government settlement on 29 January 2019, inclusive of the 1% ring-fenced for Adult Social Care (on the assumption that the overall 6% precept for Adult Social Care is not exceeded over the three years from 2017/18 to 2019/20).

7.6 Section 138 of the Local Government and Public involvement in Health Act 2007 placed a general duty on every local authority in England to take such steps as it considers appropriate to secure that representatives of local persons (or of local persons of a particular description) are involved in the exercise of any of its functions, among other things by being consulted about the exercise of the function. The duty to consult that is imposed on Councils comes from two other sources:

- Specific legislation, such as the education act duties to consult on certain services etc., and,
- The common law duty, which is well established in law.

7.7 Our approach to consultation was reported to Cabinet in October and December 2018 and is set out in section 12 of this report and in the attached document: Section A: Part 2 The Findings from Budget Consultation: Financial Year 2019/20 and Cabinet Responses.

7.8 The 2010 Equality Act, whilst not imposing a specific duty to consult, lays a requirement to have due regard to the equality impact when exercising its function. As a public body, the Council is required to comply with the Public Sector Equality Duty (PSED), as set out in the Equality Act, 2010. The PSED requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the council being exposed to costly, time-consuming and reputation-damaging legal challenges.

7.9 An Equality Impact Assessment (EqIA) is the chosen procedure, by the Council, for checking the lawfulness of decisions in relation to the impact on people with certain characteristics protected by the Equality Act 2010. Cabinet and Council members have previously been issued with guidance on their responsibilities in relation to setting a budget and also under the PSED.

7.10 The drafting of saving proposals included consideration of legislative and other requirements, duties or obligations imposed by statute, secondary legislation or guidance upon the council, specifically in the context of proposals which involved reductions or cessation of service. Policy papers previously reported to Cabinet in October 2018 set out relevant duties.

8. Property implications

8.1 Any direct property implications as a result of service redesign and revenue savings proposals are assessed as part of the budget process.

9. Health and Wellbeing implications

9.1 Any direct health and wellbeing implications as a result of service redesign and revenue savings proposals are assessed as part of the budget process.

10. Staffing implications

10.1 Staffing implications are assessed and included as part of the budget process. There will be some staffing implications arising from this report. There has been positive and meaningful consultation with both employees and the trade unions. The contribution of the trade unions will be important in the council achieving its key aims and objectives particularly in these challenging times. Officers and members will continue to consult widely with them in all aspects of service design and delivery.

10.2 Staff affected by the proposals in this budget will be supported as appropriate throughout the process and the number of compulsory redundancies will be minimised wherever possible. Redundancy headcount has reduced from 96 in October 2018 to 83 in January 2019 (full time equivalent posts are now down to 80.7 from 94.2). Work continues to reduce these further.

11. Reducing Inequalities

11.1 EqIAs are undertaken on proposals as they are developed and reported to Cabinet to allow them to consider any revisions required to the final budget for recommendation to Council.

11.2 Assessing the impact of proposed changes to policies, procedures, services and organisational change is not just something the law requires; it is a positive opportunity for the council to ensure it makes better decisions, based on robust evidence.

11.3 Failure to meet the requirements in the Public Sector Equality Duty (PSED) may result in the council being exposed to costly, time-consuming and reputation-damaging legal challenges. An Equality Impact Assessment (EqIA) is the chosen procedure for checking lawfulness of decisions in relation to the impact on people with certain characteristics protected by the Equality Act 2010. These are:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion and belief
- Sex
- Sexual orientation

11.4 <u>Information required in the EqIA</u>

An EqIA must contain relevant data and sufficient analysis to enable members to understand the equality implications of a proposal and any alternative options. It must have satisfactory and appropriate information and be presented to decision makers in time for them to understand the effects of the proposal on people with protected characteristics. It must also;

- Consider whether action can be taken to mitigate any identified potential adverse impacts. Some proposals will affect everyone, but others will affect people from different equality groups;
- Consider whether action can be taken to enable the policy or decision to advance equality of opportunity for people who share a relevant protected characteristic;
- Request further research, consultation, or action is necessary.

11.5 What course of action does the EqIA suggest?

An EqIA should clearly identify the option(s) chosen and their potential impacts as well as document the reasons for this decision. There are four possible outcomes:

A. No major change required.

When no adverse impact is identified and all opportunities to promote equality have been taken. To make this judgement, concrete evidence must be provided that people with protected equality characteristics (all groups) will not be affected adversely.

B. Adjustments are needed to mitigate adverse impact and to better promote equality.

A plan is required which must include specific deadlines for actions to be completed in order for the decision to be implemented, e.g. alternative ways of providing the service, signposting to other providers and ongoing monitoring of the impact. If there are further concerns following adjustments, the decision must be reviewed and action taken.

C. Continue despite possible adverse impact.

Compelling reasons will be needed and mitigating actions are required to minimise adverse impact. An action plan is required which must include specific deadlines by which mitigating actions need to be completed in order for the decision to be implemented, e.g. alternative ways of providing the service, signposting to other providers and ongoing monitoring of the impact. If there are further concerns following adjustments, the decision must be reviewed and action taken.

D. Stop and rethink the proposal.

When an EqIA shows actual or potential unlawful discrimination and needs to be reviewed immediately.

11.6 Evaluation of Equality Impact Assessments

Cabinet, on 24th October 2018, agreed a summary of new revenue policy savings for consultation. All managers responsible for policy proposals, and operational proposals with the confirmed requirement for Equality Impact Assessments (EqIAs), were requested to carry out EqIAs.

21 policy proposals for 2019/20 and 56 operational proposals were considered for their impact on protected characteristic groups. Each of the proposals had an equality screening and 9 proposals were required to undergo Policies, Procedures and Services (PPS) EqIAs and 12 will require further in-depth operational equality impact assessments. Following consultation and feedback analysis, a number of proposals were reviewed or paused. The table below shows the outcomes for the 9 proposals.

Ref	Decision	Number of EqIAs
A	No major change required – implement	2
B	Adjustments needed to mitigate adverse impact and to better promote equality – adjustments implemented	0
C	Continue despite possible adverse impact – action plan in place and monitoring undertaken	4
D	Stop and rethink the proposal	1
	Other decisions: • Home to School Transport has been paused. • Alternative delivery mechanism for Markets is to be undertaken during 2019	2
=	***Proposals subject to an EqIA***	***9***

Where the outcomes showed B or C, the action plan had to show the adjustments needed, how to reduce the impact or justify why it should continue despite the impact. Where the outcomes showed D, these proposals were immediately put on hold. All EqIAs that resulted in B or C outcomes were further reviewed by the Equality and Diversity team and considered by Cabinet members, giving opportunity to comment and, where applicable, amend the budget in terms of its fairness, equality duties and objectives, as well as future shaping of the services. Proposals have been monitored and managed following implementation.

11.7 2019/20 Policy Proposals

A number of policy proposals for implementation in 2019/20 were reviewed as follows:

Saving reference	Proposal	EqIA Decision	Update/ Comments
Adult Social Care			
1 - £26,794	Ending the Concessionary Travel pre 9.30am top up scheme	A	No major change required apart from better information giving to eligible groups of people with disabilities who qualify for affordable (£1) top up scheme when travelling before 9.30am.
Children's Services			
18 - £172,000	Review of residential short break provision for children and young people with a disability	C	Families have been assured that the proposal will not result in a reduction of the overall number of overnight short breaks that children receive as part of their current care packages Review of groupings is required.
19 - £109,000	Review of commissioned domestic violence services for perpetrators and children who have witnessed domestic abuse	C	The council will signpost to alternative providers and will also explore alternative arrangements to provide whole family support for those affected by domestic abuse in Walsall as part of the Children's Services Transformation Programme.
20 - £560,000	Review of home to school transport for service users post 16 years of age with special educational needs and disabilities	Proposal paused and does not form part of the 2019/20 Budget proposals.	
Economy and Environment			
36 - £350,000	Reduction in Public Health investment in drug and alcohol treatment services	C	The service will continue to offer a range of age appropriate services across the young people and adult range. Potential negative effect on several protected characteristics requires close monitoring in future of specific groups such as pregnant women, BAME communities and people with mental health needs.
39 - £295,000	Review falls prevention service	D	Adverse impact on most vulnerable older people from different equality characteristics and potential pressures on other agencies. A review of the service will be undertaken over the next 12 months. To be funded from partner contributions for 2019/20.
40 - £500,000	Reduce investment in sexual health services	C	Adverse impact on young people and other people with equality characteristics. Action plan will include rationalising services with the provider and protecting the elements of the service (e.g. screening) for vulnerable groups.
45 - £19,500	Investigate the possibility of an alternative delivery mechanism for markets	n/a – consultation on options appraisal will be undertaken during 2019.	
Resources and Transportation / Corporate			
69 - £168,168	Increase council tax premium charge	A	No major change required. Approved by Council 7 January 2019

11.8 Update on Cumulative Equality Impact Assessment

As various mitigating actions are being implemented, the following equality characteristics will continue to be prioritised in 2019/20:

Children and young people with disabilities under 25
Proposal No 18 - Review of residential short break provision for children and young people - will impact on families whose children have disabilities and complex needs and who are currently using the service or may potentially qualify for such a respite service.

The proposal, whilst seeking more affordable system of care, is to maintain the residential short break service at Bluebells and to support families at weekends and school holidays, recognising that children are at school during the week. This may mean reducing the opening times to 4 days out of 7 (including weekends) during term time with flexibility to open during the week during school holidays.

The EqIA identified the need for development of a welcome pack and the review of emergency crisis support by utilisation of a risk mitigation plan. The impact of the new provision will be monitored with partners. In addition, there is an alternative plan being considered in relation to establishing a community based flexible outreach support service and reviewing the wider council's short breaks service offer.

Proposal No 20, the Home to School Transport has been paused.

Vulnerable risk groups with several equality characteristics

Several budget proposals relating to commissioned services will have an adverse impact on very specific groups with equality characteristics who are vulnerable or have complex needs that often impact on whole families, including children.

Proposal No 19 - Review of commissioned domestic violence services for perpetrators and children who have witnessed domestic abuse is to cease the current services and refer to alternative services, including a regional programme. The EqIA identified a need to develop an exit strategy and explore alternative ways to provide a whole family support as part of the Walsall Proud (transformation) Programme.

Proposal No 36 - Reduction in the Public Health investment in drug and alcohol treatment services including plans to reduce the scope of the service in relation to preventative and core services. The reduction in funding for the service will require further targeting of the core offer.

The EqIA showed a negative effect on several protected characteristics, particularly in combination with mental health. Public Health commissioners will monitor the mitigating actions and impacts on groups with different characteristics through the Corporate Equality Group. The focus will be on any needs/barriers that the provider agency experiences with regards the service offer to these affected groups. Specific attention will be paid to services provided to pregnant women, BAME groups and service users who present with mental health conditions. Partnership with Housing

First and residential services for mothers and babies will be retained.

The main drug and alcohol service will be recommissioned in 2019/20 with the special focus on the most vulnerable service users.

Similarly, **No 39 - Review Falls Prevention Service** – was proposed to discontinue public health investment in this area. The EqIA identified a need to explore alternative ways of maintaining the service and seeking contributions from partners. This will allow a period of time to review the service and determine its future.

The proposal **No 40 - Reduce investment in Sexual Health Services** - is to reduce the scope and range of services offered through the main contract. The savings will be achieved through working with the existing provider to rationalise the service offer whilst protecting the critical elements of the service such a chlamydia screening and other outreach activity. Mitigating actions include quarterly staff survey monitoring of the impact of the savings on groups with protected characteristics and service user feedback from annual audit plans. Further consultations with other agencies, such as CCG, GPs and local medical council, are also planned. Quarterly monitoring of any concerns will be reported to the Corporate Equality Group.

11.9 <u>Equalities Monitoring Process</u>

Findings from the cumulative impact assessments and corrective actions are monitored quarterly by the Corporate Equality Group (CEG) and updates will be provided as appropriate.

The equality team will carefully consider the full impact of all EqIAs, with the support of CEG and Corporate Management Team (CMT). Emphasis will be placed on managing and mitigating any adverse impact to the services, within available budgets, and in consultation with their service users with protected characteristics. Managers implementing the service changes where potential impact has been identified will be responsible for any mitigating actions outlined. Progress will continue to be tracked quarterly by CEG and reports provided to Cabinet/CMT as required.

12 Consultation

12.1 For our services to meet the needs of local residents, and of the community at large, it is essential that our plans and policies take into account the views of local people and others who use our services. We use a broad range of consultation methods to ensure as far as possible that people have sufficient information to comment, as well as the time and any necessary support they require to have their say. All feedback gathered is collated and carefully considered as part of the decision making process.

12.2 Consultation was undertaken with a wide range of stakeholders (i.e. councillors via overview and scrutiny committees, residents, service users and potential service users as appropriate, national domestic rate payers and voluntary and community organisations, etc.).

12.3 Attached at **Section A - Part 2** is a separate report outlining the approach to consultation in more detail, along with findings from consultation and a response to each of the policy proposals, for Cabinet's consideration and approval. Equality impact assessment outcomes, where an assessment was required, are also contained within each proposal. Where a D (stop and rethink) outcome was demonstrated, Cabinet propose not to proceed with these.

12.4 <u>Feedback from Overview and Scrutiny Committees</u>

Overview and Scrutiny Committees received the draft revenue and capital budget proposals relating to the services within their individual remit in November 2018, and Cabinet received feedback in December 2018.

Feedback from Overview and Scrutiny Committees on the draft capital programme and draft revenue budget update is attached at **Section A – Part 1**.

13. Amendments to the Revenue Budget

13.1 The draft revenue budget contains 9 new policy proposals in respect of 2019/20, and 31 new operational savings. These were set out in the report to Cabinet on 24 October 2018. Feedback from consultation and equality impact assessment results were received by Cabinet informally and are set out within this report.

13.2 Changes arising from Cabinet's review of the developing proposals, consultation feedback, and equality impact assessment reviews (as identified in the previous section of this report) are set out below, all of which are reflected in the list of savings proposals at **Annex 5** of the Budget Plan.

13.3 Following the comprehensive consultation and equality impact assessment process followed during last years' budget process, policy decisions were approved in relation to 2018/19 and 2019/20. A small number of policy savings for 2019/20 were subject to further review and Cabinet are now asked to approve the decision as set out in **Table 1** overleaf (under the heading Executive (Cabinet) Decision and instruct executive directors to implement the resulting decision.

13.4 One 2019/20 proposal, in relation to markets, is subject to further review, including where applicable, consultation and equality impact assessment. Where decisions are required on these prior to implementation, these will be brought back to Cabinet.

13.5 In summary, 2 of 9 2019/20 policy proposals have been paused, as follows:

- Saving 20 – Review of home to school transport for service users post 16 years of age with special education needs and disabilities (£560k) – this saving is paused whilst a review is undertaken, and therefore no longer forms part of the budget to be recommended to Council.
- Saving 39 – Review of the falls prevention service (£295k) – discussions with partners have been held (WHT and CCG) and there is an expectation of short term funding contributions (council and partners) to provide some time and space for a thorough review of the service to determine the future need and operating model. As such, a saving will be made from public health budgets, however the service will continue whilst the review is undertaken.

- The above are to be funded from a combination of additional partner contributions and use of council reserves in 2019/20.

13.6 The draft budget for 2019/20 is balanced. The 2020/21 and 2021/22 budgets are not yet balanced, with the requirement to find c£24.6m of additional savings / efficiencies over the two years. It is proposed that the Walsall Proud Programme will incorporate an organisational wide programme of change activity, with the breadth and pace of this being such that this will contribute significantly to delivering the required savings in 2020/21 and 2021/22.

Table 1: Summary of revised policy savings and the Executive (Cabinet) decision				
Saving ref	**Policy Saving Consulted on**	**2019/20 £**	**Decision required**	**Executive (Cabinet) Decision**
Adult Social Care				
1	Ending the Concessionary Travel pre 9.30am top up scheme	(26,794)	Yes	Approve the saving.
Children's Services				
18	Review of residential short break provision for children and young people with a disability	(172,000)	Yes	Approve the saving.
19	Review of commissioned domestic violence services – for perpetrators and children who have witnessed domestic abuse	(109,000)	Yes	Approve the saving. Also agreed to explore alternative arrangements to provide whole family support as part of Children's Services transformation programme.
20	Review of home to school transport for service users post 16 years of age with special educational needs and disabilities	(560,000)	No – paused	N/A
Economy and Environment				
36	Reduction in public health investment in drug & alcohol treatment services – full year effect of 2018/19 saving	(350,000)	Yes	Approve the saving.
39	Review of the falls prevention service	(295,000)	Yes	Remove the £295k from public health budget. Continue to provide the service for 12 months pending a detailed review of the service with partners. Seek partner contributions to fund the service for the next 12 months, with the balance to be funded form council reserves.
40	Reduce investment in sexual health services	(500,000)	Yes	Approve the saving.
45	Investigate the possibility of an alternative delivery mechanism for markets. This is part year effect and a further £19,500 will be realised in 2020/21	(19,500)	Yes	Approve replacement with operational saving for 2019/20.

Saving ref	Policy Saving Consulted on	2019/20 £	Decision required	Executive (Cabinet) Decision
Resources and Transformation				
69	Increase council tax premium charge on empty properties from 50% to 100% premium on all properties empty for 2 years or more, as introduced by Government	(168,168)	No	Approved by Council 7 January 2019
Total Policy Savings for consultation		**(2,200,462)**		

14. Amendments to the Capital Programme

14.1 The draft capital programme was set out in the report to Cabinet on 24 October 2018, totalling £70.34m. The programme has increased by £3.14m to £73.48m in 2019/20 with the following amendments:

- Replacement cemeteries administration system £75k
- Replacement fencing at Streetly Cemetery £16k
- Streetly Youth Club demolition works £22k
- Strategic Acquisition for Third Sector Hub and operational accommodation £2.53m
- Operational repair and maintenance of council buildings £500k

Background papers

- Corporate Budget Plan 2017/18 - 2020/21 as approved by Council on 28 February 2018.
- Draft Revenue Budget and Capital Programme 2018/19 – 2021/22 - Cabinet 24 October 2018.
- Draft Revenue Budget and Capital Programme: Feedback from Overview and Scrutiny Committees - Cabinet 12 December 2018.

Authors:
Vicky Buckley, Head of Finance, ☎ 01922.652326, vicky.buckley@walsall.gov.uk
Stuart Wootton, Financial Planning Manager, ☎ 01922.652348, stuart.wootton@walsall.gov.uk

James Walsh
Executive Director –
Resources and Transformation (CFO)
05 February 2019

Councillor M. Bird
Leader of the Council
05 February 2019

Section A - Part 1 - Report on findings from Overview and Scrutiny Committees

Overview and Scrutiny Committees received the draft revenue proposals in November 2018. The Committees reviewed the proposals and raised a number of questions and queries, which were responded to by officers and portfolio holders at each meeting.

This section summarises the comments and recommendations from the panels and, where applicable, Cabinet's consideration of these.

<u>Children's Services Overview and Scrutiny Committee - *8 November 2018*</u>

Saving 18 (£172k) - Review of residential short breaks provision for children and young people with a disability.

The Committee heard representations from the FACE (Families and Carers Empowered) group, who attended to speak on the budget proposal 'Review of residential short break provision for children and young people with a disability'. The Committee heard that residential short breaks were an essential service for the stability of families with disabled children. Concern was expressed by the FACE group that the demand for the service had not been accurately captured and that families were not aware of the provision.

Officers explained that the demand for the residential short breaks service had reduced since it was opened. This proposal responded to the reduced demand for the service. The Committee were also informed that alternative respite provision was available and may have contributed to reduced demand for the service. The Portfolio Holder agreed that further consultation would take place with service users through the FACE group.

Saving 19 (£109k) - Review of commissioned domestic violence services for perpetrators and children who have witnessed domestic abuse.

The Committee were informed that a Children's services policy saving proposal had been produced relating to a 'Review of contracts for perpetrator and counselling services.' The Committee agreed to consider this its next Committee meeting on 11th December 2018.

The Panel Resolved:

1. That the draft revenue budget and efficiency plan 2018/19 – 2020/21 be noted.
2. The Committee held concerns about the reductions to the Children's Services budget. However, the Committee were encouraged by the openness of the Portfolio Holder to continue to engage with the FACE group to consult further on the proposals relating to the SEN short breaks.
3. The policy paper 'Review of contracts for perpetrator and counselling services' be considered at the next Children's Services Scrutiny Committee meeting on 11th December 2018.

There were no recommendations made to Cabinet.

Education Overview and Scrutiny Committee - *20 November 2018*

Saving 20 (£560k) - Review of home to school transport for service users post 16 years of age.

This proposal has two options, and the Committee was advised that the period for consultation on the proposal would be concluded on 21 December 2018 with the feedback received then being presented to the Cabinet for consideration.

The Committee received a presentation from representatives of the local parent-carer forum, FACE Walsall, who set out their concerns regarding the proposal. In brief, these included:

- The proposal's impact not just on the 97 young people who could be affected should this service be unavailable, but on their parents, siblings and other family members.
- The inability of many of the young people to use public transport due to wheelchair access and/or behavioural problems, and the possible safeguarding issues that could arise.
- The impact on the health, including mental health and behavioural issues, of the young people affected and their parents and other family members through the additional stress that could be incurred should these young people have to stay at home.
- The financial impact of the proposal on families, where in the absence of this service parents might have to give up work to take the young people to and from school/college.
- That parents taking the young people to and from school/college themselves could be further financially penalised, as the mileage allowance of £0.45 per mile is paid in one direction only. Moreover, this does not account for carer costs and the possible impact on welfare benefits that could be reduced as a consequence of payment of the allowance.
- The possibility that if parents were unable to access this service and decided therefore not to send the young people to school/college, that they could be subject to a fine.

During this presentation and the ensuing discussion there was reference to the legal implications in relation to the Council's duties/responsibilities to promote the participation of young people in education and training. FACE Walsall contended that the policy proposal would effectively discriminate against these young people by denying them the opportunity to do this, with the policy being in their view contrary to some of the provisions of the SEND Code of Practice 2015, the Education and Skills Act 2008, and the Equality Act 2010.

The Committee noted the concerns of FACE Walsall and also requested that a legal opinion be obtained from the Council's Legal Services team and then made available to the Committee Members at the earliest opportunity.

The Committee noted the proposed timetable, with the final draft budget being considered by the Cabinet on 13 February 2019 prior to it be recommended to the meeting of the Council on 28 February 2019. In view of the consultation period on the policy proposal and the request for a legal opinion, the Committee also requested that they receive the revised draft revenue budget and capital programme prior to the February 2019 meeting of Cabinet. This would necessitate it being presented at the Committee's meeting on 10 January 2019.

The Committee resolved:

1. The Committee considered the draft revenue budget and capital programme relating to the remit of the Committee.

2. The Committee noted the policy proposal in relation to the review of home to school transport for service users – post-16 years of age.
3. The Committee request that the Cabinet note the concerns that have been raised by the FACE Walsall Group.
4. The Committee noted that consultation would be undertaken on all new 2019/20 policy savings and that feedback would be presented to the Cabinet on 12 December 2018 and looked forward to seeing the decision arrived at by the Cabinet.

The only recommendation made to Cabinet is point 3 for concerns raised by FACE Walsall Group to be noted. Following consideration of all consultation responses, Cabinet have decided to pause this proposal.

Economy and Environment Overview and Scrutiny Committee - *22 November 2018*

Corporate

Saving 76 (£5m) - Walsall Proud Programme

A Member sought clarification on savings highlighted with the implementation of the Walsall Proud Programme and whether jobs would be affected. The Portfolio Holder confirmed that the programme implementation was ongoing and an update would be presented at the next meeting of the Committee.

Clean and Green

Street Cleansing

The Committee was informed that the Cabinet would be undertaking a review into District Centres which would take into account changes in street cleansing provision.

Saving 46 (£395k) – Reduce scope of Healthy Lifestyle Services

In response to a question by the Chair on the reduced scope of healthy lifestyle services. The Head of Clean and Green confirmed that the restructure of services would promote harmonisation between Clean and Green and Public Health to promote the maximisation of green space provision whilst reducing duplication of services.

Domestic Waste Pressures

A Member sought clarification on whether there had been a significant impact on Council waste services due to China's reduction in imported plastic waste. The Committee were informed that a response would be provided in writing.

Community, Leisure and Culture

Active Living Centres

A Member sought clarification on when additional parking provision would be implemented at Oak Park Active Living Centre. The Head of Leisure, Culture and Operations confirmed that, subject to the final part of the funding package being confirmed, work would commence in Spring 2019 and be complete by March. This would then help to ease pressure at the centre and improve customer satisfaction with parking. The Portfolio Holder highlighted that

Oak Park had successfully maximised the use of artificial pitches at the centre and that both parks continued to remain popular attractions with the community.

A Member sought clarification on whether pricing had impacted on membership at the Active Living Centres. The Portfolio Holder highlighted that carrying out an impact study would be premature however, the Centres had recently made progress on implementing online membership options whilst remaining competitive with other leisure providers. He highlighted that challenges remained in encouraging better and increased use of Darlaston and Walsall Gala Active Living Centres due to their age and design.

Library Services

The Committee was informed that there was review into procuring the out-of-hours access control system for the five District Libraries and Streetly Community Library. Whilst the Council had already seen a reduction in the number of library sites and staff since the redesign in 2017 it was committed to maintaining opening hours within the service.

The Committee Resolved:

1. The Committee draft revenue budget and capital programme 2018/19 to 2021/22 be noted;
2. The consultation on all new 2019/20 policy savings be noted.

There were no recommendations made to Cabinet.

Social Care and Health Overview and Scrutiny Committee - *27 November 2018*

The Committee considered the proposals as set out in the report. The committee raised a general query to ask if when determining budget savings, a cost analysis was carried out on proposals to identify any potential pressures that might be created in other areas of the health and social care system, to ensure that decision makers were fully informed of the true system wide costs attached to proposals.

Saving 36 (£350k) – Reduce in public health investment in drugs and alcohol treatment services.

In addition to the Draft Revenue Budget and Capital Programme 2018/19 – 2021/22 the Committee considered a presentation on the drugs and alcohol programme. Members were concerned about the proposed reductions of £350,000 in the programme. In addition to this £147,000 of funding from the Police and Crime Commissioner (PCC) was going to be lost from the community protection in 2020/21. The Committee were concerned that funding reductions in similar areas across partners would have a detrimental demand on services that could see a rise in drug and alcohol related deaths. The Committee asked the Chair to write to the PCC to seek the continuation of the £147,000 community safety grant.

A theme of the discussion was the knock on effects of budget reductions in partners within health and social care economy with budget savings in one organisation creating demand for different services in another. The Committee asked the Chair to write to the Chancellor to set out their concerns.

The Committee Resolved:

1. That the Draft Revenue Budget and Capital Programme 2018/19 – 2021/22 was noted.
2. That the Chair writes to the Police and Crime Commissioner to seek the continuation of the Community Safety Grant.
3. That the Chair of the Committee writes to the Chancellor of the Exchequer to express concern at the reductions to the Local Authority budget, and to the budgets of Local Authority partners, which were having a direct impact on the Councils ability to deliver services.

There were no recommendations made to Cabinet.

Scrutiny Overview Committee - *26 November 2018*

Saving 76 (£5m) - Walsall Proud Programme

Members requested further information on how the significant savings noted against the programme would be met. The Deputy Leader explained that it was important that all Members were engaged in this programme.

Council House smoke and heat detection and fire alarm - Council Chamber and Committee Room Audio Visual System, seating refurbishment and Council House reception

Members noted the significant investment in the Council House. A Member felt that the refurbishment of the Council Chamber was worthwhile, particularly if it was to include improving the seating for visitors in the public gallery. A Member also expressed support for webcasting of Council meetings. Members requested further information to their meeting on 5 February 2019 on the proposed investment in the Council Chamber.

Council-wide

General

Members requested that in future reports where savings are proposed, it would be useful to also set out the starting budget so that it was possible to understand the extent of the proposal.

Clean and Green – fly tipping

Members noted the trials currently taking place to reduce the level of fly tipping in the borough. Questions were asked to understand why a budget was not set aside to implement one of the trials should they prove to be successful. It was explained that the trials continued into the next financial year and if, any one did prove successful, it was planned to pay for the new service through savings made from clearing fly tipping.

Saving 18 (£172k) - Review of residential short break provision for children and young people with a disability

The Chair of the Children's Services Overview and Scrutiny Committee reported on the discussion that took place on this proposed saving and the representations that had been received from the FACE Group.

Saving 20 (£560k) - Review of home to school transport for service users post 16 years of age

The Chair of the Education Overview and Scrutiny Committee reported on the discussion that took place on this proposed saving and the representations that had been received from the FACE Group.

Town Centre Masterplan Project

A Member queried what such a significant investment was going to be used for? Members were informed that the money was for external expertise to assist in developing the masterplan for Walsall Town Centre. The Deputy Leader explained that it was important that all Members were engaged in this important project.

The Panel Resolved:

1. the draft revenue budget and capital programme 2019/20 – 2021/22 be noted;
2. further information be presented to the committee at its meeting on 5 February 2019:
    a. Walsall Proud Programme;
    b. Council Chamber and Committee Room Audio Visual System, seating refurbishment and Council House reception.

There were no recommendations made to Cabinet.

Section A - Part 2 - Findings from Service Specific Budget Consultation: Financial Year 2019/20+ and Cabinet Responses

1. Executive summary

1.1 Budget consultation largely took place between 25th October and 21st December 2018, with some consultation extending into early January 2019.

1.2 Anyone who lives, works, studies, visits or does business in the borough was encouraged to have their say on draft policy proposals via questionnaires, online surveys and at face to face meetings, focus groups, drop in sessions and by phone or in writing / email. Whilst anyone could comment on draft operational proposals, the focus for consultation was largely internally focused within the organisation.

1.3 Information presented in this report should be considered alongside equality impact assessments and other supporting information. Methodological considerations, including limitations of the data gathered are detailed in section 2.3 to 2.9.

1.4 The proposals may be broken down as follows;

1.5 The following proposal relates to the implementation by central Government, following amendments to legislation, of increased council tax premium charges on empty properties, consequentially, the current premium rising from 50% to 100%. Consultation was not required, however was undertaken. The proposal was approved at Full Council on 7th January 2019;

- **Policy proposal Ref 69:** Increase council tax premium charge - Government legislation to allow councils to introduce increased council tax premium charges on empty properties. For 2019/20 it will increase to 100% premium on all properties empty for 2 years or more. The current premium is 50%.

1.6 **Policy proposal Ref 20:** Review of home to school transport for service users post 16 years of age. Cabinet have decided to 'pause' any changes regarding home to school transport for post 16 students with special educational needs and disabilities. This means that the proposed 'post 16 transport savings' does not form part of the council's 2019/20 budget savings. Cabinet remain committed to ensuring that children and young people with special educational needs and disabilities lead lives that are as independent as possible and this will continue to inform our thinking.

1.7 **Policy proposal Ref 45:** Investigate the possibility of an alternative delivery mechanism for the four markets. This involves a saving of £19,500 for 2019/20 that will be delivered from operational savings. A full review of options for alternative service delivery models is planned to take place between January - September 2019 when consultation will also take place.

1.8 **Policy proposal Ref 39:** Review falls prevention service - this policy proposal has been reviewed following consultation and specifically in relation to the concerns expressed about the potential impact of stopping this service on adult social care and the hospital. As such, it is proposed that short term funding is made available by the council and it's partner to provide further time to review the service and future options.

1.9 The remaining policy savings are proposed to be implement, as follows:

- **Policy proposal Ref 1:** Ending Concessionary Travel Pre 9.30 am Top up scheme.
- **Policy proposal Ref 18:** Review of residential short break respite provision.
- **Policy proposal Ref 19:** Review of commissioned domestic violence services – for perpetrators and children who have witnessed domestic abuse.
- **Policy proposal Ref 36:** Reduction in public health investment in drug and alcohol treatment services.
- **Policy proposal Ref 40:** Reduce investment in sexual health services.

1.10 Table 1 on the next page provides a quick reference list of all policy proposals, the overall opinion following consultation, outcomes from EqIAs where completed, and Cabinet's decision.

1.11 Single statements indicate the general overall opinion on each proposal whether: 'Support', 'Against' or 'Inconclusive / opinion divided'.

1.12 The summaries provided in section 3 outline in more detail the findings from consultation and EqIAs for policy proposals that involved consultation. The summaries include a concluding statement from the council along with the overall decision.

Table 1. Quick reference list of proposals

Saving ref number	Savings option	Year 4 2019/20	EqIA decision A-D or not required (N/A)	Overall opinion following consultation	Paragraph ref
1	Ending the Concessionary Travel pre 9.30am top up scheme	£26,794	A	Divided	See Ref 1
18	Review of Residential Short Breaks for Children & Young People with Disabilities - Respite	£172,000	C	Against	See Ref 18
19	Review of Commissioned Domestic Violence Services for perpetrators and children who have witnessed domestic abuse	£109,000	C	Preference for Option 2	See Ref 19
20	Review of home to school transport for service users post 16 years of age	£560,000	n/a - this proposal no longer forms part of the final Budget recommendations as it has been paused.		
45	Investigate the possibility of an alternative delivery mechanism for markets. This is part year effect and a further £19,500 will be realised in 2020/21	£19,500	n/a Consultation through options appraisal to be undertaken during 2019		
36	Reduction in the Public Health investment in drug and alcohol treatment services - Full year effect of 2018/19 saving.	£350,000	C	Against	See Ref 36
39	Review falls prevention service.	£295,000	D	Against	See Ref 39
40	Reduce investment in sexual health services.	£500,000	C	Against	See Ref 40
69	Increase council tax premium charge - Government are introducing increased council tax premium charges on empty properties. For 2019/20 it will increase to 100% premium on all properties empty for 2 years or more. The current premium is 50%.	£168,168	A	Divided	n/a A separate report on this proposal was approved at Council on 7/1/2019

EqIA decision
A - No major change required,
B - Adjustments needed to remove barriers or to better promote equality,
C - Continue despite possible adverse impact,
D - Stop and rethink your proposal,
N/A - Not applicable, # indicates feedback on this proposal was low in volume

2.0 Background

2.1 The council has already reduced its spending by £173m since 2010/11 and needs to save in the region of a further £20m in 2019/20. In considering future resource allocation, funding for development of services needs to be met from the redirection of existing resources, reducing existing spend and the identification of new or revised income sources. The council will need to do things differently and in some cases cease doing things that are not in line with corporate priorities or local need.

2.2 New policy savings proposals of £2.2m have a direct impact on services and these were referred for public/stakeholder consultation.

Approach to consultation

2.3 Each year Walsall Council undertakes public consultation in preparation for the budget setting process. Residents, partners and other key stakeholders were invited to have their say on service change related draft budget policy proposals for 2018/19 to 2021/22 where applicable.

2.4 On 24th October 2018 Cabinet published its draft budget proposals for 2019/20 with consultation taking place from 25th October to 21st December 2018. Consultation focussed on the draft policy proposals as these had a potential or actual impact on customers or service users. Information on the draft proposals was made available in the 24th October 2018 Cabinet report and on the council's website www.walsall.gov.uk/budgethaveyoursay as well as directly through service led consultation.

2.5 Our approach to consultation has involved a wide range of methods involving the collection of both quantitative data via surveys (providing numbers and %s) and a significant amount of qualitative data i.e. dialogue with service users and key stakeholders (providing detailed feedback). Through this approach, a rich understanding of views has been possible. Services have developed and followed detailed consultation plans to enable opportunities for feedback on budget proposals.

2.6 Specific groups or communities have been directly targeted in the consultation, where relevant, e.g. service specific users, disability groups, community groups. Other research was self-selecting i.e. respondents picked up hardcopy information / questionnaires or accessed online on the council's website.

2.7 Whilst this inclusive approach gives everyone and anyone the opportunity to respond, the lack of control over who responds / participates has the potential to introduce an element of bias. We are able to reduce this bias by using a wide range of mechanisms, methods and channels to gather feedback and through achieving as large a response as possible. Overall, approximately 1000 people have responded to the consultation.

2.8 The findings therefore provide a broad view of opinion of those people who responded. It is not intended to be statistically representative. Because random sampling was not used, the results, cannot be generalised to the wider population. This should be borne in mind when interpreting the findings.

2.9 All feedback received has been collated, analysed and considered as part of the consultation process and used to inform equality impact assessments with findings being used to inform the decision making process.

Petitions received

2.10 The Constitution sets out the process for the receipt of petitions and how they will be dealt with. In summary, petitions with:

- Less than 500 signatures – a copy is sent to the relevant Executive Director who has to respond to the petitioner organiser.
- At least 500 signatures – a debate will take place at the relevant Overview and Scrutiny Committee
- At least 1500 signatures – a debate will take place at Council.

2.11 The following petition has been received;

Ref 20: Review of home to school transport for service users post 16 years of age. A petition entitled 'Post 16 transport for vulnerable special needs students' submitted to the council on behalf of Mary Elliot School in both online and hard copy versions on 7/01/19. At the time of writing this report, the online petition remained open and with 1800+ signatures; in addition 930 had signed the paper based petition. This will be considered at Council on 28th February 2019.

Other feedback

2.12 All feedback provided through engagement, in letters and in emails, has been incorporated into the consultation process for the relevant proposals.

Summary of general feedback on the budget

2.13 A general budget consultation feedback survey was made available on the council's website from 25th October 2018 until 21st December 2018. Copies of the survey have also been made available in hard copy through libraries, leisure centres, and on request. A total of 344 responses based on a range of policy proposals have been received through this survey.

2.14 The consultation was also announced in a news item on the council's website. This news item was viewed 342 times. A second news item reminding people of the consultation end date was published on 17 December 2018. This was viewed 260 times. Promotion of the consultation on social media was undertaken throughout the consultation period; in total 13 Tweets were published on Twitter and 13 posts published on Facebook to raise awareness of the consultation and direct people to the council's website. This message and key consultation dates were also provided to BBC Radio WM and broadcast on 29th November 2018 as part of the breakfast programme. Key stakeholders, partners and providers were also engaged to distribute consultation information among their networks as appropriate.

2.15 Survey respondents have commented on a range of specific proposals. This feedback has been collated with all other relevant feedback as necessary and for those policy proposals requiring consultation as set out in Appendix 5a of the Cabinet report (24th October 2018); consultation summaries are detailed in Section 3 below.

2.16 In addition the survey sought general feedback on the proposals including thoughts on alternative suggestions for making the savings. A total of 109 such comments have been analysed and comments can be themed as follows and in order of prevalence;

Staff / Political savings

2.17 Calls for savings to be made though staff savings, for example senior salary reduction, reduction in staff benefits such as paid sickness absence, bonus schemes and pensions. Alongside reductions in councillor allowances.

Find savings elsewhere

2.18 Amongst comments were calls for savings to be found elsewhere, with suggestions for exploring efficiencies, effectiveness, volunteering, partnership and collaboration. Not wasting money on projects. Some just commented that savings needed to be found elsewhere but with no suggestions as to where that should be from.

Consider knock on effect of savings in preventative services and services for vulnerable people

2.19 Some commentators noted that cutting services like falls prevention services, that are designed to avoid access to more expensive services, creates costs elsewhere. Consideration of the impact on other services is therefore needed; that these are important services for already vulnerable people and they should be protected including just not making these cuts at all.

Challenge Government Cuts

2.20 There is some acceptance that public services have suffered enough and should not be cut further, that this is a central government issue and the council should challenge the cuts.

It's difficult; you decide

2.21 Amongst comments is a sense that some respondents just don't have any suggestions, don't feel knowledgeable enough to make such decisions and or that it's down to the council to determine how savings are made.

Feedback from key partners

Clinical Commissioning Group (CCG)

2.22 The Clinical Commissioning Group (CCG) acknowledges the councils financial position and welcomes ongoing partnership working taking place to jointly plan current and future service delivery. They have provided comments on a range of policy proposals under consultation. Overall, they ask the council to be mindful of the consequential impacts on similarly pressurised health services from some of the proposals and therefore welcomed ongoing discussion and collaboration.

Walsall Police

2.23 Walsall Police have commented on some of the savings proposals regarding preferences for options available and where they feel there might be a consequential increase in demand on the police.

Statutory consultation on the draft budget and council tax

2.24 In 2015 the government introduced the adults social care precept, which allowed those councils with adult social care responsibilities to increase their share of council tax by up to an extra 2%. This precept is ring fenced to spend on supporting adult social care, in recognition that local authorities are experiencing increased demographic pressures in supporting an ever increasing elderly population.

2.25 In 2016 the secretary of State for Communities and Local Government announced that for the 3 years from 2017/18 to 2019/20 councils would be allowed to further increase the precept by up to 3% in any given year, but no more than 6% in total over those years.

2.26 The draft budget for 2019/20 proposes a general increase in council tax of 2.99%[1], plus the 1% precept for social care (balance of the 6% allowable over the three year period to 2019/20), a total increase of 3.99%.

2.27 The additional 1% increase is ring-fenced and can only be used to fund additional adult social care costs. Due to increased demand and changes in demographics, adult social care continues to face on-going budget pressures, funding for which is included in the draft budget for 2019/20. Any increase in council tax from the adult social care precept would be utilised to fund some of these on-going pressures.

2.28 As part of the council's statutory duty to consult[2] with representatives of local non-domestic ratepayers (NDRP), businesses and community and voluntary organisations were consulted on the current and preceding years' expenditure proposals, as well as the proposed council tax increase for 2019/20.

2.29 During December, emails outlining the draft budget and explaining the adult social care precept were distributed electronically to c2,300 businesses (7th December 2018) and all community and voluntary organisations (One Walsall CVS network) throughout the borough (3rd December 2018). As well as providing a link where further information could be found the email invited people to have their say.

2.30 By the final closing date of 4th January 2019, we had received 4 representations regarding the proposed council tax increase. Of these, two of the representations gave their approval to the proposed increase.

2.31 In addition to the above statutory consultation, though not required, the council has consulted with residents regarding an increased council tax premium charge; for 2019/20 this will be increased from 50% to 100% on all properties empty for 2 years or more. Hence 250 council tax payers who were subject to the premium and another 250 council tax payers not subject to the premium were consulted.

2.32 From the 500 letters issued we received 35 responses: 27 from those subject to the premium of whom all were against increasing the premium; and 8 responses from those not subject to the premium who were all in favour of increasing it.

---

[1] This is the level allowed by statute before the authority would be required to hold a referendum.

[2] http://www.legislation.gov.uk/ukpga/1992/14/section/65

3 Summary findings from consultation and EqIAs

3.1 The summaries provided in this section outline in more detail the findings from consultation and EqIAs for each draft policy proposal, together with Cabinet's response and intended decision, where they are required. This information should be reviewed alongside the detailed EqIAs and other supporting information. Table 1 provides a quick reference list of policy proposals, headline results and decision.

Evidence, Engagement and Consultation Summary

Ref no.	**1**	**Title**	**Ending the Concessionary Travel Pre 9.30am Top Up Scheme**
Description of proposal			

West Midlands Combined Authority (WMCA) operates a concessionary travel scheme. WMCA can issue concessionary travel passes to people of fare paying age who qualify under any of the seven categories of disability defined by the Transport Act (2000).

The 7 categories are:
- **Category A** Blind or partially sighted
- **Category B** Profoundly or severely deaf
- **Category C** Without speech
- **Category D** Disability or injury which has a substantial effect on the ability to walk
- **Category E** Does not have arms or has long-term loss of the use of both arms
- **Category F** Learning disability
- **Category G** A medical condition not mentioned above which prevents a person from obtaining or holding a UK driving licence

To apply a citizen must:
- Have a disability that is long term or expected to last at least 12 months
- Be aged 5 or above
- Be a permanent resident in Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall or Wolverhampton.

A concessionary pass can be used on local buses anywhere in England and on most buses, trains and Metro within the Network West Midlands area. The concessionary pass can be used Monday to Friday after 9.30am and any time Saturday, Sunday and Bank Holidays.

The WMCA concessionary travel scheme described above is funded in partnership with local authorities. This will continue to be funded by the council and is not affected by this proposal.
- If a citizen wishes to pay for a journey before 9.30am, they can pay each time they travel or they can buy a Pre 09.30 ticket (valid only within the Network West Midlands area). At present, Network West Midlands charge £1 per day for pre 9.30am journeys.
- Financial help towards Pre 09.30 travel costs may be available if a citizen needs NHS treatment at a hospital, other NHS centre or a private clinic and have been referred by an NHS consultant. Costs can be claimed at the NHS hospital or clinic at the time of their appointment.

The discretionary top up (difference between off peak and peak travel pass cost) funded by the council is not a statutory duty and other Local Authorities have stopped paying these top-ups as part of their own budget cuts.

Customers may also be able to claim transport costs for attendance at hospitals and clinical appointments. The majority of people needing to travel before 9.30am, as opposed to wishing to travel at this time, are likely to be doing so in order to attend paid employment and it is assumed can therefore afford the £1 a day fee. Those attending education can apply for support with transport costs.

The current scheme is not equitable. Although there are seven categories of disability as defined under the Transport Act (2000), only customers who are registered as blind or partially sighted can apply for a Pre 9.30 Top Up Pass (which is funded by the council).

Walsall Adult Social Care has for a number of years offered to pay for Pre 09.30 top up tickets at an accumulative cost of up to £26,794 per annum.

The proposal is to cease the council's funding of Pre 09.30 top up payments.

Estimated Net Saving

2019/20 £	2020/21 £	Implementation / Investment cost
£26,794	£0	£0

Summary of evidence, engagement and consultation

We have undertaken the following in order to consult on this proposal. Individual letters were sent to citizens who have held a Pre 9.30 top up pass in the last 18 months. 33 people were consulted directly via letter:

The letter explained the proposal and invited citizens to complete a questionnaire, which asked a number of questions around the proposal to withdraw the Pre 9.30 top up element of the Concessionary Travel Pass. A pre-paid envelope was included with the questionnaire to encourage participation. The letter encouraged recipients to seek assistance from Walsall Society for the Blind (WSB) should they require help responding.

Recipients were also invited to discuss the proposal with officers at Walsall Council or staff at Walsall Society for the Blind via the telephone if this was preferable for them. Individuals could also give their feedback face to face to Walsall Society for the Blind. Alternative formats e.g. larger print were also offered on request. The Talking Newspaper and other formats were also made available, on request, to ensure full understanding and involvement of those consulted. No one sought this offer.

The initial consultation letter was sent out on the 12th November 2018 and the recipients had until the 21st December 2018 to respond. Reminder letters were sent to those who had not responded on the 14th December 2018. 33 people were consulted directly via letter and 11 people responded.

There was also a Walsall-wide 'Have Your Say' online questionnaire, which ran from the 24th October 2018 until the 21st December 2018 which allowed any citizen, business or partner agency within Walsall to comment on the proposed budget savings.

Walsall Society for Blind also liaised with the W'EYES group (consumer group for blind and visually impaired people in Walsall) who discussed the proposal at an informal group meeting. Any feedback gathered by WSB was included in their consultation submission process.

It was proposed that any new applicants that applied for the Pre 9.30 Top Up pass during the consultation period should also be contacted for their views; however, no new applications were received.

In terms of feedback received; by the consultation closing date of the 21st December 2018, of the 33 people contacted directly 11 people had responded. Of these, 7 were via the paper questionnaire, 2 were completed over the telephone and 2 were completed by Walsall Society for the Blind during a face to face meeting on behalf of two clients. This represented a 33% response rate.

The main reasons respondents stated they used their Pre 9.30 Top Up pass was to travel to work, to get to hospital appointments, to go shopping, and for leisure purposes e.g. to get to the gym or to visit family. Respondents stated that where their travel was non-essential, they preferred to travel earlier to avoid crowds.

Of the respondents 5 stated that the withdrawal of the Pre 9.30 Top Up pass would impact on their finances on the basis that if they wanted or needed to travel before 9.30am, they would need to pay the appropriate fare or purchase a Pre 9.30 ticket from Network West Midlands at a cost of £1 per day. The remaining respondents (6) stated that should they want or need to travel before 9.30am they would be happy to pay the additional fee required.

In addition to this and in an overall response on all of the savings proposals, Walsall Clinical Commissioning Group (CCG) expressed concern about the consequential financial impact for them if there was an increase in individuals requesting financial support with hospital journeys. It is worth noting that reimbursement under the Hospital Travel Costs Scheme (HTCS) is dependent on an individual's income rather than disability or condition and is a mandatory scheme.

West Midlands Police in an overall response to all of the savings proposals, stated that they could foresee no impact for them if this proposal was implemented.

There was also one resident who responded via the 'Have Your Say' generic online questionnaire. They stated that they were against the proposal although they were not personally affected by it. Commenting that they thought more research was needed before making a decision affecting residents with a long term disability. They queried robustness of the research based on low numbers offering comments as being under representative. However it needs to be noted that feedback was widely sought on this proposal as part of the councils overall budget consultation process.

Overall opinion from engagement and consultation	
	Overall opinion on this proposal is divided.
Justifiable action from the evidence, engagement and consultation suggested in the Equality Impact Assessment.	
	A - No major change required.
Mitigating actions required, if proposal approved	
Whether approved or not, all Pre 9.30 Top Up pass holders will be informed of the outcome following Cabinet's decision. If approved, suitable transitional arrangements and timescales will be put in place and pass holders informed.	

People potentially negatively affected, if proposal approved
Adults aged 18 to 65 years who live in Walsall and who are registered as blind or visually impaired.
Response from Walsall Council on Proposal Ref 1 Cabinet intend to proceed with this proposal.

Evidence, Engagement and Consultation Summary

Ref no.	18	Title	Review of Residential Short Breaks for Children & Young People with Disabilities - Respite

Description of proposal

This proposal seeks to :

- Save £172,000 in 2019/20 through the review of the service and current uptake at Bluebells, the council's residential short break home for children and young people (C&YP) with a disability;
- Maintain the residential short break service at Bluebells and to support families at weekends and school holidays, recognising that children are at school during the week;
- Respond to the reduction in referrals to the service for residential short breaks at Bluebells, by reducing the opening times to 4 days out of 7 (including weekends) during term time with flexibility to open during the week during school holidays;
- Ensure that children and young people with disabilities and their families continue to have access to overnight short breaks, which offer positive opportunities to families; while ensuring these are delivered in a more efficient manner, responding to changes in demand in the settings in which short breaks are delivered.

Estimated Net Saving

2019/20 £	2020/21 £	Implementation / Investment cost
£172,000	N/A	£0

Summary of evidence, engagement and consultation

The consultation process relating to this proposal ran from 25 October until 21 December 2018 and the resulting feedback is summarised below.

Consultation meetings were held with specific groups including face to face sessions offered to parents and carers of (C&YP) using Bluebells. A range of public engagements was carried out as follows:

1. 23 x letters and questionnaires sent to Walsall families who currently use the service resulting in 13 responses.

   Characteristically, the nature of the children's disabilities are complex and multiple, notably including Learning Disability, Autism Spectrum Disorder and behavioural difficulties. Respondents had all accessed the service in the last 12 months; just under half (46%) monthly, 23% fortnightly and 31% weekly.

   The top 3 benefits of the service for their child were seen as;
   - Learning & development, making new friends/missing with others, independence.
   - Social Skills and confidence building.
   - Communication skills.

And for the family;

- Catching up on day to day tasks.
- Emotional/physical respite and the ability to spend time with family and friends.
- Time for leisure activities.

All respondents felt the service provided was good, and mostly met their needs; 85% fully met their needs, 15% to some extent.

Overall, responses to "*To what extent do you agree or disagree with the proposal?"* resulted in the majority (9, (77%)) not supporting this proposal. [54% Strongly Disagree (7); 15% Disagree (2); 0% Agree (0), 23% Strongly Agree (3); 8% Neither agree nor disagree (1).]

2. 2 x letters and questionnaires sent to Wolverhampton families who currently use the service via their Allocated Social Workers. No feedback was received.
3. 14 x 1 to 1 sessions arranged with Parents and Carers of children currently accessing the services of Bluebells (12 sessions undertaken involving 16 people). Feedback is summarised below.
4. Attendance at specific interest groups (Mary Elliott School Representatives; FACE Group) to facilitate participation at which 7 Parent/Carers were engaged with on the proposal. Feedback is summarised further below.
5. Consultation response received from the Chief Officer, Walsall CCG that they will work with the council, as necessary, to meet the health needs of children and young people with disabilities requiring residential short breaks.
6. Public consultation via an online questionnaire from which there were 4 responses as follows;

   Responses to "*To what extent do you agree or disagree with the proposal?* Resulted in 3 respondents not supporting the proposal and 1 respondent fully supporting the proposal.

   Of the three respondents not supporting the proposal, two respondents stated that whilst there was no direct impact upon them, one commented, on the '*great deal'* of impact on their family and another commented on the consequential impact on other public services. The remaining respondent, a parent of a disabled child, commented that the '*short breaks are vital for me'*.
7. Meeting with Councillors and FACE Group representatives. 8 people attended. Feedback summarised further below.
8. Walsall Children and Young People Social Worker Observations (4 recorded) and as summarised further below.

It is possible that some parents/carers who currently access the service may have completed the questionnaire posted to them and also completed one at a specific interest group session, therefore multiple responses may have been made. Children's views were also recorded through Observations and feedback from their Allocated Social Worker.

Summary of feedback
Overall, the general response from families concerned the potential reduction in a valued service having a 'big impact' on them as the service is seen as a 'lifeline'.

> *"It would have a massive impact on me as a carer and not having a break from caring duties. It would also make it more difficult for other to access the service in the future."*

Additionally throughout all consultation sessions the ability of the overnight short break service to meet the needs of new C&YP coming through services or to meet the increasing needs of young people as they become older and move into their teenage years was questioned.

In addition the overall concerns can be summarised as follows;

A. Potential loss of overnight short breaks for children and young people with disabilities and the impact this may have on families.
B. A potential reduction in the overall quality of the service and the impact this may have on young people's experience of the service. Children are assessed and matched to a group that suits their individual care needs. There is a risk that the groupings may change.
C. The reorganisation of the service may result in the loss of skilled and experienced staff.
D. Potential inability to respond to crisis and emergency situations for families by offering overnight short breaks in Walsall in a service already familiar to children and young people.
E. Potential risk of family breakdown and increase in the number of children and young
People with disabilities entering full-time care of the local authority, which could equate to expenditure in excess of the required savings.
F. The ability of the overnight short break service to meet the needs of new demand coming through services or to meet the increasing needs of young people as they become older and move into their teenage years.
G. Lack of awareness of the purpose of Bluebells and the understanding of the eligibility criteria and assessment process

Overall opinion from engagement and consultation	
	Respondents are generally against this proposal.
Justifiable action from the evidence, engagement and consultation suggested in the Equality Impact Assessment.	
	C - Continue despite possible adverse impact.
Mitigating actions required, if proposal approved	

Risk Mitigation Plan
Families have been assured that if approved the proposal will not result in a reduction of the overall number of overnight Short Breaks children receive as part of their current care packages. Consideration would need to be given to the children who currently receive a 'midweek stay' as part of their care package, to ensure the reduced service is able to accommodate their 'group place'. This may result in Bluebells having to look to adjust their grouping system in delivering short breaks, in order to meet the needs of

the current cohort of children and young people. Potentially some children could experience a change in the configuration of their existing ‘friendship groupings’.

The decision in the 2015/16 budget to cease transport to and from Overnight Short Breaks for new referrals, has been seen by some parents as a contributing factor to the decline in the number of planned ‘midweek stays’. With transport to and from Bluebells now not available for new referrals, families have stated that they feel ‘midweek stays’ are now less of a ‘break’ than at the weekends. Consideration has been given to the potential impact of proposal 20 - cease Post 16 home to school transport, and proposal 20 has now been paused.

The number of nights in the current packages for the 21 CYP receiving a service at Bluebells can be accommodated within the reconfigured service. The impact on the individual packages is summarised below:

- 1 young person will be turning 18 and shall leave the service before any changes are in place.
- There will be no change for 8 of these young people.
- 8 young people will see no change in their weekend groups but potentially would experience a mixed needs group in their midweek stay.
- 4 young people could be offered a move from midweek stay to weekend stay to avoid a mixed needs group.

Further actions include:

- Review the provision of emergency/crisis residential support for children and young people with disabilities to develop a flexible approach
- Establish the feasibility of developing a community based outreach flexible service offer
- Ensure service information communicated effectively between all stakeholders, including purpose, eligibility criteria and access to overnight short breaks for children and young people with disabilities.
- Look to develop a welcome pack for new parents/carers available detailing the services on offer in Walsall.

Risk Assessment of Emergency and Crisis Prevention in the borough of Walsall.
Looking at the ability of Walsall’s overnight short break service to:

- meet the future needs of new children and young people coming through services;
- meet the increasing needs of young people currently receiving the service as they become older and move into their teenage years;
- assess other potential risks.

People potentially negatively affected, if proposal approved

21 Walsall C&YP and their family/carer.

Response from Walsall Council on Proposal Ref 18:

Cabinet intend to implement this proposal. Families have been assured that the proposal will not result in a reduction of the overall number of overnight short breaks that children receive as part of their current care packages and there is sufficient capacity and flexibility within the service to meet need.

Evidence, Engagement and Consultation Summary

Ref no.	19	Title	Review of Commissioned Domestic Violence Services – for perpetrators and children who have witnessed domestic abuse

Description of proposal

This proposal involves ceasing two contracts for services commissioned as part of the 'Toxic Trio' investment approved by Cabinet in February 2016.

The two services affected by this proposal are:

- A programme for perpetrators of domestic violence.
- Counselling Service for children aged 5 to 11 years affected by domestic abuse.

There were two options for consultation:

<u>Option 1.</u>

- Cease the local perpetrator service on the expiry of the current contract and refer perpetrators of domestic violence to the regional programme.
- Cease the counselling service pilot for children witnessing domestic abuse and refer to alternative services.

<u>Option 2</u>

- Review all current commissioned domestic abuse services (for victims, and perpetrators) and explore alternative ways to provide whole family support for families affected by domestic abuse in Walsall as part of Children's Services Transformation Programme.

Estimated Net Saving

2019/20 £	2020/21 £	Implementation / Investment cost
£109,000	£0	£0

Summary of evidence, engagement and consultation

The following engagement has taken place between 25th October and 21st December 2018;

1. A service specific online questionnaire.
2. Open stakeholder and service user meetings and questionnaire
3. Attendance at specific interest groups (perpetrators & victims) to facilitate participation

10 completed questionnaires were received regarding this proposal. Most responses were from service users (6), followed by service providers (2), parent/carer (1) and public organisation (1). Only two respondents had ever made a referral to the Toxic Trio counselling and perpetrator services.

When asked to explain what their experience has been with the two services, overall participants spoke positively about the services provided and that it had helped them to make changes with managing control and behaviour.

"[The Programme] *was a good experience and I have learned how to control situations"*
"Child programme is a positive experience"

When asked which of the two savings options respondents preferred; 6 respondents (60%) preferred Option 2 and 40% (4) preferred Option 1.

When asked how the proposal might impact on them, generally it was felt that a combination of cessation of services (Option 1) could be accommodated alongside a review of provision (Option 2) being undertaken. Increasing numbers indicate increased need, hence there is a need to build a more co-ordinated and integrated offer with a wider range of partners and with the opportunity to respond more effectively at a local level also. Delivery of support to victims may become more difficult as intervention options for perpetrators are limited.

> "*To date much work has been done to recognise the needs of children and the need to challenge perpetrators. None of this can be done in isolation and moving forward any services for victims would need to be better coordinated and pathways clear for access to ensure maximum benefit"*

Suggestions for alternative ways of making the saving were limited to the following; ;

- Building a more co-ordinated and integrated offer with a wide range of partners with the opportunity to respond more effectively at a local level.
- Unification of service provision; perpetrators to pay; maximising the regional offer and encouraging and supporting partner agencies to seek additional funds to support the needs of children. Evaluating the impact of children and young people counselling services, seek alternatives such as PHSE and school mentors.
- Perpetrators to pay for the service.
- By cutting higher paid staff wages.

In addition to this, feedback was provided by the Clinical Commissioning Group (CCG) and Police who both submitted written responses. Both organisations raised concerns about the proposal as follows;

The CCG raised concerns regarding how the proposal will impact on NHS mental health services. The main risk concerning the end of contract dates, if Brighter Futures ends in March 2019 and referrals to My Time ends in February 2019.The risk being that at all Domestic Violence Perpetrator Programmes (DVPP) will end at roughly the same time.

The police commented that the proposal will result in delivery of fewer perpetrator opportunities with lack of clarity regarding regional funding post August 2019. In terms of counselling services they expressed a preference for Option 2.

Two stakeholder meetings were held for providers and stakeholders/strategic partners. Five providers, 3 officers, attended representing Brighter Futures, Black Country Women's Aid, Walsall Physiological Help (WPH) and My time.

Their feedback indicated that school based models were recognised as working better for children as they are not taken out of school. Providers were concerned that once a decision is made to cease the DVPP it will be very difficult to get it back and Walsall would potentially run the risk of losing good providers. Children potentially "will fall through a gap" or experience long delays in accessing other support i.e. CAMHS (mental health services.

Stakeholders also suggested there needs to be a toolbox of services to meet different needs, long and short programmes and funding should not be taken away from victims services. A multi-partnership approach is preferable.

There was also feedback from special interest groups with whom 3 focus groups were held, 2 for victims and 1 for perpetrators. Overall, 11 women attended the 2 focus groups for victims of domestic violence abuse. They spoke positively about how the services have helped them with managing emotions, how you perceive people, how to cope and how to be more vocal when you are upset. They were concerned that if the services were cut all the work will fall to the women and children would potentially experience lengthy delays in accessing other support e.g. CAMHS. They suggested charging perpetrators to attend programmes and making attendance mandatory. 2 male participants and 2 female staff attended the Brighter Futures DVPP focus group. They supported continuing with the services provided by the Child Therapeutic Worker based in School as they had made a difference with children. They found it helped to talk, understand and do the right thing. They were concerned that if a charge was introduced this would not be affordable for all.	
Overall opinion from engagement and consultation	
	Respondents have a preference for pursuing Option 2, a review of services and alternative provision.
Justifiable action from the evidence, engagement and consultation suggested in the Equality Impact Assessment.	
	C – Continue despite adverse impact.
Mitigating actions required, if proposal approved	
The Schools Forum is funding a school based commissioned support service to support children witnessing low-level domestic abuse. Schools and the Police are working in partnership with Black Country Women's Aid to ensure the timely and effective delivery of support to children who have witnessed low-level domestic abuse. Initial 1 month contract will operate across the four localities In addition, Black Country Women's Aid is now commissioned by the LA to provide dedicated support to up to 150 children living with a parent who is a victim of domestic abuse and in receipt of support, as part of a 'whole family ' programme of intervention. The Police & Crime Commissioner perpetrator programme has been extended to August 2020. Evaluation of this scheme is built into the contract. Clear signposting and pathways are needed for referrers. Promotion of alternative services that provide support to children to professionals. Review of current domestic abuse services as part of the council/s refreshed transformation programme – the Walsall Proud Programme.	
People potentially negatively affected, if proposal approved	
This proposal takes into account victims, children and perpetrators with a history of domestic violence and abuse, or those considered at risk of perpetrating violence and abuse.	

The perpetrator programme is intended to help perpetrators of violence recognise the impact of their actions, change their behaviour, and reduce risk to children. The counselling service is intended to improve emotional wellbeing, increase self-esteem and build resilience.
Response from Walsall Council on Proposal Ref 19 Cabinet intend to support the proposal to cease the current commissioned domestic violence service for perpetrators and children who have witnessed domestic abuse and signpost referrers to the alternative providers which have been identified, including Black Country Women's Aid and the police & crime commissioner perpetrator programme. The council will also explore alternative arrangements to provide whole family support for those affected by domestic abuse in Walsall as part of the Children's Services Transformation Programme.

Evidence, Engagement and Consultation Summary

Ref no.	36	Title	Reduction in the Public Health investment in drug and alcohol treatment services

Description of proposal

Subject to approval, this saving proposes to reduce the council's investment into Drug and Alcohol Services by £350,000, as follows;

- By reducing the core treatment service contract by £191,000,
- Withdrawing £100,000 from a drug and alcohol related supporting housing project,
- Reducing the residential rehabilitation budget by £39,000,
- Removing £20,000 to cease the provision of alcohol brief Interventions in GP surgeries.

Estimated Net Saving

2019/20 £	2020/21 £	Implementation / Investment cost
£350,000	N/A	£0

Summary of evidence, engagement and consultation

Consultation involving services users, residents of Walsall and statutory and voluntary sector partner organisations has taken place regarding this proposal as follows;

- Face to face meetings were attended by Public health commissioners to engage with local partners and professionals;
- Engagement with GP's Local Medical Council representatives (Chair and Medical Secretary)
- Youth Justice Board (Board Partner Agency members)
- The Beacon Treatment provider staff and service users (28 members of staff and over 130 service users)
- In addition staff encouraged service users to complete the generic consultation survey, either by provision of hard copy or online. (156 responses)

Based on feedback through the generic survey we have received 156 responses in total from as follows;

- 130 residents (mostly service users)
- 27 representatives from Voluntary Sector Organisations; 8 of whom were also residents and
- 6 Statutory Sector Partner agencies; 2 of whom were also residents (including West Midlands Police, Walsall CCG, Housing providers, Dudley and Walsall Mental Health Partnership Trust and Walsall's Youth Justice Board).

Overall 119 (76%) respondents do not support this proposal; 29 respondents (18%) fully support and 8 respondents (1%) support but with amendments. However, based on further investigation it became apparent that 24 of the 29 respondents apparently in support of the proposal were actually service users who had misunderstood the question regarding 'support' and thought that by responding 'support' that they were supporting 'the service' and not as was the case 'supporting the proposal to make the saving'. Hence, taking that into account the majority of responders (148, 94%) do not support the proposal.

When asked how the proposal would impact on them; respondent feedback can be summarised overall as follows;

- That notably, many comments came from service users regarding the negative impact on them following loss of the service and what that would mean; including a fear of;
  - relapsing into problematic drug or alcohol misuse without support,
  - risk of drug related death and also
  - risk of homelessness.

  Further concerns expressed included;

- Concerns for the impact on their immediate family members and the proposal having a negative impact on the community; notably raising community safety issues i.e. increased crime.

- With some additional comments, typically raised by statutory partner agencies; who are concerned that the reduced investment in drug and alcohol services will result in an increased demand on their services with an associated additional cost to them and that this will not assist interagency partnership collaboration.

In addition to this feedback was a letter of representation provided by the Clinical Commissioning Group (CCG) Chief Officer indicating the CCG does not support this proposal.

In this letter concerns were raised as to whether the local authority will be able to meet its Public Health Grant specific requirement "to improve the take up and outcome from its drug and alcohol misuse treatment services when setting it's spending priorities"
In addition, it raised the risk associated with this proposal of impacting upon the health of Walsall residents and the increased demand and costs that this will place on primary, community, hospital and mental health services.

We have also received feedback on this proposal by email directly from Walsall Police raising the following concerns;

- Risk of increase alcohol and drug fuelled acquisitive crimes e.g. burglary, vehicle crime , shop theft, domestic violence
- Increased risk of re-offending.
- Risk of drug related deaths
- Risks associated with vulnerable persons leading chaotic lifestyles i.e. homelessness, sex working and including impact on children in families dependant on drugs and alcohol
- Risk that remaining available budget will not attract interest from provider organisations.
- Culminating overall in increased demands on Walsall Police services

A letter was also received from the Chief Executive of Dudley and Walsall Mental Health Trust. The letter raised concerns that the council is "reducing a service that clearly has health and social care issues in the borough". This will result in reducing access to the service and "the pressure pushed to health" services. There was specific concern about the impact on the hospital emergency psychiatric liaison service and how "further reduction on this already scarce service will undoubtedly impact on delivery of services in A&E and admissions to Walsall Healthcare".

Overall opinion from engagement and consultation	
	Overall respondents are generally opposed to this proposal.
Justifiable action from the evidence, engagement and consultation suggested in the Equality Impact Assessment.	
	C - Continue despite possible adverse impact.

Mitigating actions required, if proposal approved

The service will continue to offer a range of age appropriate services across the young people and adult range.

Due to the risks that this saving may have upon groups with protected characteristics a more frequent monitoring regime is being proposed. The Public Health commissioners will monitor the mitigating actions and impacts on groups with different characteristics through the Corporate Equality Group. The focus will be on any needs/barriers that the provider agency experiences with regards the service offer to these affected groups. This information will be reported through the scheduled provider performance reviews. Specific attention will be paid to services provided to pregnant women, BAME groups and service users who present with mental health conditions.

There is a commitment from public health to financially support any additional demand for specialist residential rehabilitation services that occurs e.g. mother and baby placements.

Opportunities will be explored to optimise cross programme support to offer services to address wider determinants e.g. Housing First accommodation offers to complement these services to meet service user’s needs, and partially mitigate some of the negative impact of these savings.

The main drug and alcohol service will be recommissioned in 2019/20. The specification of the service, moving forward, will need to focus on the critical and deliverable clinical elements to meet the needs of the most vulnerable service users, whilst also recognising that the scope of the service to offer recovery, prevention, health promotion and partnership support will be limited.

People potentially negatively affected, if proposal approved

Walsall citizens, whether service users, their families and their local communities. The direct impact on partner agencies related to additional demand on their services e.g. on criminal justice partners (Police, Courts, Probation and Prisons), CCG commissioned NHS primary and secondary care services and Council safeguarding services for vulnerable adults, children and young people.

Response from Walsall Council on Proposal Ref 36

Cabinet intend to implement the proposal. The saving proposal had been reduced from the original proposal of £500k to £350k to seek to mitigate impact.

The service will continue to offer a range of age appropriate services across the young people and adult range, delivered through the £3.4m budget, the main contract for which will be recommissioned in 2019/20. The recommissioned service will seek to focus on the critical clinical elements, to meet the needs of the most vulnerable service users. Alongside this, more frequent monitoring and reporting of impact will be implemented.

Evidence, Engagement and Consultation Summary

Ref no.	**39**	**Title**	**Review of the Falls Prevention Service**
Description of proposal			

Summary of Proposal

This proposal seeks to review the current investment in the specialist and community falls prevention services across the borough. These services work with people over 65 years old to reduce their risks of falling and harm.

Currently, the Walsall Falls Prevention Service provides a comprehensive falls service to the residents of Walsall aged 65 or over at high or moderately high risk of falls. Clients are referred through a single point of access from a wide range of agencies and directed into three different streams depending on their level of risk:

- Walsall Specialist Falls Team, Walsall Healthcare Trust
- Community Falls Prevention Team, Walsall Sports & Leisure Development Walsall MBC
- Age UK Population based Falls Team, Walsall Age UK (Age Matters)

In order to achieve the savings, Walsall council has an option to give notice to cease the current contract to the current service providers (Walsall Healthcare Trust and Walsall Sports & Leisure Development service). Other options to realise savings include exploring additional sources of funding from within and outside the council. If alternative funding sources cannot be found, work on the general promotion of healthy living with the wider population would continue, but this would not provide any individual support to the people at high risk of falling and harm.

This proposal seeks to review the current investment in the specialist and community falls prevention services across the borough. These services work with people over 65 years old to reduce their risks of falling and harm.

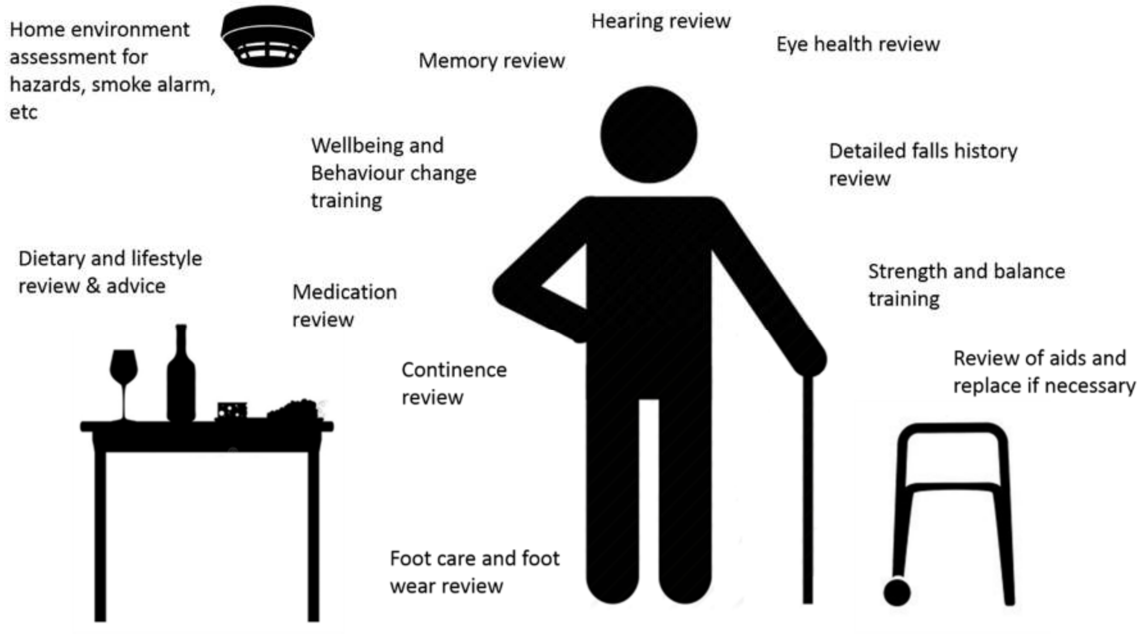
In order to achieve the anticipated savings of £295,000, Walsall Council is proposing to give notice to cease the current contract to the current service providers (Walsall Healthcare Trust and Walsall Sports & Leisure Development service). There is no statutory duty to provide these services.

Falls Prevention Pathway

The services are provided by Walsall Healthcare Trust & Walsall Sports & Leisure Development service to all residents aged 65 or over at high or moderately high risk of falls. Clients are referred through a single point of access from a wide range of agencies. The majority of referrals are from GP practices in Walsall. Other sources of referrals include: Age UK, District Nurses, Social Care, Police Service, Housing groups, West Midlands Ambulance Service.

As part of the overall assessment each service user has a full assessment which looks at all potential causes of falling and then has a tailored suite of actions put in place to reduce their risk of falling and harm.

The diagram below describes the range of reviews and actions.



Specialist Falls Prevention service:
On entering the Specialist Falls prevention service, clients receive an in depth assessment from a specialist fall prevention nurse.
Patients are then offered a care plan which may include support from occupational therapists, rehabilitation support and falls physiotherapy over a period of 6 weeks at home. Following this, they move onto the next stage of the programme which includes a 10 week strength and balance programme in a community clinic. For those who have made good progress and reduced their falls risk, there is a falls and balance programme (12 weeks) provided in community locations by the Sports and Leisure Team at Walsall council.

Walsall Council Sports and Leisure Community Falls Prevention Team:
Clients may be enter this service either from the specialist falls prevention service or directly when referred, according to their falls risk. This service offers a 12 week group and balance programme.

Specialist and Community Falls Prevention Service overview

Specialist Falls Prevention Team

Multidisciplinary assessment and management to reduce falls risk and prevent injury from falls through formal programmes.
Strong liaison with trauma & orthopaedics and urgent care services.
Training of individuals, carers and professionals on falls prevention.

Community Prevention Service

Early intervention to restore independence: falls risk awareness; specific community based multi factorial interventions including muscle strength and balance programme; co-management with clients in managing falls risk; home assessments.

For those residents at low risk of falling, there is separate advisory and promotion service delivered by Age UK which helps individuals to complete their own self-assessment of risks and to take actions to reduce their risk (e.g. booking an eye test or a safe and well visit from the fire service).

Estimated Net Saving

2019/20 £	2020/21 £	Implementation / Investment cost
£295,000	N/A	£0

Summary of evidence, engagement and consultation

In order to consult on this proposal; a series of face to face meetings were held with representatives of the following groups.

- GP Practice managers.
- Hospital physicians.
- Adult social Care senior managers.

Feedback from a range of services working within locality teams including community nurses, mental health service managers, social care manager, voluntary sector managers noted the importance of the falls prevention services and highlighted the impact it had on improving the lives of older people.

Concerns were raised about the consequential impact on health and social care services if the falls prevention services were discontinued. No specific alternative for this client group was suggested, but the professionals suggested the continuation of working with middle-aged people to improve their fitness as they progress into old age.

Formal responses have also been received from local GP practices, Walsall Local Medical Committee and Walsall CCG. All of these respondents confirmed their support for continuing these services and none agreed with reducing or ceasing the provision.

Local discussions have explored whether financial contributions from other agencies might be available to support the future provision of the falls prevention services. If alternative funding sources cannot be found, work on the general promotion of healthy living with the wider population would continue, but this would not provide any individual support to the people at high risk of falling and harm.

In addition a series of meetings were held with residents and with service users to gather their views on the proposal and to seek any ideas for alternative solutions. Over 200 individuals participated, the vast majority of whom (92%) do not support the review of the Falls Prevention Service.

The themes that have emerged from the responses can be broadly summarised as follows;

Reduced access to services for the people of Walsall:
- Leaving already vulnerable people at risk
- Services to aid independent living are important
- Where would people access help and support to prevent falls

Impact on other services
- The proposal will have an impact on other services for example A&E attendances and increased social care demand
- Impact on other support services without funding to pick up

The service is ‘needed
- To meet future needs of an ageing population
- The falls service is one of the few services that crosses areas of health and wellbeing and provides important prevention
- It would be detrimental to health (if no service)
- That people anticipate the service will be needed by them in the future

Unfairly targets older people
- Impact on already minimal services currently provided for older people. Older people are already affected by cuts in the disability living centre and community alarms

A total of 149 responses were also received through the online ‘Have Your Say’ questionnaire available on the council website 25th October to 21st December 2018. Respondents were primarily Walsall residents (123), the remainder (26) from other organisations including Walsall Council employees, community and voluntary sector representatives, and public sector organisations i.e. Police, Fire, NHS, housing sector and other groups.

The majority of respondents (135 (90%) do not support this proposal. 14 (10%) supported the proposal; including 5 supporting but with concerns/amendments. However, of those who did support the proposal, the majority of respondents indicated from their comments that they do not support the review of the falls prevention service. This may be due to misinterpretation of the question.

When asked how the proposal would impact on them, their main comments were consistent with other feedback received;
- An anticipation that the service will be needed in the future
- Consequential impact regarding demand placed on other public services
- The service is important and is ‘needed’
- Other comments including impact on health & wellbeing.

Responses received in writing In addition to the generic online survey, responses were received by letter and email, plus via dialogue with local residents. Walsall CCG, Walsall Local Medical Council and individual GP practices also responded. Written responses from residents mirrored the feedback summarised above and they did not support the proposal. Feedback provided by NHS services across the board were generally against the proposal and that any reduction in the Council commissioned falls prevention service would lead to additional demand on other related health and social care services, causing additional pressure on already stretched services i.e. more hospital admissions, increased social care packages.	
Overall opinion from engagement and consultation	
	Respondents are generally against this proposal.
Justifiable action from the evidence, engagement and consultation suggested in the Equality Impact Assessment.	
	D - Stop and rethink the proposal.
Mitigating actions required, if proposal approved	
There are no current mitigating actions in place, should the proposal be approved.	
People potentially negatively affected, if proposal approved	
The EqIA shows a negative impact on age, disability, race and gender. **Age: Negative:** the Falls Prevention Service impacts the elderly in society more because this service is specifically targeted at this age group and this group has worse outcomes in morbidity and mortality following falls. **Disability: Negative,** The evidence suggests that people with disabilities (including visual impairments are more likely to have falls and be negatively affected by the ceasing of these services. **Race: Negative,** certain ethnic groups may be more adversely affected due to their higher risk of falls and their access to services.	
Response from Walsall Council on Proposal Ref 39 Having considered the feedback and equality impact assessment, Cabinet propose that the ceasing of any services is paused to allow a detailed review of falls prevention with our partners. Council and partner contributions will fund the service for a further 12 months, whilst that review is undertaken.	

Evidence, Engagement and Consultation Summary

Ref no.	40	Title	Reduce Investment in Sexual Health Services
Description of proposal			
To reduce the council's Public Health investment in Sexual Health Services. The saving cannot be achieved without reducing the scope of the service. The draft plans are to centralise the service to a single site, reduce opening times and reduce the staffing resource. The proposal has implications for GP primary care services, a challenge which would need addressing.			
Estimated Net Saving			

2019/20 £	2020/21 £	Implementation / Investment cost
£500,000	N/A	£0

Summary of evidence, engagement and consultation

In anticipation of this proposed saving Public Health commissioners worked with Walsall Healthcare Trust, the service provider of the Integrated Sexual Health Service, to engage with service users over a 3 month period (June - August 2018). The engagement sought to establish if the scope of the service had to be reduced, as a result of the council savings plan, what services were most valued by service users and therefore, if the proposal were approved, which services should be protected in a remodelled service. A total of 261 service users contributed to this process.

The service user feedback can be summarised as follows:

- Centralisation of service delivery
- Greater use of primary care services
- Longer opening times mid-week with more walk-in slots

Their feedback has been used to inform a draft Action Plan to deliver the savings, which will be implemented should the proposal be approved.

In addition, services users, residents of Walsall and statutory and voluntary sector partner organisations were encouraged to take part in the generic Council consultation process which was open between 25th October and 21st December 2018. The online process elicited 15 responses in total, 10 from public sector organisations i.e. Police, Fire, Health, 4 from residents/service users and 1 Council employee.

The majority of these respondents did not support the proposal (13 (87%), 2 respondents supported the proposal including 1 in support but with concerns/amendments, however with no indication of suggested amendments.

Given the number of respondents representing public sector organisations, most of the comments received related to the delivery of health services. The main concerns being the consequential impact that the proposal would have on other services, the potential for infection spread, increased teenage pregnancies and the inability to pick up wider issues i.e. Domestic Violence issues and child sexual exploitation.

Others who commented tended to raise more specific, service user related, impacts regarding their own health and well being and the loss of a service they use/have used. There were a few comments regarding loss of jobs.

Feedback was also received by letter, email and via dialogue with Walsall CCG and Walsall Local Medical Council and Walsall Healthcare Trust. Overall, the themes being raised through this feedback concerned; service accessibility particularly for young people and vulnerable groups, fear of sexual transmitted infections not being treated and the potential impact upon families and local communities.

Feedback provided by NHS services across the board were generally that any reduction in the Council commissioned sexual health service would result in an increased demand on other related health services, with the associated additional costs of this causing additional pressure on already stretched services.

Overall opinion from engagement and consultation

	Respondents are generally against this proposal.

Justifiable action from the evidence, engagement and consultation suggested in the Equality Impact Assessment.

	C - Continue despite possible adverse impact

Mitigating actions required, if proposal approved

An action plan; developed in partnership with the service provider and Public Health commissioners will be implemented should the savings proposal be approved. Support from the CCG and Primary Care Trust will be required if its objectives are to be fully realised. This includes:

1. As young people (24 and under) are considered a high-risk group, the service specification will require the provider to protect and undertake a dedicated U 25s clinic session to this age group.
2. The Provider will deliver 2 dedicated young people clinics per week. Following consultation with young people clinics will be delivered evening and weekends.
3. The Provider will deliver sexual health drop in clinic in the following settings
   - Walsall College
   - Schools (8 drop in clinics)
   - Maternity services
   - Early Help /TLC centre
4. The Provider will work in Partnership with Teenage Pregnancy Prevention Staff.
5. The Provider will train and support Primary Care to deliver Sexual Health intervention to this population.

Monitoring

1. Monthly monitoring of the impact of the savings on groups with protected characteristics and quarterly monitoring of any concerns reported to the Council Equalities team and Corporate Equality Group.

2. Quarterly staff survey monitoring of the impact of the savings on groups with protected characteristics.
3. Actively engage with Walsall CCG, Walsall Healthcare Trust, Local Medical Council/ General Practice to monitor impact on the wider health sector.
4. Service user feedback from annual audit plan.

People potentially negatively affected, if proposal approved

Walsall residents, service users (primarily young people, gay men, and women of child bearing age).

NHS hospital services and GP primary care services will potentially receive a higher demand for their services if the scope of the specialist service is reduced.

Response from Walsall Council on Proposal Ref 40

Cabinet intend to implement this proposal with the identified action plan, which has been developed in partnership with the service provider and public health commissioners, including targeting activity at high-risk groups.

SECTION B – Part 1

For Approval by Cabinet and Recommendation to Council:

Corporate Budget Plan and Treasury Management and Investment Strategy

2018/19 to 2021/22

February 2019

Contents

Part 1 – Revenue and Capital Budget Plan

1. Financial planning and management: matching resources to the vision

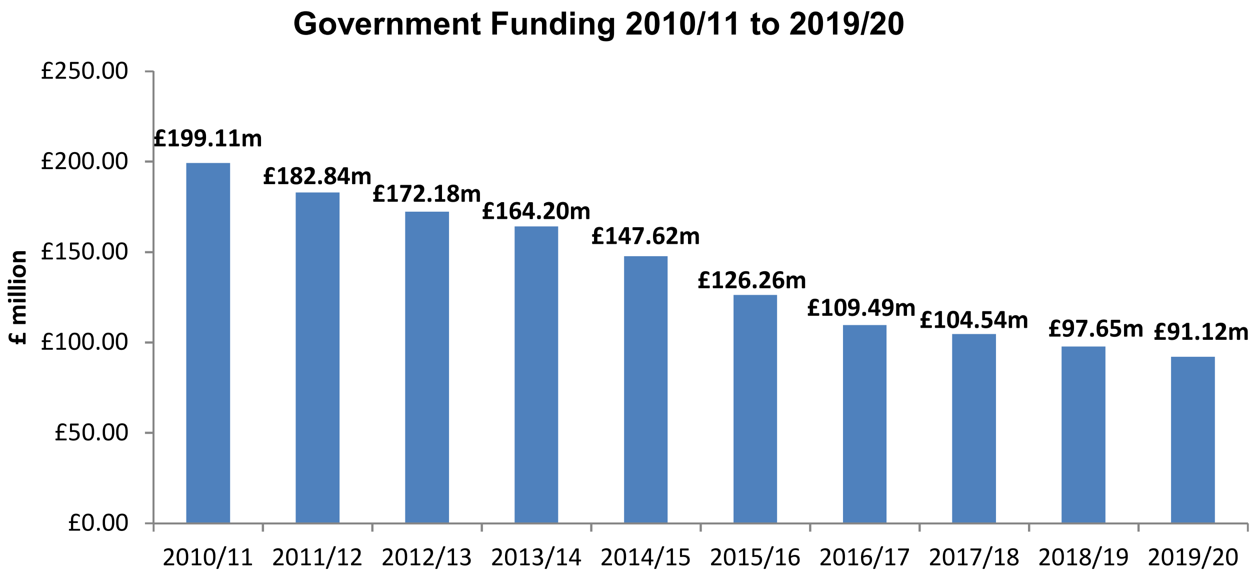
The council's budget is a financial representation of the organisation's plans for the forthcoming financial year and beyond. In times of economic uncertainty, it is imperative that the council plans over the medium term. This budget looks over the remaining spending review period to 2019/20 along with a further two years to 2021/22, and is constructed as an integral part of the council's planning processes. It is aligned to its priorities and objectives and specifically the council's corporate plan, strategic economic plan, and our corporate workforce strategy.

Walsall Council exists to serve the people and communities of Walsall, by representing and working with them to protect and improve the quality of life for all, particularly the most vulnerable. Walsall Council will provide strong, fair, open and honest leadership for the borough and its people and work with any organisation willing to work in the best interests of Walsall. We do this with limited resources and so must always work to ensure that public money is targeted to where it is most needed and used in the most efficient way possible. We are led by the communities we serve who help shape the services we provide and we help those communities to make a positive difference to their own lives through active civic engagement and co-operation.

By 2022 the council will be a key enabler of improvements to Walsall and its' Districts as a place to live, learn and work; working innovatively and collaboratively with strong and resilient communities, public sector partners, schools and businesses to shape services that deliver real and sustainable improvements to people's lives. The council will by necessity be smaller, doing fewer things, and those services that we continue to provide will be delivered in a very different way to how they are now. Our efforts will be focussed on reducing health, social and economic inequalities and creating an environment where the potential of the area, local businesses, communities and people can be maximised.

<u>Our Challenges</u>

Around half of Walsall's funding comes from Government grant (59% - top up, schools DSG and some specific service grants). In 2010, Walsall received £199m of Government core funding support to deliver services, alongside income generated from council tax. Between 2010/11 and 2019/20, Government has cut funding by c£108m. Alongside cost pressures over the same period, savings totalling c£192m have had to be identified and implemented.



Total forecasts for core funding are shown below. This shows expected reductions of c£3.73m over the period to 2021/22 subject to confirmation -

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total (Reduction) / Increase £m
Business Rate Retention (BRR) baseline funding adj for expected income collection	70.500	73.418	74.738	76.232	5.732
Top Up grant	27.154	17.697	17.697	17.697	(9.457)
Total Cash Limit	**97.654**	**91.115**	**92.435**	**93.929**	**(3.725)**
2019/20 Reduction		**(6.539)**			
2020/21 Increase *			**1.320**		
2021/22 Increase *				**1.494**	
Total Reduction					**(3.725)**

** As 2019/20 is the end of the current Spending Review period, no figures are available for 2020/21 onwards. Current assumptions are that funding is maintained at 2019/20 levels.*

By 2020/21 local government was expected to become fully self-funding, with core revenue support grant ceasing and the introduction of 100% localisation of business rate retention (BRR), (as opposed to the current 49%). However, Government has changed its plans, with a target of 75% now in place. The Government expected that national increases in growth in rate yields would fully offset the reduction in core funding. The reality is that many deprived councils, such as Walsall, due to its relative need and business rate yield, will be unable to fully cover this funding shortfall.

From 2017/18, Walsall has been part of the West Midlands Combined Authority (WMCA) 100% business rate retention (BRR) pilot. Government agreed that this would be at ‘no detriment’ to participating authorities; however, there remains some uncertainty as to the future final impact of national policy in respect of BRR.

The council's second largest source of funding is council tax (c19% of the council's gross spend is funded from council tax), which continues to be subject to Government restrictions on the amount that can be raised from this income stream, previously through 'capping', and now through the referendum principles. The budget currently assumes council tax increases of 2.99% over the next three years, with an additional 1% in 2019/20 for Adult Social Care activity, in line with current referendum principles.

2019/20 is also the final year of the multi-year settlement. The future financial environment therefore continues to be challenging for councils for 2020/21 and beyond, with significant uncertainties in future grant, including public health, better care fund, etc. One of the major thrusts has been that local authorities can now keep a share of the business rates generated within their area rather than pooling for national redistribution, however this benefit is limited by other parts of the funding mechanism, such as Government top slicing of funds to meet new burdens, safety net authorities, national capitalisation targets, etc.

Additionally, as part of BRR, the Government is consulting on transferring additional responsibilities to local authorities. This could lead to further pressures if these are not fully funded.

Alongside reductions in funding, the council also faces increasing cost pressures, due both to increasing demand (for example, as a result of welfare reforms reducing individuals disposable incomes further, larger numbers of older people requiring support to remain independent, etc) and new burdens imposed by Government, but without the corresponding full funding given. The following summarises initiatives, demand and other pressures that have and will continue to have financial implications for the council over the coming years:

- Continued reductions in core government grant funding, for example:
  - ➢ Impact of full business rate retention (BRR) as part of the West Midlands pilot, and changes to the Government's intention to move to 75% retention for all non-pilots by 2020/21.
  - ➢ Impact of the Government's next Spending Review during 2019, which is expected to include a 'Fair funding' review of council services, to include the setting of new baseline funding allocations.
  - ➢ Public Health grant – this is expected to be transferred fully into BRR from 2020/21, and become un-ringfenced. There is limited intelligence as to how this will impact. Once subsumed into BRR, a significant chunk of this could be lost in future funding reviews.
  - ➢ Continuation or otherwise of integrated better care fund grants.
- Increases in demand:
  - ➢ From an ageing population putting strain on Local Authority systems both in financial and operational terms. For example, adult social care packages and placements costs have risen by £9.70m from £56.21m in 2010/11 to £65.91m in 2019/20.
  - ➢ For looked after children, and the associated impact on numbers of socials workers, and costs required to support these children. There were 488 in March 2011, compared to 605 in January 2019.
- Emphasis on joined up working - ongoing pressure for the Authority, local NHS and partners to further integrate services in line with the Government's national agenda.
- Continued capping of council tax increases, restricting our flexibility in generating income.
- Welfare reform, including universal credit.
- Increased corporate costs, including in relation to pay and pensions.

Further information on cost pressures and how these are being managed within the medium term financial outlook are outlined in section 2 and summarised in **Annex 4**.

The Medium Term Financial Strategy (MTFS)

The MTFS is a strategic framework and policy document within which the council's finances are constructed and managed. It is part of a suite of policy documents that together comprise the council's approach to effecting sound governance and good practice. It is the translation of our vision, aims and objectives into a financial plan, which thereby facilitates delivery of these through the portfolio planning process.

The MTFS is a key document in bringing together the level of available resources with the demands for service delivery and investment, facilitating sound financial and service risk and opportunity management. It also links to the impact on the council's capital resources and external funding opportunities.

Figure 1 shows the relationship between the various components of the financial framework. The MTFS is the overarching corporate financial policy sitting below the Corporate Plan and above the other elements of the financial cycle. It is the driver for all other financial activity. Below the MTFS sit the other financial strategies; the capital strategy and the treasury management strategy.

Figure 1: Financial Framework

<table>
<tr><th colspan="6">THE FINANCIAL FRAMEWORK</th></tr>
<tr><th>CATEGORY</th><th>OVERALL</th><th>REVENUE</th><th>CAPITAL</th><th>TREASURY MANAGEMENT</th><th>RISK MANAGEMENT</th></tr>
<tr><td rowspan="2">Strategies</td><td colspan="5">Medium Term Financial Strategy</td></tr>
<tr><td></td><td>Tax Strategy</td><td>Capital Strategy</td><td>Treasury Management (TM) Strategy</td><td>Risk Management Strategy</td></tr>
<tr><td>Guidance</td><td>CIPFA and technical guidance</td><td>Budget Guidelines</td><td>Capital Guidelines</td><td>CIPFA Code of Practice for TM</td><td>Risk Management Toolkit</td></tr>
<tr><td>Plans</td><td>MTFO</td><td>Annual Budget</td><td>Capital Programme and Asset Management Plan</td><td>Treasury Policy Statements</td><td>Risk Management Action Plans</td></tr>
<tr><td rowspan="3">Governance</td><td>Constitution</td><td colspan="2">Budget Management and Control Manual and the Annual Governance Statement</td><td>Prudential Indicators & Annual Report</td><td>Risk Register reporting and regular review</td></tr>
<tr><td colspan="4">Contract and Finance Rules</td><td>Audit Committee Reports and Annual Report</td></tr>
<tr><td colspan="5">Internal and External Audit Plans and our response to inspection and audit</td></tr>
</table>

The council adopts a policy-led, medium term approach to financial planning, seeking to ensure our budgets are clearly linked to our vision, aims and objectives. We are committed to maintaining financial stability and delivering value for money through effective and efficient services.

The main objective for the council is to maintain good long-term financial health. Achieving this allows us to deliver good quality, value for money services, shaped by our customer demand. Services that are modern, efficient, effective, and fit for purpose. This requires a framework that delivers both continuous, adaptive improvement and core strength.

How we will achieve this is through:

1. Financial Governance and Leadership
2. Financial Planning
3. Finance for Decision making
4. Financial Forecasting and Monitoring
5. Financial Reporting

Financial Governance and Leadership

1. Our top management will be financially literate and able to understand fully the financial environment in which the council operates.

Financial Planning

1. Our financial planning will be inextricably linked to the council's strategic and corporate planning process. Our financial plans will reflect the councils key strategic priorities.
2. An annual medium term financial outlook, covering a four year time horizon, will integrate current expenditure plans and investment programmes, with cash-flow and balance sheet projections, developed in the context of a longer-term strategy, which supports the council's strategic plan.

Finance for decision making

1. In developing our strategic and corporate plan we will consider the value for money achieved by allocating resources to different activities.
2. We will understand the financial implications of current and potential alternative policies, programmes, and activities.
3. We will analyse our cost profiles and cost drivers and how they will behave under different circumstances.
4. We will understand the whole-life costs associated with capital investment.
5. We will consider all tax related implications, as outlined in the council's tax strategy, in all decisions made.

Financial Monitoring and Forecasting

1. Top management will assure itself that financial performance to date and forecast financial outturns are in line with the plan, including cash-flow and balance sheet projections.
2. Variances will be identified as soon as possible, so that management can either take corrective action to manage unfavourable variances or apply any favourable variances to corporate priorities.
3. The underlying costs of the organisation's key activities and how these are profiled over time will be monitored and reviewed.
4. Financial information will be integrated with non-financial performance and activity information. Together, such information forms the basis for financial forecasts and enables value for money to be monitored.
5. The financial information used both for setting the budget and internal accountability, monitoring and forecasting throughout the year is derived from the same systems that are used to generate the results reported externally in the organisation's statutory financial statements.

Financial Reporting

1. To run the organisation effectively, top management will have up-to-date financial and non-financial performance information on a timely basis.
2. Reports will be presented in a form that is tailored to user needs, are easy to understand and highlight the key financial issues that they need to be aware of.
3. For its part, top management needs to provide timely, accurate and balanced information about its stewardship and use of resources and its non-financial performance to the organisation's different stakeholders. Such information will be presented in a form tailored to meet their needs.

2. Summary of the 2019/20 Revenue Budget

The budget has been prepared for the four year period 2018/19 to 2021/22 to extend beyond the current Parliament and Government's Efficiency Plan period to 2019/20. The 2018/19 position is reported regularly to Members. The current position is a forecast small overspend of c£1.24m, and work continues to ensure the council outturns within budget by year-end. This is equivalent to 0.2% of the council's gross revenue expenditure.

The focus in this section is 2019/20, as this is the year for which Council are required to set the forthcoming financial envelope (the 'statutory determinations' or gross expenditure and gross income), the council tax requirement and the band D council tax level. Section 4 provides further detail on 2020/21 and beyond.

<u>2019/20 Revenue Budget Headlines</u>

The revenue budget is constructed in accordance with the council's medium term financial strategy (MTFS), the corporate plan, and all relevant corporate financial protocols and presents a draft balanced budget, with:

- A focus on a policy-led, medium term, risk assessed budget setting approach using priorities established by Cabinet,
- A total net council tax requirement of **£121.37m,**
- A 3.99% council tax increase, equivalent to a Band D Council Tax of **£1,714.49** (excluding precepts) and **£1,927.64** (including precepts) subject to confirmation of final precepts,
- Investment of **£6.05m** for Adult Social Care cost pressures primarily to cover demographic changes,
- Investment of **£3.03m** for Children's Services cost pressures primarily to cover Looked after Children, management of caseloads, demographic changes and contractual inflation,
- Provision for other known budget pressures, including cost pressures and reduced levels of income or grant, of **£5.01m,**
- Provision for pay related costs of **£4.07m**,
- Bringing **total investment to £18.16m,**
- Additional one-off grant investment of **£1.432m** for adult social care winter pressures, and **£2.446m** for adults and children's social care, as announced in the Autumn Budget on 29 October 2018,
- Savings of **£20.08m**,
- Appropriate use of prudential borrowing to support capital investment where affordable and sustainable with revenue costs being reflected in this report,
- Opening general reserves of c**£13.8m** in line with our Medium Term Financial Strategy.

The financial implications arising from the draft capital programme 2019/20 are contained within the draft revenue budget.

<u>Net Council Tax Requirement</u>

The gross revenue expenditure budget for 2019/20 will be **£627.825m**, and gross income will be **£506.452m**, resulting in a net council tax requirement of **£121.373m**.

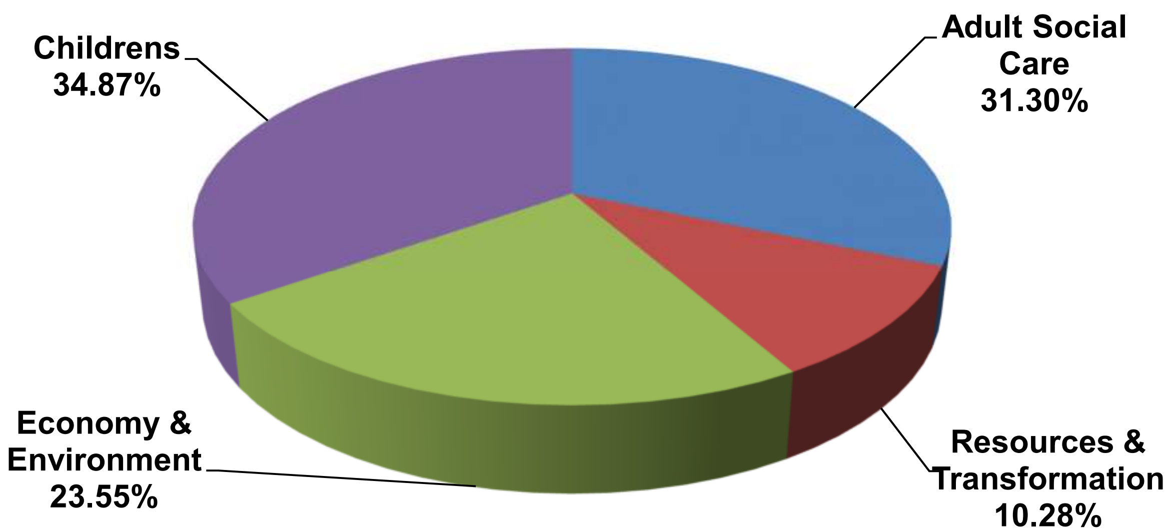
It has been possible to commit to £18.16m **(Table 1)** to address key priorities in 2019/20, funding of essential cost pressures, provision to fund inflationary pressures (i.e. contractual) and corporate cost pressures to fund for example, pay and pension costs. Income targets have also been corrected in some areas, where ongoing shortfalls have arisen.

The change in council tax requirement from 2018/19 to 2021/22 is shown in **Table 1.**

Table 1: Council Tax requirement 2018/19 – 2021/22 (Movements)				
	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Council tax Requirement	**108.47**	**114.99**	**121.37**	**126.05**
Cost Pressures:				
Investment/cost pressures ***(see Annex 4)***	14.81	14.09	12.02	5.87
Pay changes – centrally held	2.24	4.07	6.83	5.34
Savings required:				
Savings approved for 2018/19 (Feb 18)	(12.43)	0.00	0.00	0.00
Savings / Efficiencies (including continuation of 2018/19 action plans) ***(see Annex 5)***	0.00	(20.08)	0.00	0.00
Further provisional savings requirement	0.00	0.00	(15.12)	(9.50)
Other movements / funding changes:				
Other changes including base budget adjustments	0.00	5.79	(4.12)	4.63
Other grant changes	(3.42)	(5.28)	17.71*	0.36
Fall out of one off investment	(2.32)	0.00	0.00	0.00
Core Funding changes	6.89	7.76	(17.21)*	(1.11)
Collection fund (surplus) / deficit	4.06	0.44	1.51	0.00
Transfer to / (from) reserves	(3.31)	(0.41)	3.06	(0.82)
Revised Council Tax Requirement	**114.99**	**121.37**	**126.05**	**130.82**
Council Tax Increase	4.99%	3.99%	2.99%	2.99%

** Public Health grant is assumed to be transferred from a direct ring-fenced public health grant into core funding top up grant.*

Figure 2 – Net council tax requirement by directorate



This results in a band D council tax for the Walsall Council element only of £1,714.49, representing an increase of 3.99% from 2018/19 levels. Most properties in Walsall (67.59%) are in bands A or B. (**Annex 2**). **Table 2** shows the calculation at Band D.

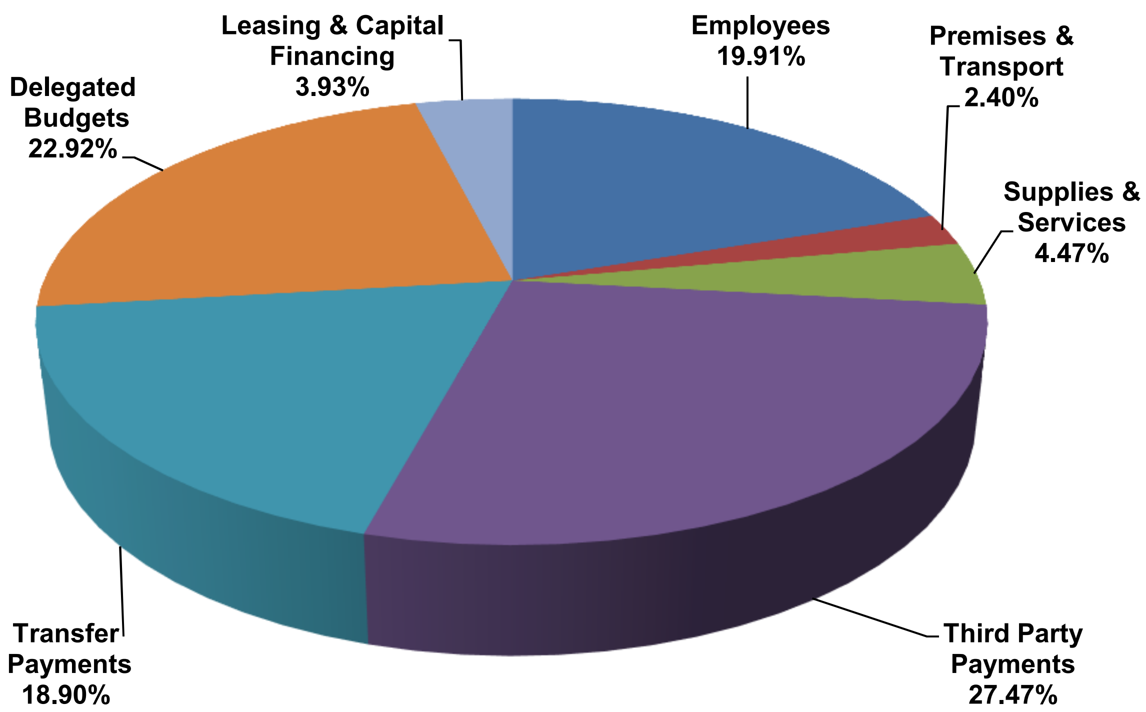
Table 2: Net Council Tax Requirement and Council Tax Levels 2019/20		
Element of budget	**2019/20 budget £**	**Council Tax Band D £**
WMBC element - required from council tax	**121,373,445**	**1,714.49**
Police & Crime Commissioner precept	10,799,432	152.55
Fire & Rescue precept	4,290,040	60.60
Total from council tax	**136,462,917**	**1,927.64**

NB: based on an approved council tax base of 70,792.74 band D equivalents.

<u>Expenditure analysis</u>
The council analyses its expenditure by category, as referred to in **Table 3,** and illustrated in **figure 3.**

Table 3: Expenditure by Category of Spend	
Type of Expenditure	**£ million**
Employees	124.999
Premises and Transport	15.095
Supplies and Services	28.025
Third Party Payments	172.463
Delegated Budgets	143.895
Leasing and Capital Financing	24.695
Transfer Payments	118.653
Total Expenditure (excluding Internal Recharges)	**627.825**

Figure 3 – Spend by Type of Expenditure

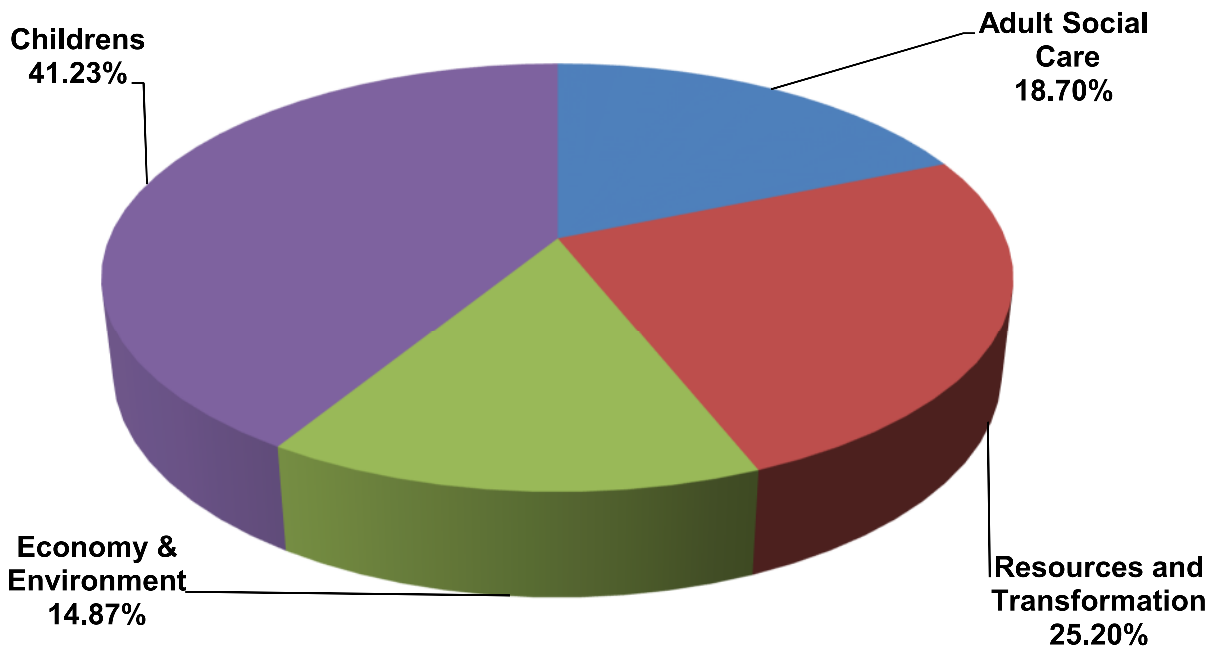


Notes

- *Transfer payments include expenditure such as special education needs, rent allowances and social services direct payments – for example payments for which no goods or services are received in return by the local authority.*
- *Delegated budgets include budgets for schools, community associations and allotments.*
- *Third Party Payments include payments to external contractors.*

The £627.825m total council expenditure is analysed by directorate in **figure 4**. For Resources and Transformation 14.97% of the 25.20% relates to Housing Benefit payments. For Children's Services 25.04% of the 41.23% relates to Schools.

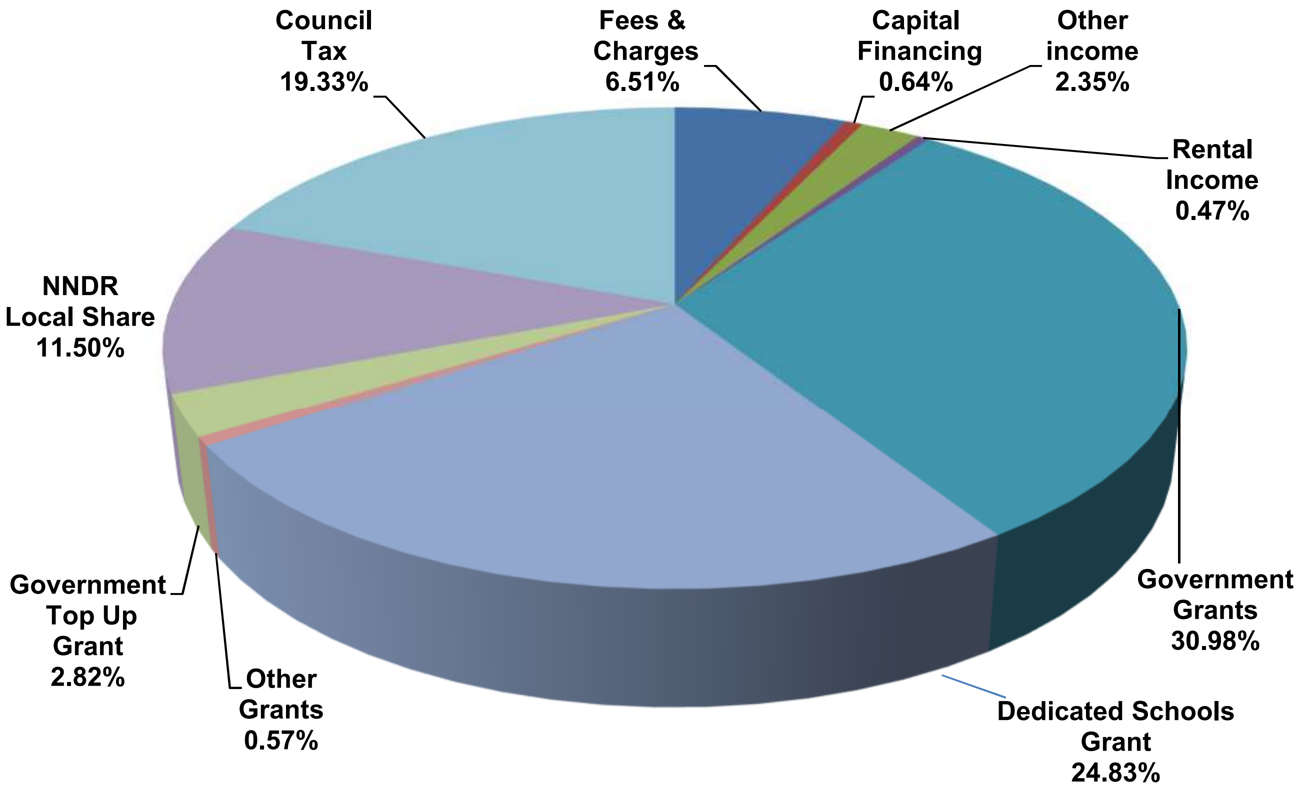
Figure 4 – Gross expenditure by directorate



Income analysis

The council receives income from a number of sources including council tax, central Government grant and specific grants to help pay for certain services including schools and social care. The council also charges for parking, use of leisure facilities and other services. In 2019/20 the council tax will account for 19.33% of total income. **Figure 5** shows all the main sources of income.

Figure 5 – Sources of funding



<u>Government central funding and business rate retention</u>

The Government provides funding to councils through a grant redistribution system (previously referred to as formula grant) which includes the redistribution of business rates collected and revenue support grant.

The Government replaced the way it funds councils with a new scheme known as Business Rate Retention (BRR) from April 2013.

By the end of this parliament the government previously announced that local government will retain 100% of business rates (as opposed to the current 49%). This was later reduced to 75% by 2020/21 in December 2017.

Areas that have agreed a Devolution Deal have the opportunity to be involved in a 100% business rates retention pilot, which began from 1 April 2017. This provides the opportunity to shape national thinking about the eventual scheme, and to take forward further devolution. As such Walsall, along with the other six West Midlands Authorities, is piloting the scheme from 1 April 2017. This means that Walsall retains 99% of business rates collected with the other 1% being paid over to the Fire Authority.

There is a change in funding under the 100% business rates scheme in that revenue support grant (RSG) is no longer paid to the authority. Funding will continue to be paid to the authority through a top up grant and retained business rates into 2019/20.

There remains considerable uncertainty in respect of the amount of income we will receive in Government funding from 2020/21 onwards. In the Autumn budget statement announced on 29 October 2018, the Chancellor confirmed that the era of austerity is finally coming to an end, but made no mention of the impact of this on local government.

The 2019/20 final finance settlement, announced on 29 January 2019, represents the seventh year in which the BRR scheme is the principal form of local government funding, summarised as follows:-

- Business rates local share - **£73.42m** in 2019/20 – this is an estimate of what Walsall will collect and retain in business rates, this local share is not guaranteed and is based on the council retaining 99% of what we actually collect in 2019/20, as part of the pilot scheme.

  Government set Walsall a baseline figure under the business rates retention scheme of £91.115m for 2019/20 which is made up of the business rates local share and top up grant. They also set a safety net threshold of £88.381m for 2019/20. If the safety net threshold is triggered, then any income loss below the threshold is funded by government. Any shortfall between £91.115m and £88.381m has to be borne by the council (99%), and fire authority (1%). Walsall is currently estimating the baseline to be £89.892m, slightly below the government baseline and so no safety net would be payable. Volatility in business rates will therefore need careful monitoring throughout the year.

- Top up grant – **£17.70m** in 2019/20. Some authorities collect more business rates than their calculated baseline funding level, and are therefore required to pay a tariff to Government in excess of their allocated share. Council's like Walsall have a greater baseline funding level than the business rates they can collect and will be paid a top up grant from Government to meet the shortfall.

The West Midlands Combined Authority is piloting 100% business rates retention from 2017/18. This will be without detriment to the resources that would have been available to individual authorities under the current local government finance regime (with any "detriment" payments funded from outside the Settlement).

Government measure local authority expenditure by "*core spending power*". Spending power is based on each local authority's power to <u>influence and not control</u> local spending levels. This will include the council tax requirement, business rates retention, specific grants and NHS funding for social care (the latter being spend which the council may have an influence over but does not control).

Walsall's direct funding, as determined by government, represents a reduction of 6.6% from 2018/19 to 2019/20. Direct funding under the new pilot scheme, compared to funding received in previous years, is set out in **Table 4**.

Table 4 : Government Settlement funding Assessment			
	2017/18 £m	**2018/19 £m**	**2019/20 £m**
Revenue Support Grant	**0.0**	**0.0**	**0.0**
Business Rates Baseline (99% retained from 2017/18 including effect of revaluation)	**69.7**	**70.4**	**73.4**
Top Up Grant	**33.9**	**27.2**	**17.7**
Total Government Settlement	**103.6**	**97.6**	**91.1**
Adjusted Settlement Funding Assessment	**114.2**	**103.6**	**97.6**
Grant increase/-decrease (adjusted) - £m	**(10.6)**	**(6.0)**	**(6.5)**
Grant increase/-decrease (adjusted) - %	**-9.2%**	**-5.8%**	**-6.6%**

*Adjusted to include rolled in grants

Inflationary Pressures / Financing Options / Service Cost Pressures

The revenue budget for 2019/20 includes provision for investment and cost pressures of £14.09m, as shown in **Annex 4**, plus pay related investment of £4.07m, which are proposed to address known service demand pressures and the prioritisation of key service investment. The following are provided for:

1. *Provision for pay and pensions (Corporate Cost pressure);*
    - An annual pay increase and provision for pay increments
    - Provision for the national living wage
    - Impact of pension auto-enrolment and tri-annual employer pensions contributions based on the latest valuation information

2. *Inflationary pressures (Corporate Cost pressure);*
    - Provision for contractual increases including utilities, care packages, etc.
    - No provision for general inflation – services are required to manage this within existing budgets

3. *Demographic changes within Adult Social Care and Children's Services (Corporate and Demand Led Cost pressures);*
    - Increases in placement costs for Looked after children
    - Increased social workers to manage down caseloads
    - Increased care package costs within Adult Social Care arising from an increased ageing population and the pressure from hospital admissions

4. *Other cost pressures (Other Service Cost Pressures);*
    - Extension of the economic growth programme
    - Review of waste collection, garden waste and street cleansing activities.

5. *Changes in Government funding;*
    - Core funding reduced by c£108m between 2010/11 and 2019/20. There remains considerable uncertainty in respect of the amount of income we will receive in Government funding from 2020/21 onwards. The local government final settlement announced on 29 January 2019 outlined government spending plans for 2019/20 – a reduction of £6.49m in our core funding.

- Core funding via top up grant has halved, from c£32m in 2017/18 to £17m in 2019/20. Due to uncertainty beyond 2020/21, no further reduction has been assumed for 2020/21 and future years.
- Comparison of actual business rates income compared with what the Government anticipated the council to collect, along with provision for appeals against rate valuations, means that actual income is roughly in line with Government estimates.
- Actual income is, however, expected to rise in line with inflation.
- As 100% BRR is implemented, so the risk to the council increases, as the council will be required to fund the full cost of appeals, which have proved a significant cost to councils' to date

6. *Changes in other specific grants, fees and charges*
   - New Homes Bonus - reduction of £726k for 2019/20, with predicted ongoing reductions for future years. Our MTFO currently assumes reductions of £518k in 2020/21 and £356k in 2021/22.
   - Public Health (PH) - reduction of £459k in 2019/20, with the grant rolling into Business Rates in 2020/21 and becoming unringfenced. It is assumed that the grant, following roll-in, continues with an annual reduction equivalent to those in 2016/17+ (c2.4% p.a.). However, as it becomes unringfenced, then there is considerable risk that it may be cut even further.
   - Improved Better Care Fund 1 (iBCF1) – assumed to continue beyond 2020/21, with allocations assumed to continue at 2019/20 levels. There is a risk that this may not continue or may reduce further.
   - Improved Better Care Fund 2 (iBFC2) – assumed to fall out at the end of 2019/20, with a built in cost pressure of £3.2m in 2020/21 onwards to fund ongoing activity.
   - Benchmarked increases in fees and charges, flexed for local authorities.
   - Housing Benefit grant expected to reduce annually as we move to Universal Credit.
   - Discretionary Housing Payments - expected reduction of 20% per annum.
   - Winter pressures - on 2 October 2018, Government announced £240million additional funding to be ringfenced to adult social care services for both 2018/19 and 2019/20 The intention is to provide councils with short term funding to alleviate winter pressures on the National Health Service, particularly to ensure capacity in the acute setting and ensure timely discharge. The local allocation for Walsall is £1.43m for each year. The Department of Health and Social Care published separate guidance, suggesting the allocation could be utilised to cover the following areas;
     - Home care packages to help with discharges from hospital
     - Re-ablement packages to support with gaining independence and carrying out everyday tasks
     - Home adaptations including new facilities for personal care

     The funding will be used to alleviate winter interventions, supporting hospital discharges with appropriate social care support and promoting independence for older people who have an identified social care need.
   - Brexit preparation allocation for costs relating to exit from the European Union of £182k over 2 years, as advised on 28 January 2019.

- Additional Social Care grant 2019/20 - on 29 October 2018 an additional £410m was announced to council's for adults and children's social care. This funding has been given in response to councils concerns about pressures on adult and children's social care services, with an expectation that councils will use this funding to meet those pressures. The local allocation for Walsall is £2.45m and is one off only for 2019/20. The intention is to use this funding to support;
  - Family Drug and Alcohol Court (FDAC), adding to a number of preventative stream's and becoming a key element of Walsall's Right for Children Transformation delivery plan, aiming at changing the trajectory of a number of families in Walsall with the ultimate goal of avoiding young people entering the care system & re-unifying current young people in care with their respective families.
  - Review of SEND services including –
    - Review of high needs funding (special schools descriptors and commissioning of places).
    - Review of specialist provision – right provision in the right place and the right time
    - Provision of infrastructure to manage the local offer
      Support to the EHCP assessment team and the Education psychologist service, which is facing increasing demand for assessments.
  - To support transformational activity in relation to adults and children's social care as part of the Walsall Proud Programme.
- Other grants are expected to continue at current levels.

Savings requirement

In order to set a balanced budget, and after a review of available resources from central Government grant and local resources, and taking into account additional known and likely pressures, total revenue reductions of just over £12m were approved by Council in February 2018.

During 2018/19, services have been reviewing previously reported indicative plans for 2019/20, and working on other options to meet the forecast financial shortfall in funding over the next four years, including the need to find savings of c£20.2m in 2019/20, whilst maintaining and optimising as far as possible, front line services to the public. In reviewing savings options, reviews of income and fees and charges have also been undertaken.

Savings proposals were reported to Cabinet on 24 October 2018. These were analysed in 2 ways:

1. **Policy Proposals** - with a direct impact on services, and which require an Executive decision to proceed, these will be referred for specific public consultation and equality impact assessment prior to any decision being made to include these in Cabinet's final budget proposals.
2. **Operational Proposals** – savings which officers have delegations to implement; examples include restructures, back office savings, operational efficiencies.

Savings proposals totalling £20.08m for 2019/20 are summarised at **Annex 5**. There is a further saving of £0.16m shown as an increase in the net council tax requirement for the increase in council tax premium on empty properties (increase from 50% to 100% on all properties that are empty for two years or more).

The summary of investment / cost pressures are shown in **Annex 4** and the indicative cash limits by directorate at **Annex 3**. These include the outcome of consultation and equality impact assessments to date. **Table 5** summarises savings by directorate for 2019/20 -

Table 5: 2019/20 Savings/efficiencies/income changes by Directorate			
Directorate	**Policy savings £m**	**Operational savings £m**	**Total savings £m**
Adult Social Care	(0.85)	(3.81)	(4.66)
Children's Services	(0.53)	(3.40)	(3.93)
Economy and Environment	(2.40)	(2.55)	(4.95)
Resources and Transformation	(0.05)	(1.18)	(1.23)
Corporate Savings	(5.00)	(0.31)	(5.31)
Total Savings / efficiencies	**(8.83)**	**(11.25)**	**(20.08)**

The £5.31m corporate savings relate to the delivery of £5m savings following the refreshed Walsall Proud Programme, to be allocated to services when full implications are known, along with £0.31m relating to the dividend review for Birmingham Airport.

<u>Collection Fund</u>

The collection fund is accounted for separately to the revenue general fund and accounts for income collected from council tax and business rates. In January of each financial year, an in-depth appraisal is undertaken to assess the estimated level of collection (as aggregated to include that relating to the current and previous years), the likely balance of the fund and to advise the precepting authorities (Fire and Police) of their share of the council tax surplus/deficit to enable them to take this into account in their own budget calculations.

The assessment undertaken in January 2019 calculated the following –

- Council Tax - an estimated surplus of £1.510m for Walsall (total actual surplus for 2018/19 of £1.681m, less the required contribution of £0.171m to the West Midlands Police and Fire & Rescue),
- Business Rates - a net deficit of £0.740m (total actual deficit for 2018/19 of £0.747m, less the required contribution toward the deficit of £0.007m from the West Midlands Fire & Rescue).

<u>Referendum</u>

In recent years central Government has capped the level of council tax rises. Capping principles are determined on a year by year basis. Since 2012/13, each authority is required to determine whether their council tax increase requires a referendum, seeking the support of the local electorate. Schedule 5 of the Localism Act introduced a new chapter into the Local Government Finance Act 1992, making provision for council tax referendums to be held if an authority increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons.

The local government finance settlement announced on 15 December 2016 outlined plans for local authorities to relax the referendum rules on the social care precept element of the council tax (2% introduced in 2016/17) to allow local authorities to increase the precept element to 3% in 2017/18 (increase of 1%), as long as the increase over the three year period to 2019/20 is no more than 6%. Walsall increased its Social Care precept by 3% in 2017/18 and 2% in 2018/19, and therefore can increase by a further 1% in 2019/20.

The final local government settlement for 2019/20, as announced on 29 January 2019, confirmed the council tax referendum limit of 3%. This would mean if a local authority seeks to raise its relevant basic amount of council tax by 3% or more for 2019/20 (excluding the precept for Adult Social Care), local people would have the right to keep council tax bills down through a binding referendum veto.

Walsall proposes to increase council tax by 3.99% (2.99% general increase and 1% remaining precept for Adult Social Care), and therefore within the referendum limits set by government.

<u>Levies and Precepts</u>
Table 6 shows the levy to be made on Walsall Council by the West Midlands Combined Authority for transport, and the levy by the Environment Agency.

Table 6: Levies 2019/20				
Levy	**2018/19 £**	**2019/20 £**	**Increase / (Decrease) £**	**Increase / (Decrease) %**
West Midlands Combined Authority Levy (Transport)	11,160,595	11,137,950	(22,645)	(0.20%)
Environment Agency	79,939	81,474	1,535	1.92%

Walsall's precepting authorities are the West Midlands Police and Crime Commissioner, and West Midlands Fire and Rescue Authorities, as shown in **Table 7** below.

Table 7: Precepts 2019/20				
Precepting Authority	**2019/20 Amount £**	**Band D 2019/20 £**	**Band D 2018/19 £**	**Band D Increase %**
WM Police and Crime Commissioner	10,799,432	152.55	128.55	18.67
WM Fire and Rescue	4,290,040	60.60	58.84	2.99

<u>General Reserves, Earmarked Reserves and Contingencies</u>
The council's financial strategy sets out how the council will structure and manage its finances now and in the future to ensure is to continue to demonstrate financial stability and to ensure this facilitates delivery of the council's corporate plan objectives.

The council's Statutory S151 Officer produces the Strategy, and advises on the level of reserves, in accordance with statute, best practice, professional opinion and the council's MTFS. In accordance with section 25 of the Local Government Act 2003 and to comply with CIPFA guidance on local authority reserves and balances, the S151 Officer is required to formally consider and report to members upon the adequacy of reserves in respect of the 2019/20 budget.

Additionally, this requirement covers reporting on the robustness of the estimates used for the purpose of calculating the budget.

The Government is fundamentally changing the way in which local government is funded, which increases the financial risk to the council. As such, and in accordance with statute and best practice, the level and nature of reserves have been reviewed as part of the budget process.

The MTFS requires the Council to set opening general reserves of between 1% and 2.5% of the gross revenue budget approved by Council each year, the precise level being informed by a risk assessment and to be set by the S151 officer. For 2019/20, that would equate to opening general reserves of between c£6.3m and c£15.7m.

The review of reserves has included a review of existing reserves, along with an assessment of potential future financial risks. Risks have been considered alongside the probability of each happening. This informs the S151 Officer's recommendations on the most prudent and appropriate level of reserves for 2019/20, taking into account the opportunity cost of maintaining those reserves.

The level of opening balances for 2019/20 is partially dependent on the level of closing balances for 2018/19. General balances, based on forecasts as at December 2018 monitoring, are estimated to be in the region of c£13.9m as at 31 March 2019. This assumes the current level of overspend does not increase.

The outcome of the review is that the current forecast level of balances required would be insufficient at this point in time to cover the major risks facing the council. The S151 Officer recommends a minimum opening general reserve of £13.8m to cover this increased risk.

The following details general reserves as at 31 March 2018, together with proposed use of and transfer to reserves for 2018/19, and the resulting balance as at 1 April 2019, to secure the opening level of reserves recommended by the S151 Officer.

General Reserves	£m
Balance as at 1 April 2018	(15.226)
Trial extended opening of recycling centres	0.110
Use in year to fund forecast overspend	1.240
Estimated closing balance as at 31 March 2019	**(13.876)**

This level of balances is considered prudent for a number of reasons:

- Uncertainty over the level of funding going forwards, particularly in light of the fundamental changes being undertaken in relation to central funding and business rate retention.
- The Council is not permitted to budget for a level of general reserves below that determined by the MTFS and the S151 officer.
- Balances are predicated on total savings of c£20m being achieved in 2019/20. Whilst an assessment of plans has been undertaken to ensure they are robust, if total savings are not made, balances could be below the minimum required by the MTFS, which would put the council in breach of its own rules.
- Further detail is provided in **Annex 10**. That section has been written by the Council's S151 Officer, and deals with the requirements of the Act and professional guidance. Consideration of all these issues has been comprehensive and complex. Annex 10 provides further information and signposts to the various activities, documents and other evidence that have contributed to the decision and declaration, and does not seek to reproduce them here.

3. Summary of the 2018/19 Capital Programme

The council has an asset portfolio of around £536m. Therefore managing and maintaining these assets is a key issue for the council to ensure they continue to be fit for purpose and their value is maintained. The capital programme is key to delivering the council's vision and priorities.

Due to the diverse nature of capital expenditure, each capital scheme impacts on residents in different ways according to their use of council facilities and services. The capital programme has been constructed within the principles outlined in our capital strategy. This document drives the construction and management of the capital programme. The Strategy reflects and enables delivery of the council's vision and priorities and approved schemes must deliver that aim. It also requires the council to optimise successful partnership working for example through the Walsall Partnership, NHS Walsall, registered social landlords and regionally with other councils.

The 2019/20 capital programme totals £73.48m and is presented in two parts:

- Council funded programme (£16.39m) - funded through borrowing and capital receipts (**Table 9**). Of this £0.75m is identified for council wide schemes, funding to support essential works including health and safety and other projects that cannot be guaranteed at the start of the year.
- Non-council funded programme (£57.09m) - funded from capital grants **(Table 10).**

In addition, the council's leasing programme for 2019/20 is £1.2m – revenue costs of which are funded from services own budgets **(Table 11).**

Capital resources will continue to be limited in the future inevitably placing more pressure on our ability to make future capital investment decisions. Funding will be more reliant on the council's ability to secure capital receipts from sale of land and buildings or affordable additional borrowing. A strategic review of assets will be undertaken as part of the Walsall Proud (Transformation) Programme, which will inform the revision of the capital strategy and formulation of future years capital programmes.

Following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017, there is a new requirement for Councils to produce a Capital Strategy from April 2018. This should "*set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk, reward and impact on the achievement of priority outcomes.*" The Capital Strategy is set out at **Annex 8**.

Council Funded Programme: Funded from Walsall's own resources

<u>Funding</u>
The council funded element of the capital programme is normally financed from borrowing, capital receipts and the carry forward of unspent allocations from previous years.

Borrowing going forward is required to be funded from council's own resources – generated through savings, and/or paid for via council tax. (This is also commonly known as unsupported or Prudential borrowing). Councils are allowed to borrow in accordance with the Treasury Management Code of Practice. The current capital financing / services cash limit is forecast to be able to support £8.61m of additional borrowing to fund high priority items in 2019/20.

Capital receipt projections of £1.5m for 2019/20 are based on professional estimates of property colleagues. Any additional receipts received in year (excluding those earmarked for specific schemes) will be considered to fund projects identified on the reserve list of schemes as referred to in **Annex 7**. Additionally, **Annex 9** sets out the council's Flexible Use of Capital Receipts Strategy, which if funds allow, will utilise new receipts to fund elements of the council's Walsall Proud (Transformation) Programme.

Table 8 shows currently estimated resources to fund the mainstream capital programme for the four years from 2018/19.

Table 8 : Mainstream Capital Programme (Council funded)				
Category	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Capital receipts projected	1.50	1.50	1.50	1.50
Earmarked capital receipts	0.00	0.29	0.00	0.00
General borrowing	16.61	5.43	5.40	5.40
Borrowing for ICT schemes	5.90	2.95	0.00	0.00
Borrowing / reserves for Public Realm	5.00	0.23	0.00	0.00
Revenue contribution to capital	0.13	0.17	0.04	0.04
Prior year underspends	0.72	3.38	0.00	0.00
Cash Flow adjustments / carry forwards	16.24	2.44	1.73	1.18
Total Mainstream resources	**46.10**	**16.39**	**8.67**	**8.12**

A number of current schemes are expected to be carried forward into 2019/20, totalling £6.04m. This will be finalised at year end, and reported to Cabinet in June 2019 for approval. These schemes are summarised at **Annex 6.**

<u>Capital Schemes</u>

For 2019/20 services were asked to review approved schemes in 2018/19 and the expected re-phasing or underspends to help fund future capital programmes. In addition, new bids were considered in line with council priorities. Details can be found in **Annex 7** and are summarised in **Table 9** below.

Table 9: Mainstream Capital Programme 2019/20 by Directorate (Council funded)				
Directorate	**Prior Year Approvals £m**	**Rolling Programme £m**	**New Allocations £m**	**Total Mainstream £m**
Adult Social Care	0.00	0.00	0.00	0.00
Children's Services	0.21	0.00	0.52	0.73
Economy and Environment	0.59	2.64	5.35	8.58
Resources and Transformation	4.40	0.47	1.46	6.33
Centrally held budgets *	0.00	0.75	0.00	0.75
Total Council Funded Capital	**5.20**	**3.86**	**7.33**	**16.39**

**Centrally held relates to funding to support essential works, including health and safety e.g. LSVT retained housing land, asbestos removal, statutory testing, legionella, fire risk, demolition of redundant buildings, planned maintenance, risk management and self insured property damage.*

Schemes are recommended to go ahead for a number of reasons:

- Address policy including;
  - ✓ Support with cost of living
  - ✓ Creating jobs and helping people get new skills
  - ✓ Improving educational achievements
  - ✓ Helping local high streets and communities
  - ✓ Help create more affordable housing
  - ✓ Promoting health and wellbeing
  - ✓ Ensuring a modern effective council (including ICT infrastructure)
- Return on investment / Asset management - schemes that unlock external investment in the Borough; drive out long term revenue savings; support the strengthening of the borough's economy; deliver an efficient and effective operational estate linked to the asset management plan; and invests in assets to grow future income streams for the council.
- Capital insurance reserves: to protect the council's position, for which funding is available should the need arise to draw it down.
- Priority schemes for which external funding can be drawn down and which may or may not require a contribution from the councils own resources.

All capital schemes were reviewed by the Asset Strategy Group and corporate management team prior to formal approval by Cabinet for recommendation to Council. Whilst the overall demand for resources usually exceeds those available, schemes deemed to be a high priority in terms of reflecting the council's priorities can be funded, representing a balanced programme for 2019/20 with indicative allocations which are subject to further review for 2020/21 onwards.

Externally Funded Programme

Full details of externally funded schemes are found in the draft capital programme at **Annex 7** and are summarised in **Table 10** below. Many of these are indicative allocations pending formal notification from the respective funding bodies, and the capital programme will be adjusted in year to reflect final allocations. Certain schemes can go ahead as these are either fully funded by grant or have the necessary mainstream match funding already approved. If grant or mainstream funding is unavailable then the scheme will not go ahead.

Table 10: Externally Funded Capital Programme 2019/20 by Directorate

Directorate	Government Funding £m	Third Party / External £m	Total Funding £m
Adult Social Care	0.00	0.00	0.00
Children's Services	15.06	0.00	15.06
Economy and Environment	39.14	0.00	39.14
Resources and Transformation	2.89	0.00	2.89
Centrally held budgets	0.00	0.00	0.00
Total Externally Funded Capital	**57.09**	**0.00**	**57.09**

Leasing Programme

The 2019/20 leasing programme totals £1.2m, summarised in **Table 11** below. Leasing minimises the call on capital resources by spreading the acquisition cost over a number of years. Revenue funds are required to finance operating leases, and are included in the revenue budget.

Table 11: Leasing Programme 2019/20		
Directorate	**Asset cost**	**Revenue Leasing**
	£m	**£m**
Economy and Environment		
Refuse Vehicles	0.160	0.359
Light Commercial Vehicles	2.761	0.479
Tractors & Agricultural Machinery	0.772	0.194
Welfare Vehicles	0.295	0.048
Equipment	0.000	0.118
Total draft leasing programme	**3.988**	**1.198**

4. Medium term financial outlook – 2020/21 plus

Revenue

Key sources of funding, in particular fees and charges, Government grant and specific grant are assessed on a regular basis, along with emerging cost pressures. The focus is on forward planning to ensure financial risk is managed and mitigated and all known liabilities are funded, including the cost of capital investment decisions.

As referred to in section 2, by the end of this parliament the government previously announced that local government will retain 100% of business rates (as opposed to the current 49%). However, Government has confirmed the movement to a next phase of business rates retention of 75% by 2020/21. Walsall Council, via the West Midlands Combined Authority has been designated a pilot for the 100% business rates retention scheme, which has been confirmed will continue into 2019/20.

The Government expects national increases in growth in rate yields to fully offset the reduction in core funding. The reality is that Walsall, due to its relative need and business rate yield, will be unable to fully cover this further significant funding shortfall.

Assumptions have been made in our medium term financial outlook around overall reductions to Government spending for this period, along with known cost reductions and pressures.

Beyond 2019/20, the final year of the current Spending Review, funding allocations still remain uncertain. Settlement Funding Assessment figures produced as part of the 2019/20 final settlement on 29 January 2019 indicate reductions in funding of £6.5m in 2019/20.

A further Spending Review is expected in Autumn 2019 to cover the period from 2020/21, along with the outcome of the Fair Funding review of local authority finance, both of which are expected to impact on our medium term financial outlook.

A balanced budget is proposed for 2019/20. There is a further £15.12m of savings required in 2020/21 and £9.5m in 2021/22, which are expected to be realised from the outcome of the refreshed transformation programme – 'Walsall Proud Programme'. It is expected that this will incorporate an organisational wide programme of change activity, with the breadth and pace of this being such that this will contribute significantly to delivering the required savings in 2020/21 and 2021/22. This provides the council with a sound opportunity to plan ahead and seek to rebalance the budget to deliver its corporate plan priorities, and allows it flexibility to adapt to an ever changing climate.

Annex 3 outlines the cash limit for 2018/19, the proposed cash limit for 2019/20, subject to Council approval, and indicative cash limits for the following two years, and this is summarised in **Table 12**.

Table 12: Revenue Cash Limits by Directorate				
Directorate	**Revised 2018/19 £m**	**Indicative 2019/20 £m**	**Indicative 2020/21 £m**	**Indicative 2021/22 £m**
Adult Social Care	63.89	62.49	64.58	65.06
Children's Services	69.72	69.63	68.18	67.86
Economy and Environment	48.04	46.87	60.63	57.55
Resources and Transformation *	21.04	20.52	18.16	16.39
Net Portfolio Cash Limits	**202.69**	**199.51**	**211.55**	**206.86**
Levies	11.24	11.22	11.22	11.22
Central budgets **	(98.94)	(89.36)	(96.72)	(87.26)
Council Tax Requirement	**114.99**	**121.37**	**126.05**	**130.82**

**Includes internal recharge income of £18.97m for Central Support Services and £1.96m for Office Accommodation which are recharged to cost of services.*
***Central budgets includes direct Government funding and business rates.*

Capital

Capital programme resources are limited. The financing for capital expenditure on new investments is heavily reliant on grants and other funding received from the Government. The Government is clearly, in the medium term, planning to significantly reduce government financed capital spending.

The remaining flexibility is currently through capital receipts and borrowing. Capital receipts projections however are limited, and fully dependent on when council assets are sold. Earmarking of capital receipts beyond what we are statutorily obliged to do is not recommended without overall strategic consideration of the entire capital programme. Use of unsupported borrowing incurs ongoing revenue debt charges and impacts on council tax payers.

Capital allocations and grants from Government and other sources have not yet been published, therefore best estimates have been used, based on published information to date. Any further reduction in funding will require amendments to the draft programme.

Despite the above difficulties, significant investment is planned and funded over the three years 2019/20 to 2021/22 and the draft capital programme is balanced for each year, subject to annual review. The council is able to fund all existing commitments and has, through prioritisation of bids and resources and sound treasury management, been able to support new investment into key services, and areas of capital investment need.

The list of capital schemes included in the capital programme for 2019/20 to 2021/22 are shown in **Annex 7**. **Table 13** shows the capital programme against predicted available resources. **Table 14** summarises the capital programme by directorate.

Table 13 : Capital Programme				
Anticipated Capital Resources	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Council resources as shown in table 8	46.10	16.39	8.67	8.12
External Funding	64.45	57.09	46.14	12.87
Total capital resources	***110.55***	***73.48***	***54.81***	***20.99***
Capital Bids				
Prior Year Approvals	7.64	4.98	0.55	0.34
Rolling Programme Schemes	4.42	3.86	4.07	4.07
New capital bids	18.51	7.55	4.05	3.71
In year adjustments / carry forwards	15.53	0.00	0.00	0.00
Total council funded schemes	***46.10***	***16.39***	***8.67***	***8.12***
Externally funded schemes	64.45	57.09	46.14	12.87
Total draft capital programme	***110.55***	***73.48***	***54.81***	***20.99***
Funding shortfall (surplus)	**0.00**	**0.00**	**0.00**	**0.00**

Table 14 : Capital Programme by directorate			
Directorate	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Adult Social Care	0.00	0.00	0.00
Children’s Services	15.79	7.29	6.76
Economy and Environment	47.71	41.72	7.65
Resources and Transformation	9.23	5.05	5.83
Centrally held budgets *	0.75	0.75	0.75
Draft Capital Programme	**73.48**	**54.81**	**20.99**

**Centrally held relates to funding to support essential works, including health and safety e.g. LSVT retained housing land, asbestos removal, statutory testing, legionella, fire risk, demolition of redundant buildings, planned maintenance, risk management and self-insured property damage.*

Part 1 Annex 1: Summary of Corporate Revenue Budget 2019/20 by Directorate

DIRECTORATE	2018/19 REVISED FORECAST £	BASE BUDGET ADJUSTMENTS £	INVESTMENT AND PRESSURES (Annex 4) £000	SAVINGS (Annex 5) £000	2019/20 FORECAST BUDGET £000
Adult Social Care	**63,884,532**	-2,774,609	6,046,415	-4,664,058	**62,492,280**
Children's Services	**69,720,800**	806,951	3,031,857	-3,928,522	**69,631,086**
Economy and Environment	**48,041,258**	1,217,004	2,567,865	-4,951,498	**46,874,629**
Resources and Transformation *	**21,044,377**	621,148	76,596	-1,225,735	**20,516,386**
TOTAL SERVICES	**202,690,967**	**-129,506**	**11,722,733**	**-14,769,813**	**199,514,381**
Non-service specific prudence/central items/capital financing	**-98,945,585**	11,636,944	1,580,881	-5,311,437	**-89,737,710**
Levies: West Midlands Combined Authority Transport Levy	**11,160,595**	-22,645	0	0	**11,137,950**
Environment Agency	**79,939**	1,535	0	0	**81,474**
NET REVENUE EXPENDITURE	**116,287,403**	**11,486,328**	**13,303,614**	**-20,081,250**	**120,996,095**
(Use of)/contribution to reserves	**-1,301,487**	**887,837**	**791,000**	**0**	**377,350**
TOTAL COUNCIL TAX REQUIREMENT	**114,985,916**	**12,374,165**	**14,094,614**	**-20,081,250**	**121,373,445**

* Includes internal recharge income of £18.97m for Central Support Services and £1.96m for Office Accommodation which is recharged to cost of services.

Part 1 Annex 2: Council Tax Data 2019/20

1. COUNCIL TAX EXCLUDING PRECEPTS (WALSALL COUNCIL ONLY)

A. LEVELS FOR PROPERTIES WITH TWO OR MORE RESIDENTS (67% of Properties)

BAND	WEIGHT	2018/19 C.TAX	2019/20 C.TAX	ANNUAL CHANGE	ANNUAL INCREASE
		£	£	£	%
A	6/9	**1,099.14**	**1,142.99**	43.85	3.99%
B	7/9	**1,282.33**	**1,333.49**	51.16	3.99%
C	8/9	**1,465.52**	**1,523.99**	58.47	3.99%
D	**9/9**	**1,648.71**	**1,714.49**	**65.78**	**3.99%**
E	11/9	**2,015.09**	**2,095.49**	80.40	3.99%
F	13/9	**2,381.47**	**2,476.49**	95.02	3.99%
G	15/9	**2,747.85**	**2,857.48**	109.63	3.99%
H	18/9	**3,297.42**	**3,428.98**	131.56	3.99%

2. OVERALL COUNCIL TAX INCLUSIVE OF PRECEPTS

A. LEVELS FOR PROPERTIES WITH TWO OR MORE RESIDENTS (67% of Properties)

				ESTIMATE - ACTUAL T.B.A		OVERALL (INC PRECEPTS)
BAND	WEIGHT	2018/19 TOTAL C.TAX	2019/20 WMBC C.TAX	2019/20 FIRE PRECEPT	2019/20 POLICE PRECEPT	2019/20 TOTAL C.TAX
		£	£	£	£	£
A	6/9	**1,224.07**	**1,142.99**	40.40	101.70	**1,285.09**
B	7/9	**1,428.08**	**1,333.49**	47.13	118.65	**1,499.27**
C	8/9	**1,632.09**	**1,523.99**	53.87	135.60	**1,713.46**
D	**9/9**	**1,836.10**	**1,714.49**	**60.60**	**152.55**	**1,927.64**
E	11/9	**2,244.13**	**2,095.49**	74.07	186.45	**2,356.01**
F	13/9	**2,652.14**	**2,476.49**	87.53	220.35	**2,784.37**
G	15/9	**3,060.17**	**2,857.48**	101.00	254.25	**3,212.73**
H	18/9	**3,672.20**	**3,428.98**	121.20	305.10	**3,855.28**

B. LEVELS FOR PROPERTIES WITH ONE RESIDENT (25% DISCOUNT) (33% of Properties)

				ESTIMATE - ACTUAL T.B.A		OVERALL (INC PRECEPTS)
BAND	**WEIGHT**	**2018/19 TOTAL C.TAX**	**2019/20 WMBC C.TAX**	**2019/20 FIRE PRECEPT**	**2019/20 POLICE PRECEPT**	**2019/20 TOTAL C.TAX**
		£		**£**	**£**	**£**
A	6/9	918.05	857.24	30.30	76.28	**963.82**
B	7/9	1,071.06	1,000.11	35.35	88.99	**1,124.45**
C	8/9	1,224.07	1,142.99	40.40	101.70	**1,285.09**
D	**9/9**	**1,377.07**	**1,285.87**	**45.45**	**114.41**	**1,445.73**
E	11/9	1,683.10	1,571.62	55.55	139.84	**1,767.01**
F	13/9	1,989.10	1,857.37	65.65	165.26	**2,088.28**
G	15/9	2,295.13	2,143.11	75.75	190.69	**2,409.55**
H	18/9	2,754.15	2,571.73	90.90	228.83	**2,891.46**

3. SPREAD OF PROPERTIES

The proportion of properties within Walsall MBC within each Council Tax band at 1st December 2018 is as follows:

BAND	A	B	C	D	E	F	G	H	TOTAL
PROPERTIES (No)	**50,741**	**27,157**	**18,357**	**10,201**	**5,550**	**2,387**	**809**	**50**	**115,252**
PROPERTIES (%)	**44.03**	**23.56**	**15.93**	**8.85**	**4.82**	**2.07**	**0.70**	**0.04**	**100**
CUMULATIVE TOTALS	**67.59%** (A–B)								
	83.52% (A–C)								
	92.37% (A–D)								

4. WEEKLY INCREASE IN COUNCIL TAX (WALSALL MBC ELEMENT)

BAND	A	B	C	D	E	F	G	H
£	**0.84**	**0.98**	**1.12**	**1.26**	**1.54**	**1.82**	**2.10**	**2.52**

Part 1 Annex 3 : Revenue Cash Limit 2018/19 to 2021/22 by Directorate

This appendix outlines the cash limits by directorate, including portfolio responsibilities :-

1. *Adult Social Care Directorate*

- ***Adult Social Care Portfolio***
  Care services for older people and people with learning disabilities, people with physical disabilities and people with mental health needs, health partnership, commissioning and CCG/health interface lead supporting people, protection for vulnerable adults, transition arrangements between Children's and Adult Social Care.

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Opening cash limit		63,884,532	62,492,280	64,582,016
Base budget adjustments including funding changes *		(2,774,609)	80,000	
Investment / Pressures – see Annex 4		6,046,415	6,723,500	3,440,140
Less Savings – see Annex 5		(4,664,058)		
Less Savings required			(4,713,764)	(2,962,064)
Adult Social Care draft cash limit	**63,884,532**	**62,492,280**	**64,582,016**	**65,060,092**

**Mainly an increase in iBCF grant income in 2019/20, and pay/pension changes*

2. *Children's Services Directorate*

- ***Children's and Health and Wellbeing Portfolio***
  Services for children in need of help and protection, children looked after and care leavers, early help, schools meals commissioning, involvement of children and young people, transition arrangements between Children's and Adult Social Care, Walsall Children's Safeguarding Board and Chair of Corporate Parenting Board.

- ***Education and Skills Portfolio***
  Schools and education services, interagency cooperation, involvement of children and young people, special educational needs, disabilities and inclusion. Adult learning.

	2018/19 £	2019/20 £	2020/21 £	2021/22 £
Opening cash limit		69,720,800	69,631,086	68,177,907
Base budget adjustments including funding changes *		806,951	(497,300)	
Investment / Pressures – see Annex 4		3,031,857	3,122,196	2,247,756
Less Savings – see Annex 5		(3,928,522)		
Less Savings required			(4,078,075)	(2,562,607)
Children's Services draft cash limit	**69,720,800**	**69,631,086**	**68,177,907**	**67,863,056**

**Mainly traded service income and pay/pension changes*

3. ***Economy and Environment Directorate***

- ***Leader of the Council Portfolio***
  Emergency planning, West Midlands Combined Authority, Association of Black Country Authorities and Black Country Joint Committee.

- ***Children's and Health and Wellbeing Portfolio***
  Public health, Health and Wellbeing Board.

- ***Clean and Green Portfolio***
  Gateways and corridors, pollution control, waste strategy, refuse collection, recycling, street cleaning, parks and the council's vehicle fleet.

- ***Community, Leisure and Culture Portfolio***
  Leisure and culture services including the New Art Gallery, libraries, sports and museums, Cemeteries and crematoria, public protection.

- ***Regeneration Portfolio***
  Economic development, physical development, markets, property and asset management, Black Country Consortium, sub regional regeneration issues. Town and district centres, planning policy and local development framework. Strategic housing role. Traffic and transportation, car parks, strategic transport and highways. Business liaison and skills.

	2018/19 £	**2019/20 £**	**2020/21 £**	**2021/22 £**
Opening cash limit		48,041,258	46,874,629	60,631,003
Base budget adjustments including funding changes *		1,217,004	17,189,060	
Investment / Pressures – see Annex 4		2,567,865	314,954	(725,668)
Less Savings – see Annex 5		(4,951,498)		
Less Savings required			(3,747,640)	(2,354,966)
Economy and Environment draft cash limit	**48,041,258**	**46,874,629**	**60,631,003**	**57,550,369**

**Public Health grant reduction and pay/pension changes in 2019/20, and Public Health expected to move into business rates retention from 2020/21*

4. ***Resources and Transformation Directorate***

- ***Leader of the Council Portfolio***
  Overall responsibility for Council strategy, the corporate plan, communications and public relations, government relations and liaison with local MPs and West Midlands leaders. Transformation and digital. Finance including payroll and pensions, insurance, risk management, policy led budgeting. Financial Regulations, Audit, Legal and Democratic Services, Performance. Member Development.

- ***Community, Leisure and Culture Portfolio***
  Locality co-ordination, community development, engagement and consultation, community associations, voluntary and community sectors, Community Safety, community cohesion, Safer Walsall Partnership.

- ***Personnel and Business Support Portfolio***
  HR, equalities, procurement, facilities management, complaints, information governance, print and design, catering, cleaning, caretaking and Town Hall events.

- ***Regeneration Portfolio***
  Money Home, Job.

	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Opening cash limit		21,044,377	20,516,386	18,158,909
Base budget adjustments including funding changes *		621,148		(250,000)
Investment / Pressures – see Annex 4		76,596	221,016	96,228
Less Savings – see Annex 5		(1,225,734)		
Less Savings required			(2,578,493)	(1,620,290)
**Resources and Transformation draft cash limit ** **	**21,044,377**	**20,516,386**	**18,158,909**	**16,384,848**

**Relates to additional income in Money Home Job and pay/pension changes in 2019/20, and removal of local elections for one year only in 2021/21.*
There is an additional corporate saving of £311k in relation to Treasury Management and £5m for Walsall Proud Programme.
*** Includes internal recharge income of £18.97m for Central Support Services and £1.96m for Office Accommodation which is recharged to cost of services.*

Part 1 Annex 4 : Summary of Investments and Cost Pressures

Detail of investment / cost pressure	2019/20 £	2020/21 £	2021/22 £
Adult Social Care			
Demand / cost pressures	1,367,000	3,016,000	3,035,000
Increased cost of telecare maintenance	20,000	0	0
Head of Customer Transformation - Transformation Channel shift work stream	37,500	37,500	0
Fall out of Better Care Funding - iBCF2 grant	0	3,280,000	0
Demand management placement and package costs – part non delivery of 2018/19 saving	1,771,333	0	0
Income reduction and increase in placement / package costs	2,850,582	0	0
Impact of Care Act implementation	0	0	92,140
Systems and brokerage support	0	0	313,000
Transition arrangements from children to adults	0	390,000	0
Total Adult Social Care	**6,046,415**	**6,723,500**	**3,440,140**
Children's Services			
Demand / cost pressures	1,709,884	2,000,000	2,000,000
Ongoing staffing resource for Children's Commissioning and Placements function to support Looked After Children controls/savings/placement function	0	112,500	112,500
Less Children's Social Care recruitment and retention programme - associated with caseload guarantees and agreed as part of 2017/18 budget setting	(254,000)	(255,000)	(100,000)
Fall out of troubled families grant	0	1,029,641	0
Home to school transport	630,000	0	0
Children's Social Care demand pressures	655,000	0	0
Temporary childcare income shortfalls	23,500	0	0
Support to Children's transformation programme	151,040	0	0
Administrative services (2018/19 shortfall)	116,433	0	0
Foster care provision	0	55,055	55,256
Additional social workers	0	180,000	180,000
Total Children's Services	**3,031,857**	**3,122,196**	**2,247,756**
Economy and Environment			
Contractual inflation	227,949	233,560	239,313
Extension of economic growth programme (2 years)	1,000,000	0	(1,000,000)
Fall out of leasing recharge for extended vehicles	3,690	81,394	35,019
Domestic waste collection pressures	377,226	0	0
Unachieved savings – asset management expansion of council's investment portfolio	400,000	0	0
Unachieved savings – management efficiencies	100,000	0	0
Expansion of parking warden contract for 2 years	65,000	0	0
Street Cleansing – ongoing extra operative in Walsall Town Centre as approved by Cabinet 05/09/18	50,000	0	0
Voluntary sector coordinator post – ongoing impact as approved by Cabinet 05/09/18	34,000	,0	0

Detail of investment / cost pressure	2019/20 £	2020/21 £	2021/22 £
Garden waste collections – reinstatement of 2 weekly garden waste collections from April 2019 as approved by Cabinet 05/09/18	160,000	0	0
Depot costs	150,000	0	0
Total Economy & Environment	**2,567,865**	**314,954**	**(725,668)**
Resources and Transformation			
Reduction in Council Tax administration grant	7,987	43,376	39,038
Reduction in Housing Benefit administration grant	68,609	62,640	57,190
Assistant Director – Transformation & Digital	0	115,000	0
Total Resources and Transformation	**76,596**	**221,016**	**96,228**
Corporate			
Education Services Grant fall out	791,000	815,000	0
Capital financing - review of debt portfolio	580,881	328,864	315,493
Revenue implications of capital programme	500,000	500,000	500,000
National pay award - pay harmonisation	500,000	0	0
Total Corporate	**2,371,881**	**1,643,864**	**815,493**
Total Investment/Cost Pressures	**14,094,614**	**12,025,530**	**5,873,949**

Additionally, there is £4.07m of pay and pension related investment to be allocated to services in 2019/20.

Part 1 Annex 5 : Summary of Revenue Savings by Directorate

All savings proposals have been consulted on and, where required, equality impact assessed.

Saving reference	Detail of saving / efficiency	2019/20 £
Adult Social Care		
Policy		
1	Ending the Concessionary Travel pre 9.30am top up scheme (NEW)	(26,794)
Operational		
2	Improving demand management for Adult Social Care	(1,218,750)
3	Income contributions - new clients	(515,000)
4	Review of the number of direct payments due to the implementation of Community Based Services	(79,774)
5	Review of Better Care fund – including for carers	(181,197)
6	Review service level agreements : Older People, Gateway North West, Autism, Disability Community Hub, Housing Support, Empowerment, Engagement and Decision Making	(122,476)
7	Dudley Walsall Mental Health Trust management fee	(110,000)
8	Review of Home from hospital / crisis response contract	(60,840)
9	Review in Open objectives portal licence costs	(25,000)
10	Release of remaining Hollybank budget	(100,000)
11	Adult Social Care car allowances budget realignment	(76,000)
12	General efficiencies across directorate	(82,000)
13	Deferred payments income review	(124,727)
14	Joint funding arrangements with partners	(700,000)
15	Managing the community care market (CM2000 Mosaic)	(1,214,000)
79	Doctors assessments	(27,500)
Total Adult Social Care		**(4,664,058)**
Children's Services		
Policy		
16	Review and reduce Youth Services and align functions to the 0-19 Early Help locality model - full year effect of 2018/19 saving	(110,572)
17	Cease or identify alternative funding to support School Improvement Services - full year effect of 2018/19 saving	(135,599)
18	Review of residential short break provision for children and young people with a disability (NEW)	(172,000)
19	Review of commissioned domestic violence services for perpetrators and children who have witnessed domestic abuse (NEW)	(109,000)
Operational		
21	Review and reduce Early Help 0-19 model	(100,000)
22	Review demand for SEN short breaks - full year effect of 2018/19 saving	(140,000)
23	Reduce agency social workers - full year effect of 2018/19 saving	(227,000)
24	Review and reduce Children's Social Care Workforce Training & Practice Development	(44,744)
25	Review and reduce Children's Youth Justice Services or identify alternative contributions - full year effect of 2018/19 saving	(50,000)
26	General efficiencies across directorate - full year effect of 2018/19 saving	(43,135)
27	General efficiencies across directorate	(138,238)

Saving reference	Detail of saving / efficiency	2019/20 £
28	Additional traded income within Information Services	(30,000)
29	Review administrative services across Children's directorate and efficiencies expected through the implementation of new ICT functionality	(200,000)
30	Review of Supported Accommodation Framework	(300,000)
31	Continuation of managed looked after children placements along with the introduction of a Resource Allocation Panel approach to care packages	(300,000)
32	Review of preventative services and cessation of casual pool	(500,000)
33	General efficiencies across directorate – budget realignment from continuation of existing action plans	(1,328,234)
Total Children's Services		**(3,928,522)**
Economy and Environment		
Policy		
34	Forest Arts – full year effect of 2018/19 saving	(185,000)
35	New Art Gallery – full year effect of 2018/19 saving	(50,000)
36	Reduction in public health investment in drug & alcohol treatment services – full year effect of 2018/19 saving (NEW)	(350,000)
37	Reduction in Healthy Child 5-19 in school services	(100,000)
38	Re-commissioning of 0-5 services	(400,000)
39	Review of the falls prevention service. (Public health budget to be reduced. Service will continue, pending a detailed review of the service with partners. Funded from council and partner contributions for 2019/20) (NEW)	(295,000)
40	Reduce investment in sexual health services (NEW)	(500,000)
41	Reduce scope of infection control services – full year effect of 2018/19 saving	(20,000)
42	Energy saving from major street lighting invest to save – full year effect of 2018/19 saving	(450,000)
43	Increase cost of parking permits by £1 a month – full year effect of 2018/19 saving	(6,000)
44	Restructure of Traffic Management Team to deliver permit scheme – full year effect of 2018/19 saving	(25,000)
45	Investigate the possibility of an alternative delivery mechanism markets. This is part year effect and a further £19,500 will be realised in 2020/21. (NEW)	(19,500)
Operational		
46	Reduce scope of healthy lifestyle services	(395,000)
47	Introduction of a street and road works permit scheme	(25,000)
48	Increase Crematoria fees further (6%) – full year effect of 2018/19 saving	(180,000)
49	Registrars – full year effect of 2018/19 saving	(30,000)
50	Cemeteries management restructure	(70,000)
51	Staff savings within regulatory / enforcement – full year effect of 2018/19 saving	(100,000)
52	Staff savings in Public Health	(102,000)
53	General efficiencies across Planning, Engineering and Transportation – full year effect of 2018/19 saving	(10,000)

Saving reference	Detail of saving / efficiency	2019/20 £
54	Introduce new Asset Management practices – full year effect of 2018/19 saving	(25,000)
55	Reductions in services provided by Economy & Environment Directorate Support – full year effect of 2018/19 saving	(24,000)
56	Operational efficiencies across Economy and Environment including management savings – full year effect of 2018/19 saving	(60,000)
57	Library service – review of operational costs across the service	(160,000)
58	District libraries review of staffing	(107,820)
59	General efficiencies across the directorate including review of trade waste income	(78,178)
60	Fee review directorate wide	(5,000)
61	Resident parking permit increase	(5,000)
62	Funding from earmarked reserves to offset short term pressure of APCOA contract for 2019/20 and 2020/21 until contract is tendered.	(65,000)
63	Traffic management - additional income	(25,000)
64	Staff related costs – travel	(1,500)
65	Asset management efficiencies / capitalisation of costs	(20,000)
66	Review of the W2R contract & tonnages / performance of HWRC contract	(700,000)
67	Acting Living Centres – additional income	(362,500)
Total Economy & Environment		**(4,951,498)**
Resources and Transformation		
Policy		
68	Reduction in grant to Citizens Advice Bureau – full year effect of 2018/19 saving	(45,966)
Operational		
70	Review and restructure in Finance and Financial Administration – full year effect of 2018/19 saving	(65,003)
71	Review of structure / additional income in Legal Services – full year effect of 2018/19 saving	(62,433)
72	Restructure of Human Resources – full year effect of 2018/19 saving	(102,197)
73	Efficiency savings across Procurement – full year effect of 2018/19 saving	(17,340)
74	Review & efficiencies across Money Home Job – full year effect of 2018/19 saving	(764,000)
75	Additional income from realignment of budgets and full cost recovery of traded services across the directorate	(168,795)
Total Resources and Transformation		**(1,225,734)**
Corporate		
Policy		
76	Walsall Proud Programme (to be allocated)	(5,000,000)
Operational		
77	Dividend review – Birmingham Airport – full year effect of 2018/19 saving	(311,437)
Total Corporate		**(5,311,437)**
Total Savings Proposals		**(20,081,249)**

Part 1 Annex 6 : Forecast Capital Carry Forwards from 2018/19 to 2019/20 (Council funded schemes only)

Capital project	2018/19 Budget £	Estimated Outturn £	Forecast Variance to carry forward to 2019/20 £
Economy and Environment			
Fryers Road Sprinkler System	268,000	15,000	253,000
District Town Centre's Public Realm Improvements	4,000,000	2,745,000	1,255,000
Walsall Market - *£1,827,496 underspend pending the outcome of the town centre master plan*	1,877,496	12,484	37,516
Town and District Centres Public Realm - *£100,000 underspend to help with funding of 2019/20 capital programme pending the outcome of the town centre master plan*	870,500	0	770,500
Hatherton Road Car Park	264,114	50,000	214,114
Broadway West Playing Fields	150,000	108,000	42,000
Regenerating Walsall	233,877	11,254	222,623
Saddlers Centre Shopping Centre	559,869	150,000	409,869
St Peter Church repairs to surrounding wall	25,000	3,000	22,000
Challenge Block	33,000	15,000	18,000
Rushall Olympic Football Club	5,833	0	5,833
Total Economy and Environment	**8,287,689**	**3,109,738**	**3,250,455**
Social Care			
Mosaic Implementation (Phase 3)	**621,920**	**581,920**	**40,000**
Total Social Care	**621,920**	**581,920**	**40,000**
Resources and Transformation			
Procurement system for (HRMS) and Oracle EBS financials	2,759,854	1,659,845	1,100,009
Civic Centre heating	1,199,818	299,954	899,864
Council House rewiring	999,909	249,978	749,931
Total Resources and Transformation	**4,959,581**	**2,168,395**	**2,791,186**
Total draft capital carry forward from 2018/19 to 2019/20 (council funded schemes only)	**13,869,190**	**5,901,435**	**6,040,259**

Part 1 Annex 7 : Capital Programme 2019/20 to 2021/22 by Directorate

Capital project	2019/20 £	2020/21 £	2021/22 £	Source of funding
Children's Services				
Rolling Programme Schemes				
Basic Need - Estimated DfE allocation (grant)	11,981,629	4,000,000	4,000,000	External
Devolved Formula Capital - Estimated DfE allocation (grant)	534,800	534,800	534,800	External
Capital Maintenance - Estimated DfE allocation (grant)	2,222,387	2,222,387	2,222,387	External
Special Provision Fund – pupils with special educational needs – DfE allocation (grant)	319,229	319,229	0	External
Prior Year Approvals				
Supporting transformation - Looked after children – out of borough placements. To fund increased in- borough bed capacity	150,000	150,000	0	Council
Supporting transformation - Looked after children – 2/3 bedroomed small residential home targeted to accommodate children per year	60,000	60,000	0	Council
New Bids				
School classrooms – requirement for temporary builds due to condition of existing facilities (plus £250k on reserve list)	250,000	0	0	Council
School estate condition surveys including statutory compliance issues across the primary, secondary and special school estate, to inform a rolling maintenance and school expansion programme (plus £350k on reserve list)	250,000	0	0	Council
Streetly Youth Club Demolition Works - and to secure the perimeter and make good the area adjacent to Streetly Library and St Annes Primary School	22,000	0	0	Council
Total Children's Services	***15,790,045***	***7,286,416***	***6,757,187***	
Economy and Environment				
Rolling Programme Schemes				
Memorial Safety in Walsall cemeteries - ensuring that the council complies with statutory obligations to provide a safe environment in its eight borough cemeteries	40,000	40,000	40,000	Council
Highway Maintenance Programme – legal responsibility to maintain the highway network - £200k on reserve list in 2019/20 only	2,600,000	2,800,000	2,800,000	Council
LTP Highway Maintenance Programme – distributed by the Integrated Transport Authority to maintain our highways network (grant)	1,943,000	1,943,000	1,943,000	External

Capital project	2019/20 £	2020/21 £	2021/22 £	Source of funding
West Midlands Strategic Transport Plan (STP) 'Movement for Growth' –to address road safety issues, progress the Council's major scheme aspirations, and resource local contribution to approved major schemes.	1,279,000	1,279,000	1,279,000	External
Prior Year Approvals				
Traffic Signals - Replacement of obsolete traffic signal control equipment – Prior year approval - the council has a statutory duty to maintain all its traffic signal infrastructure and this provides a programme of planned pedestrian crossing replacements to ensure the safe and efficient movement of pedestrians	0	200,000	200,000	Council
Provision of community dropped crossings along footways to permit access for wheelchairs, pushchairs and mobility scooters	20,000	20,000	20,000	Council
Promotion of Community Health and Safety	120,000	120,000	120,000	Council
Public Realm Improvements – contribution to National Productivity Investment Fund external programme	229,500	0	0	Council
Open water safety schemes - signage	2,000	5,000	2,000	Council
Streetly Crematorium - Installation of air conditioning units and refurbishment of public toilets	215,351	0	0	Council
M6 Junction 10 road improvements in partnership with Highways England (grant)	0	650,000	0	Council
	14,270,000	0	0	External
Walsall Arboretum Extension and Country Park – infrastructure improvements	0	190,000	0	Council
Growth Deal - The Growth Deal will create the skills, connections and locations for further high value manufacturing success and support growth in the Black Country's automotive, aerospace and construction sectors (grant)	19,044,119	32,948,081	0	External
National Productivity Investment Fund Programme for junction and cycling improvements (grant) with additional local contribution of £459k in 2018/19 and 2019/20 (50% from Strategic Transport Plan and 50% from council Public Realm funding).	2,601,500	0	0	External
New Bids				
New rail stations at Willenhall, Darlaston and Aldridge – local 10% contribution to match TfWM investment.	1,000,000	1,000,000	500,000	Council
Yorks bridge – increased funding for construction of replacement bridge	0	0	750,000	Council

Capital project	2019/20 £	2020/21 £	2021/22 £	Source of funding
A454 Black Country Route carriageway surface treatment to extend lifecycle by c 15 additional years – proposal to utilise chiplock preventative maintenance treatment.	450,000	0	0	Council
Hatherton Road MSCP structural maintenance	200,000	0	0	Council
Willenhall Lane Cemetery Extension / Development of land for burials – current capacity for full burials expected to be maximised by end 2020/21.	832,800	525,600	0	Council
Town Centre Master Plan Development	250,000	0	0	Council
Replacement cemeteries administration system	75,000	0	0	Council
Replacement fencing at Streetly cemetery	16,000	0	0	Council
Strategic Acquisition for Third Sector Hub and operational accommodation - purchase of accommodation to support the formation of a third sector co-located hub and provide additional office accommodation for the Council to support its ongoing rationalisation of its operational estate.	2,527,148	0	0	Council
Total Economy and Environment	***47,715,418***	***41,720,681***	***7,654,000***	
Resources and Transformation				
Rolling Programme Schemes				
Aids and Adaptations, Preventative Adaptations and Supporting Independence – Assists households to maintain greater independence and live in their homes for longer through providing low cost adaptations, and assistance with community projects to enable residents to access local services. Supports the statutory requirement to provide disabled facility grants (lifts, hoists)	400,000	400,000	400,000	Council
Health through warmth – continuation of project up to March 2020 – to help provide a safety net for those who can't access other funding sources, available as a loan charged on the property that is repaid upon sale or relevant transfer of their home.	75,000	75,000	75,000	Council
Integrated Community Equipment Store – specialised equipment as part of BCF (grant)	750,000	750,000	750,000	External
Disabled Facilities Grant – this project directly supports the council's statutory requirement to provide disabled facility grants (DFGs). The project has a direct positive impact on the number and subsequent varied costs to the council from the increasing level of demand for home adaptations (grant).	2,145,000	2,145,000	2,145,000	External
Prior Year Approvals				
Procurement of system for Human Resources management and Oracle financials	1,400,000	0	0	Council

Capital project	2019/20 £	2020/21 £	2021/22 £	Source of funding
Maintaining a safe and secure environment - review of ICT infrastructure including moving data centre and some services to Cloud	2,949,000	0	0	Council
Service improvement for single mobile device management solution	51,000	0	0	Council
New Bids				
Willenhall Lane Travellers site pumping station pump replacement	0	44,400	0	Council
ICT telephony – current Cisco Call Manager system will not be supported from May 2021, thus a proposal to move to a microsoft solution supporting the 'cloud' migration programme	0	500,000	0	Council
ICT windows server 2008 upgrade – current system will not be supported from 2020, thus a proposal to move operating systems to support the 'cloud' migration programme	200,000	0	0	Council
CCTV – replacement of 5 cameras and 3 backup – to help with number plate recognition for fly tipping and other anti-social behaviour	150,000	0	0	Council
Civic Centre window replacement – improving energy efficiency	0	0	1,307,025	Council
Civic Centre plumbing – non heating related	0	0	66,600	Council
Council House smoke and heat detection, fire alarm	333,000	0	0	Council
Council House general heating	50,000	1,085,000	1,085,000	Council
Council House fire doors / fire seals	0	55,500	0	Council
Print and design upgraded lighting and ventilation system	24,000	0	0	Council
Council Chamber and Committee Room Audio Visual system, seating refurbishment and Council House reception	200,000	0	0	Council
Operational repair and maintenance of council owned buildings	500,000	0	0	Council
Total Resources and Transformation	***9,227,000***	***5,054,900***	***5,828,625***	
Rolling Programme Schemes				
Funding to support essential works including health and safety, and other projects that cannot be programmed at start of year e.g. Asbestos removal, statutory testing, legionella, fire risk, statutory testing of buildings, demolition of redundant buildings, general repair and maintenance	750,000	750,000	750,000	Council
Total Centrally Held budgets	***750,000***	***750,000***	***750,000***	
Total Capital Programme	**73,482,463**	**54,811,997**	**20,989,812**	

Part 1 Annex 8 – Capital Strategy

1. INTRODUCTION & BACKGROUND

1.1 The Capital Strategy is a new requirement for Council's to produce from April 2018 following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017.

1.2 The code sets out that:
"In order to demonstrate that a Council takes capital and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, and affordability, Councils should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes."

1.3 The Prudential Code (2017) sets out the areas which are required to be included within the Capital Strategy, and these focus on the core principles that underpin the Council's capital programme, an overview of planned capital expenditure and resources available to fund it, the governance framework in place to approve capital expenditure and the key issues and risks that may impact on the delivery of capital investment plans.

2. CAPITAL EXPENDITURE

2.1 Setting the Capital Programme

2.1.1 The Council's capital programme covering the period 2019/20 to 2021/22 is set out within Annex 7 of this Corporate Budget Plan.

2.1.2 The basis of the capital programme is driven by the budget and service planning process. This process begins early in each financial year, usually around June. The size of the capital programme is determined by:

- The need to incur capital expenditure
- Capital resources available
- The revenue implications flowing from the expenditure.

2.1.3 As part of the budget and service planning process, services are required to review capital needs locally at directorate capital and asset groups, and to align with service priorities. Where directorate capital and asset groups agree these requirements, then a formal 'capital mandate' form is required to be completed for each proposal. These mandates are required to be completed during the summer, in line with the published budget process timelines, and will include the following information:

- Project background, including context, key dates and requirements
- Project objectives and outputs
- Scope of the project
- Justification of the project, draft profile of spend by financial year, source of funding, and revenue implications
- References to background papers and key documentation
- Anticipated project sponsor and project manager
- Interested parties, including users and stakeholders

2.1.4 All project mandates are collated for reporting to Corporate Management Team (CMT) for initial scrutiny prior to reporting to the Asset Strategy Group (ASG), who prioritise projects according to council priorities and against available resources, and subject to a detailed business case being completed for larger strategic capital investment proposals. Supported projects are summarised for initial review and prioritisation by Asset strategy Group against available resources, who then recommend a draft capital programme for consideration by Cabinet.

2.1.5 Business cases, where requested to be completed, will be required for formal review and assessment. A business case will include more detailed information on the proposed scheme, along with options where applicable, and would expect to include the following:

- Why the project is proposed?
- Options appraisal
- Preferred option and financial information
- Assumptions and dependencies
- Review of risks
- Key milestones
- Outcomes – savings and benefits
- Governance and project management

2.1.6 Cabinet determine the projects to be included within the capital programme in the light of the relative priorities and the overall impact on the revenue budget. Schemes that require use of the council's own capital resources (such as prudential borrowing or capital receipts), are categorised according to the following, in order to assist the decision making process:

- Level One Priority – relates to schemes that are unavoidable to meet statutory and legislative requirements in the provision of services. It includes items such as health and safety, new legislation etc. By their nature, these schemes are a first call on available resources. It also includes supported borrowing allocations which are ring fenced to a specific programme of activity.

- Level Two Priority – relates to schemes that unlock external investment in the borough; drives out long-term revenue savings; support the strengthening of the borough's economy; delivers an efficient and effective operational estate linked to the Asset Management programme; and invests in assets to grow future income streams for the council.

2.1.7 The council's policy is to agree the capital programme on an annual basis at the Council meeting in February. Once approved, the budget report is made available on the council's website, and published on the finance pages of the council's intranet.

2.2 Managing the Capital Programme

2.2.1 The council's contract/financial procedure rules and constitution provide a clear framework on how all capital projects are to be managed.

2.2.2 Regular monthly monitoring reports are submitted to directorate management teams and then to Corporate Management Team, and to ASG, Cabinet and Overview and Scrutiny Committees, showing actual expenditure compared with budget. This enables high-level scrutiny of the delivery of capital objectives against the plan and for action to be taken to ensure the longer term programme reflects emerging priorities.

2.2.3To support in year opportunities and commitments the authority will hold a central contingency/project reserve, which is administered by corporate finance. Projects that were deemed worthwhile through the bidding process may be held on a reserve list and commenced if sufficient funding becomes available in year. The protocol around funding unforeseen projects and use of contingency is outlined in section 6 (K) of the MTFS.

2.2.4The potential use of contingency and reserves for specific projects will be reported to Asset strategy Group. This will also include the request to use council funds as match funding towards external funded schemes, and the funding to support essential works including health and safety schemes that cannot be programmed at the start of the financial year.

2.3 Restriction on Borrowing and Use of Capital Receipts

The council funded element of the capital programme is normally financed from borrowing, capital receipts and the carry forward of unspent allocations from previous years.

There is no restriction on the level of borrowing that the council can undertake, subject to compliance with the treasury management code of practice. However subject to compliance with going forward, borrowing is required to be funded from council's own resources - generated through savings, and/or paid for via council tax (this is also commonly known as unsupported or Prudential borrowing).

Capital receipt projections for 2019/20 are £1.5m and are based on professional estimates of property colleagues. Any additional receipts received in year (excluding those earmarked for specific schemes) will be considered to fund projects identified on the reserve list of schemes.

2.4 Asset Management Planning

The Council has a typical local authority property portfolio consisting of operational property, investment property and property held for specific community or regeneration purposes. The Council currently manages its portfolio under the guidance of its Corporate Asset Management Plan 2014-2019. In this same period, the Council has adopted the current MTFO (adopted February 2017) and embarked on a transformation agenda to support the delivery of the Corporate Plan. Both of these may have an impact on the way services are delivered or upon the strategic priorities of the organisation that in turn may require the Council to re-consider how it manages and operates the Corporate property portfolio to meet these changing needs. In recognition of this, the Council has sought to understand how fit for purpose its current asset management planning and function is and has identified improvements that may be needed to meet the emerging corporate agenda.

An external and independent review was undertaken in mid 2017/18 under the previous Transformation Programme theme of “Our Assets”. A high level review of the asset management operating model was undertaken concentrating upon;

- A review of operational assets
- A review of existing property portfolio and service needs linked to four year medium term financial plan
- A review of the Council’s investment portfolio.

In October 2017 Cabinet CMT received a presentation of the findings from the Stage 1 Asset Management Review; this review of the Council’s current asset management practices and capabilities resulted in a series of recommendations for improvement and provided a Draft Improvement Plan containing key activity to bring about the transformation of the Council’s corporate asset management function. The review made recommendations that would reaffirm a Strategic Corporate Asset Management Approach to the way in which the Council manages its operational and non-operational land and property portfolio, and provide the governance, capacity, systems, and skills to ensure our asset management strategy is aligned to corporate plans and objectives.

Since this time, and to prepare for the emerging Case for Change arising from the Corporate Stocktake, the asset management governance have been refreshed to provide a platform for overseeing the implementation of any improvement plan and to put into place the right forums for the Strategic Corporate Landlord Approach to flourish. The adoption of a strategic corporate landlord model will enable the Council to make more informed and joined-up decisions regarding the use of its land and property, and enable strategic decisions such as the adoption of a planned preventative maintenance programmes or land assembly to support regeneration activity, or the purchase of investment property to be made in consideration of wider corporate objectives.

The above work is now being progressed as part of the Walsall Proud Programme.

2.5 School Estate Planning

The Council has a duty to ensure there are sufficient school places for resident children who require a school place. Basic Need Capital funding is therefore allocated by the Department for Education to local authorities, based on pupil place number forecasts, to deliver the additional places in schools to meet expected demand. Over the last few years, the Authority has identified a significant increase in demand and has, inclusive of Basic Need carry forwards and confirmed allocations until 2020/21, a funding envelope of circa £43m in order to deliver the required anticipated places. Further allocations will be announced on a rolling annual bases via the ESFA.

The Council has also as a result of previous expansion schemes been highlighted into the top decile of costs per place when compared against national benchmarks for school expansions. As a result, the Council is working with the ESFA to identify where improvements can be made so that greater efficiencies and improved value for money can be achieved.

In order to support the challenges highlighted above the Authority has identified the need to appoint a strategic partner who will work with the Authority to develop and deliver proposals relating to any new and emerging need for pupil places responding to the changing trends in demand for pupil places as well as support the development of a longer term plan for delivery of places and our wider Education Capital programme. The appointment of a strategic partner will also help the Authority deliver school places more efficiently and effectively and improve value for money, responding to the points raised via the ESFA.

The anticipated expansion programme is likely to have a significant impact on the Council's educational estate, providing enhancements to the operational benefit of schools. The programme will entail extensive works to extend, alter and remodel the portfolio, and could in some instances see the construction of new buildings. In accordance with any well-planned construction programme it will be important to undertake pre-construction feasibility activity and site surveys to inform all necessary consents, as well as construction costs, and future maintenance responsibilities. Such consents will need to include planning and building regulations in addition to any specific requirements of other statutory bodies/ undertakers.

2.6 Investment in Regeneration

In support of the objectives set out within the Corporate Plan 2018-2021, to achieve 'Economic Growth for all people, communities and businesses', the Council continues to plan for and deliver its regeneration plans and proposals in line with local, sub regional and regional strategies.

Additionally the authority, in recognition of continued austerity measures, like many other council's, also continues to explore alternative models for intervening in the market to aid our regeneration plans, and in ways that may also secure longer term revenue income as well as create additional business rate and council tax income.

Building upon the economic growth aspirations of key documents including the West Midlands and Black Country Strategic Economic Plans and local planning policy, the Walsall Site Allocation Document and Town Centre Area Action Plan, the Council recognises its role in enabling public and private sector investment to be secured to continue / facilitate the delivery of key development opportunities, and has used capital resources to acquire land interests in key regeneration locations, including within the Black Country Enterprise Zone (BCEZ).

Walsall has an extensive development pipeline which includes options seeking to support the delivery of:

- 181 hectares of land remediated/ redeveloped
- 5,350 new jobs,
- 2,130 new homes
- 260,000 square meters of employment / commercial floors space

Successful delivery of these projects will only be achieved through collaborative working between the authority and private developers/ investors, with the potential utilisation of public sources of finance.

The Council has a strong track record of working in partnership to secure investment; in recent years the Council has supported £350m of investment into the Borough and further interventions are planned. As an example, the Council has directly invested in projects such as the redevelopment of Old Square shopping centre to create Council owned real estate for retail clients (Primark and Co-op), and has worked with Walsall

Housing Group to secure £88m to create 800 new homes in the Goscote Lane Corridor.

The Council is currently working with the Black Country Local Enterprise Partnership, West Midlands Combined Authority, and private sector investors to prepare funding propositions for the delivery of development and infrastructure projects. The Council has recently commissioned a Walsall Town Centre Masterplan to build upon the Walsall Town Centre Area Action Plan to understand the interventions that may need to be undertaken to 're-think' the Town Centre and unlock development opportunities; this will be produced alongside an investment strategy that will be reliant on public sector investment.

Looking ahead, and recognising the continued changing market conditions and development viability issues, the Council has prioritised its regeneration activity to focus upon key strategic locations including but not exclusively, opportunity sites in the Walsall to Wolverhampton (W2W) Corridor. This expansive area includes the Town Centre, the BCEZ, and significant housing development sites.

The delivery of the BCEZ will continue to be predicated by the assumption that Public Works Loan Board funding will be required for upfront enabling works and that this will be repaid through future business rate uplift. And in relation to the delivery of new homes in the W2W Corridor, whilst assisted by the West Midlands Land Fund, other sources of financing will also be required to unlock the 8000 new homes envisaged across Walsall and Wolverhampton.

3. DEBT & BORROWING AND TREASURY MANAGEMENT

3.1 A projection of external debt and use of internal borrowing to support capital expenditure, the Councils authorised borrowing limit and operational boundary along with the Capital Financing Requirement are set out within the Treasury Management & Investment Strategy.

3.2 The Treasury Management & Investment Strategy also sets out the Council's Minimum Revenue Provision which identifies the financial provision that the authority is required to set aside each year for the provision of the repayment of borrowing over the life of the underlying debt.

Risk Appetite Statement

3.3 The Prudential Code (2017) requires authorities to disclose their risk appetite with regard to its treasury management activity. This is set out within our Treasury Management Policy Statement and within TMP1.

3.4 For the purpose of this statement, the authority has adopted the Orange Book (UK government publication on the strategic management of risk within government) definition of Risk Appetite, namely "the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time."

3.5 It is important to note that risk will always exist in some measure and cannot be removed in its entirety. Additionally, in order to realise investment and commercial gains, an organisation has to take some measure of risk. Therefore, risks need to be considered both in terms of threats to the Council as well as positive opportunities.

3.6 It is worth noting that the Public Accounts Committee supports well-managed risk taking across government, recognising that innovation and opportunities to improve public services requires risk taking, providing that the ability, skills, knowledge and training to manage those risks well exist within the organisation or can be brought to bear.

3.7 The authorities risk appetite statement sets out how it balances risk and return in pursuit of achieving its objectives. It is intended to aid careful decision-making, such that the Council takes well thought through risks to aid successful delivery of its services and obligations, while also understanding the adverse aspects of risk undertaken and taking appropriate measures to mitigate these in line with its stated goals. Thereby, the Council's risk judgements are more explicit, transparent and consistent over time.

3.8 The risk appetite statement forms a key element of the Council's governance and reporting framework and is set by full Council as part of the Capital Strategy. In addition, the risk appetite will be considered annually and monitored on an ongoing basis by senior management and external advisors.

Relationship to Other Aspects of Risk Management

3.9 It is important to note that the risk appetite is a high level view on the key areas of risk and the qualitative quantum therein that the Council is willing to accept in pursuit of its objectives. In this, it is different to other key aspects of risk management, primarily:

- The Strategic Risk Register – a detailed list of the potential significant risks the Council is exposed to.
- The budget risk assessment – the assessed level of risk at which the Council can operate, given its reserves, revenues, and access to funding, liquidity, regulatory and legal constraints, and any other restrictions.

3.10 The risk appetite is also supported by the following:

- The Council's risk management framework
- The governance structure and responsibilities
- Risk reporting
- Monitoring and escalation procedures

Treasury Management Risk Appetite

3.11 In general, the Council's treasury management risk appetite is expressed through its tolerance to risk in respect of capital preservation, meaningful liquidity and income volatility. The Council seeks to minimise its exposure to risks that are unwanted and unrewarded. Capital is managed centrally on an ongoing basis to ensure that there is sufficient liquidity in the short and medium term to meet costs and support front line services, as well as meeting long-term solvency and funding requirements.

3.12 The Council's treasury management operations are exposed to a broad range of risks. These, along with the Council's approach to managing them, are set out in detail within the authorities Treasury Management Policies (TMP 1 – Treasury Risk management).

3.13 Managing the Council's treasury management risks is an area of significant focus for senior management and members, and the Council adopts an integrated view to the management and qualitative assessment of risk.

3.14 The Council aims to minimise its exposure to unwanted risks – those risks that are not actively sought and which carry no commensurate reward for the Council.

4. COMMERCIAL ACTIVITY

4.1 Although the commercial activity agenda is not currently being actively pursued by the authority, if commercial opportunities do arise the Council will review these to understand if there the is a potential for a financial or community based (regeneration / creating or securing jobs etc) contribution from the scheme.

4.2 In support of these reviewing these options and informing decision making the Council has a strong governance framework that goes beyond the regulatory codes. This includes a Treasury Management Panel (TMP) in addition to the Audit Committee and reporting to Cabinet and Council. The TMP is made up of senior council finance officers who meet to discuss treasury management performance, development of policy and identification of potential new investment products and the detail relating to them.

4.2 Due diligence is of paramount importance. All of the Councils commercial investments will be supported by individual business cases that are subject to thorough risk assessment. Where appropriate to the size and scale of the project independent technical and legal reviews will also be considered.

4.3 Ongoing performance monitoring for all commercial schemes that have been entered in to is also undertaken and reported to relevant members and senior officers on a regular basis.

4.4 The Council also seeks to ensure that all commercial schemes it considers and undertakes are fully aligned with priority outcomes set out within the Corporate Plan.

4.5 The Council's approach to non-financial investments, including their contribution, benchmarking indicators, risk assessment process and proportionality of the income derived from them in comparison to net service expenditure is set out within the Treasury Management and Investment Strategy.

5. OTHER LONG TERM LIABILITIES

Pension Guarantees

5.1 The Council has entered into a number of long-term contracts for services that have been outsourced to service providers. These often involve the transfer of Council employees to the new service provider. Employee's rights are protected under the provision in Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). However, pension rights are not fully covered within TUPE regulations. The Council have thus given pension guarantees to a number of organisations. This guarantee means that if an admitted body fails to pay its pension obligations then the Council will be responsible for taking on those obligations.

5.2 All guarantees entered into need the approval of Cabinet. The guarantees are reviewed annually as part of the closure of accounts process. The pension balance is assessed on an annual basis by the Pension fund and is subject to change due to the underlying assets. This is rebalanced on a three year basis, known as a triennial review.

Public Finance Initiative (PFI) & Other Long Term Liabilities

5.3 The Council operates two PFI's and one Public Private Partnership PPP as follows:

- St Thomas More School PFI - contract for the construction, maintenance and operation of a secondary school in Willenhall.
- Public Street Lighting PFI - contract for the replacement and maintenance of the council's lighting stock across the borough. The objective of this contract is to ensure that the borough is lit in a uniform manner complying with British and European standards.
- Housing & Care 21 PPP – contract to provide 285 extra care units (including 70 shared ownership and 5 respite care) across the borough, a 40 bed dementia care unit at Goscote and increased day care across the borough (including weekend access to services.

5.4 The financial liabilities are disclosed annually in the Council's Statement of Accounts and whilst PFI and PPP contracts are long term liabilities the agreements include financing and as such are excluded from the Capital Financing Requirement.

6. KNOWLEDGE AND SKILLS

6.1 The Capital Programme and Treasury Management Strategy are managed by teams of professionally qualified accountants, who actively undertake Continuous Professional Development (CPD) on an ongoing basis to keep abreast of new developments and develop additional skills. They also have extensive Local Government finance experience between them.

6.2 The Council's Section 151 Officer is the officer with overall responsibility for Capital and Treasury activities. They too are a professionally qualified accountant undertaking an ongoing CPD programme.

6.3 Any commercial projects that the council seek to enter into will also be supported by teams from all required professional disciplines from across the Council, and external professional advice will also be sought if needed.

6.4 Internal and external training is offered to members on an ongoing basis to ensure they have up to date skills to make capital and treasury decisions.

6.5 The Council's Treasury Management Panel meet regularly to discuss treasury management performance, development of policy and identification of potential new investment products and the detail relating to them.

6.6 The knowledge and skills of officers and members are commensurate with the Council's risk appetite.

Part 1 Annex 9 – Flexible Use of Capital Receipts Strategy

Background

The 2015 Autumn Statement announced a new flexibility for local authorities to use new capital receipts to fund expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or demand for services in future years. The flexibility was initially made available until March 2019, but in December 2017, the Secretary of State announced, alongside the provisional local government finance settlement, the continuation of the capital receipts flexibility programme for a further 3 years to March 2022.

Councils can only use sale proceeds realised over that period, and not existing receipts. Local authorities are required to publish their plans for the flexible use of capital receipts in a Strategy which must be approved by Full Council.

The Strategy should be approved before the beginning of each financial year. If changes are proposed to the Strategy during the course of the financial year, for example if a project is identified which can be funded using this flexibility, then the revised Strategy will require the approval of Full Council. Any revisions to the Strategy in-year must also be reported to the Ministry of Housing, Communities and Local Government.

Capital Receipts Forecast

Capital receipts projections for the qualifying period of 2019/20 are £1.5m. The majority of this funding is already committed to the capital programme and if it was put to an alternative use it would need to be replaced by other funding, such as internal or external borrowing or capital grant. However, it is proposed that, where sufficient capital receipts are generated, that new receipts are considered to be used to fund qualifying projects which would release revenue costs currently set aside to fund these projects.

Qualifying projects

Qualifying expenditure is that which is forecast to generate on-going savings to an authority's and/or to another public sector body's net service expenditure, or to transform service delivery.

Capital receipts can only be applied to fund set up and implementation costs and not on-going revenue costs. Examples include:

- Funding the cost of service restructuring or rationalisation where this leads to ongoing efficiency savings or service transformation
- Digital investment
- Improving systems to tackle fraud and corruption
- Setting up commercial or alternative delivery models
- Investment in service reform – setting up pilot schemes
- Sharing back-office and administrative functions with other councils/public sector bodies
- Integrating public facing services across two or more public sector bodies

The Strategy is required to list each project that plans to make use of the capital receipts flexibility. An initial list of qualifying expenditure and corresponding efficiencies anticipated to be delivered is currently being reviewed and will be reported to Council for approval as they arise in year along with any impact on the council's prudential indicators.

It is proposed that, where sufficient capital receipts are generated, that new receipts are considered to be used to fund qualifying projects which would release revenue costs currently set aside to fund these projects, and that authority is delegated to the Chief Finance Officer, in consultation with the Leader, to allocate new capital receipts to support the revenue costs of transformation projects which fulfil the requirements of the 'flexible use of capital receipts strategy'.

Part 1 Annex 10 - Section 151 Officer Report on the Adequacy of Reserves and Robustness of the Budget

Context

In accordance with the Section 25 of the Local Government Act 2003 ("the Act") and to comply with CIPFA guidance on local authority reserves and balances, the Section 151 Officer is required to formally report to members on the robustness of the estimates used for the purpose of calculating the budget and the adequacy of proposed reserves. The S151 Officer is appropriately qualified under the terms of Section 113 of the Local Government Finance Act 1988. In signing off this overall revenue budget report, the signature of the Executive Director (Resources and Transformation) who holds the post of S151 Officer constitutes the formal declaration required under the Act that these conditions are met (based on the available information at the time of signing).

Adequacy of reserves

A minimum level of reserves must be specified in the Budget. The Council's medium term financial strategy (MTFS) sets a minimum level which is 1% of gross revenue expenditure for the year in question. However, Section 25 of the Act requires the S151 Officer to report on the adequacy of proposed reserves and make a recommendation on a specified level which Council is required to consider in setting the overall budget envelope.

The S151 Officer assesses and determines the appropriate level of reserves (including school's reserves), provisions and contingencies using a variety of mechanisms, including;

- Being significantly involved in the budget setting process, the annual financial cycle, and engaged in the strategic leadership of the organisation as a member of the corporate management team;
- The annual refresh of the medium term financial outlook. Challenging the budget at various stages of construction, including the reasonableness of the key budget assumptions, such as estimates of financial pressures, realism of income targets, robustness of plans to deliver savings, and the extent to which known trends and liabilities are provided for;
- Meetings with specific colleagues and partners to examine particular areas or issues;
- Review of financial risk assessments;
- Review of the movements, trends and availability of contingency, provisions and earmarked reserves to meet unforeseen cost pressures in the context of future pressures and issues;
- The use of professional experience and best professional judgement;
- The use of appropriate professional, technical guidance and local frameworks (CIPFA guidance, LAAP55, Local Government Act 73, Localism Act 2011);
- Knowledge of the colleagues involved in the process, particularly finance professionals, including their degree of experience and qualifications;
- Review of the strength of financial management and reporting arrangements, including internal control and governance arrangements.
- Review of the current year's financial performance in services, actions to address areas of pressure, known future service delivery changes, the level of schools reserves and the financial performance of schools.

- Review of the robustness of saving delivery plans, including capacity, to deliver saving proposals identified within the budget.

It is prudent for councils to maintain an adequate level of general reserves. They provide a buffer and mitigate against risks, such as unavoidable and unknown demand and other costs pressures which may arise in the year. Reserves allow the council to manage the impact of these and to manage change without the need for immediate reductions in services.

There is no overall formula for calculating what an appropriate level of reserves should be. Whilst the MTFS sets out a guide as to what should be a minimum level, the actual level is based on best practice guidance, best professional judgements, known risks, potential budgetary pressures and an assessment of national and local factors.

As well as sound professional judgement, a risk assessed approach is used to determine the required level of reserves and contingencies. The MTFS is annually updated and approved by Cabinet to reflect the changing environment in which we work – the latest being approved by Cabinet in July 2018. Reserves and contingencies are addressed within the Strategy, demonstrating our acknowledgement of the importance of sound governance and the priority this is given.

The level of contingency is set as follows:

- Revenue - A central contingency of between 0.1% and 0.15% of the year's gross revenue budget will be established for each financial year, the precise level being informed by risk assessment and set by the Section 151 Officer. For 2019/20 this is to be set at £764k.
- Capital - a prudent central contingency will be set, not exceeding 10% of the annual council funded element of the capital programme requirement, to accommodate unforeseen / unbudgeted expenditure (i.e. where, due to the level of uncertainty, the financial impact is not certain at the time of setting the programme). The exact level to be determined by a risk assessment and set by the S151 Officer. The contingency will be funded either from drawing down the earmarked capital reserve or from an annual revenue contribution to capital outlay from the project reserve (subject to there being sufficient funds to replenish this at year end). For 2019/20 this is to be set at £500k.

The level of general reserves, in the same way as central contingency, is index linked to the level of the gross revenue budget and continues to be informed by an annual risk assessment. The council will have opening general reserves as required by the MTFS; the precise level being determined by risk assessment.

The MTFS also sets out the authority's financial framework including, as the first of ten themes of operational principles, calls on reserves and contingencies. A key principle is that reserves should not be considered to be or used as a budget and any in-year calls on the working balance should be replenished. Services cannot approve unbudgeted expenditure on the assumption that it will be met from the working balance. This matter is reserved to the S151 Officer, in consultation with the portfolio holder for finance. A central contingency supports prudent financial management.

In recommending an adequate level of reserves, the S151 Officer considers and monitors the opportunity costs of maintaining particular levels of reserves and balances and compares these to the benefits accrued from having such reserves. The opportunity cost of maintaining a specific level of reserves is the 'lost' opportunity for example, of investing elsewhere to generate additional investment income, or using the funds to invest in service improvements. In assessing this it is important to consider that reserves can only be used once. Therefore, any use of general reserves above the lower minimum threshold is only ever used on one-off items of expenditure. The level of reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust "safety net" which adequately protects the council (a complex and multi-disciplinary metropolitan district local authority) against potential unforeseen and therefore unbudgeted costs.

In the current climate, there continues to be uncertainties around funding, particularly in light of proposed changes to central funding, including in relation to business rates retention, treatment of public health budget, and an awaited green paper on social care. Uncertainty is increased given the current situation in relation to Brexit and the potential for an Emergency Budget.

Additionally, the continued need to make major savings and maintaining the organisational capacity to deliver this at the required scale and pace and potential further ‘unknown’ demographic and demand cost pressures, increase the risk and therefore the need for adequate levels of reserves to be maintained in current and future years.

Government’s continued changes to the welfare system; making councils accountable for payments for crisis loans, community grants and council tax reduction scheme, ad changes to homelessness legislation and ensuing responsibilities, have placed additional risk on the council’s finances.

Schools Reserves

The S151 Officer, as part of this statement is required to confirm that school’s balances are adequate. In 2006/07, DfES introduced expectations on local authorities with regard to their schemes of financial management. Part of this legislation required schools to agree a balance control mechanism. This mandatory requirement was subsequently removed. Walsall Council and Walsall Schools Forum have considered the options around balance control and given the authority powers to investigate and claw back balances in excess of a specified percentage of the school budget share. Walsall Council notes that the latest Academies handbook has removed the need for balance control for many academies.

Walsall Schools Forum is mindful of value for money in all that schools do, looks for medium term financial planning and encourages an adequate working balance as part of that process. This is supported by regular reports to Walsall Schools Forum on medium term funding and more recently linking value for money and performance.

The adequacy of balances is reviewed annually by the S151 Officer. For the current financial year, 1 school continues to be operating a licenced deficit, however plans are in place to support the relevant school to manage these pressures and return to surplus within the timescales required within the scheme for financing schools.

The levels of reserves will be kept under regular review, along with any exceptional balances. Walsall Council and Walsall Schools Forum has identified that the implementation of a new National Fair Funding Formula is a financial risk, and options to manage this risk continue to be identified as part of the process to set a local schools funding formula each year.

<u>Earmarked Reserves</u>

The council maintains a number of reserves, earmarked for specific purposes, all of which are set at the levels required to meet future commitments. These cover:

- Council liabilities - These reserves cover expenditure where the council has a legal obligation to pay costs, such as redundancies, legal costs, business rate appeals, insurance claims, pension costs.
- Grants received in advance (where the council has received money in advance of the next accounting period or money that covers more than one accounting period), which will be spent in line with the grant conditions.
- Treasury reserves - These reserves are to minimise the impacts of interest rate changes and finance early redemption of loans to reduce the council's future interest exposure.
- Demand - These reserves are primarily to provide short term additional funding for Children's and Adult Social Care where a spike in demand will create overspends. Additionally, an amount is provided for Housing Benefits.
- Projects - These reserves are to finance service transformation, major capital projects, and regeneration of the borough.
- Schools reserves held by but not controlled by the council.

An annual review of earmarked reserves is undertaken and funds adjusted as required or released where liability is accessed as ceased.

<u>Overall Assessment of Reserves</u>

The MTFS requires a minimum opening balance @ 01.04.2019 of c£6.27million.

The S151 Officer has assessed the current year's financial performance and actions taken to address underlying pressures. In considering this, alongside the financial risk assessment, the previous financial year's financial performance, and the significant risks and potential pressures facing the organisation, The S151 Officer recommends that opening reserves are set at a minimum of £13.8m, This is considered prudent, given the current pressures in the system and future uncertainty around remaining funding streams.

This level of general reserves is considered to be sufficient for most possible events, over the short-term i.e. for 2019/20. The council is, however, facing real and present financial challenges beyond this. In the context of this funding environment, wherever possible reserves will be built up further during 2019/20 beyond the maximum level recommended within the MTFS.

In this context, it is considered that a level of reserves set at £13.8m presents an optimum balance between risk management and opportunity cost. The S151 Officer is satisfied that the benefits accrued in maintaining these at the recommended level outweigh the potential lost opportunity from investing these reserves in other ways. This maintains a suitable and sustainable level of reserves, which include ensuring sound governance and financial stability in the short and longer term.

The above assessment demonstrates that general reserves, if set at £13.8m, will be at an appropriate level; as determined in accordance with the MTFS and the S151 Officer's professional advice. The risk assessment described elsewhere in this report has informed the established level of general and earmarked reserves. The Council follows the CIPFA guidance (LAAP 55) on the use of reserves.

Robustness of the Estimates included within the Budget

The S151 Officer has been involved throughout the entire budget process, including input to the drafting of the budget, the ongoing financial monitoring and reporting process, evaluation of investments and savings, engagement with members of the executive and overview and scrutiny, advising colleagues, challenge and evaluation activities, and the scrutiny and approval of various reports.

The budget is risk assessed to ensure adequate funding for all known liabilities and to provide sufficient resources to enable service change and transformation. It covers an assessment of current year's performance, an assessment of income targets, estimates of future cost and potential unavoidable demand pressures.

The following sections of this statement signpost to particular activities and documents and have been used by the S151 Officer in coming to his overall conclusion on the robustness of the estimates:

Process - a robust budget process has been used in developing the 2019/20+ budget, within the overall context of the MTFS. Plans have been developed, tested and challenged by the finance and the corporate management team. The process, timetable and the overall budget framework were approved by Cabinet. The S151 Officer's nominee (Head of Finance) has reviewed the saving options and cash limits during this process to test the validity of the financial assumptions.

Timetable - the process commenced in spring 2018, with regular updates being made to financial planning assumptions and a revised MTFO produced for review against draft 2019/20 plans included in the budget report to Council in February 2018. A review of draft budget options was undertaken over the summer and reported to Cabinet from August onwards, in advance of the provisional Government financial settlement. This enabled Cabinet to meet in October 2018 to consider its priorities and draft budget proposals in the context of revised estimated resources. Formal Overview and Scrutiny meetings have been held in November 2018 to consider Cabinet's draft budget options. The final budget is due to be set at Council on 28 February 2019.

Member involvement and Scrutiny - both informal and formal member involvement has been extensive, particularly through the Cabinet portfolio holder for finance, individual portfolio holders in conjunction with Executive Directors, and budget meetings with Cabinet. Cabinet formally considered draft budget options on 24 October 2018. Overview and Scrutiny Committees have each had opportunity to make recommendations and comments to Cabinet, both on the services within their individual remit and the draft capital programme. Budget briefings have also been offered to each political group and independent members.

Consultation - internally and externally, has been comprehensive as outlined in this and previous reports submitted to Cabinet.

Challenge - there are various points of challenge at various stages of the budget, including throughout corporate management team and Cabinet budget meetings, meetings of various directorate management teams, stakeholder consultation and the scrutiny process.

Budget monitoring - reports continue to be submitted to Cabinet, scrutiny panels, corporate management team, and management teams across the council throughout the year. The council's employee performance review process also requires review of financial performance for individual managers who hold budget holder responsibility, complementary to the formal accountability process at Executive Director level.

Referendum – Following implementation of the Localism Act 2011, Councils are required to consult the electorate in the form of a referendum should a council wish to increase the council tax above a level prescribed by the Secretary of State. For 2019/20, this has been determined as 3% or above of the council’s relevant amount of council tax. We are also allowed to increase council tax by no more than 6% over the three year period to 2019/20 as a precept for Adult Social Care. Cabinet propose to increase this the precept by a further 1% in 2019/20, being the remainder of the 6% allowed (3% implemented 2017/18 and 2% implemented in 2018/19).

Ownership and accountability - the budget has progressed through various filters during its construction including endorsement by management teams within services and corporate management team itself. Executive Directors are required to test and validate saving proposals and spending plans to ensure that services can be delivered lawfully within the funding envelop allocated. These officers are accountable for ensuring services are delivered within the approved budget.

Current financial position - the budget is a statement of financial intent, reflecting the council's vision, plans and priorities. It also sets the financial spending parameters for each financial year and as such, the S151 Officer assessment of the adequacy of reserves also includes the risk of services overspending and/or underspending their budgets and the impact of this on the financial health of the council and its level of reserves. The current financial position has been reported on throughout the year. The S151 Officer has reported a number of pressures within services. Mitigating action plans have been put in place and it is expected that the council will outturn around budget overall this year. Ongoing demand pressures have also been accommodated within the 2019/20 budget.

Key assumptions

The cost assumptions and prices used in the budget are derived from current intelligence and are considered appropriate. Demand changes have been identified and are reflected in budget increases identified in the appendices where appropriate, on a risk assessed basis.

Fees and charges have been reviewed and changes are reflected in the overall budget. The capital receipts and borrowing requirement to be used for the capital programme are based on professional estimates both of timing and value. Assumptions on funding, including government funding, business rate and council tax levels, inflation, income assumptions, increases in costs arising from demographics and demand, borrowing requirements, balances and contingencies, are set out within the main report and are considered appropriate.

Significant investment has been included to cover those areas of most demand and volatility, adult and children's social care.

Savings

Savings contained within the budget have been included on the basis that Executive Directors have confidence in their delivery. They have been subject to officer, Cabinet and Member scrutiny. Service delivery plans for large value and complex proposals have been reviewed and challenged. Responsibility and accountability for delivery rests with the relevant Executive Director and progress will be monitored and reported throughout the forthcoming year.

Consideration of the impact of budget proposals has been taken into account in formulating this budget. Equality impact assessments have been undertaken or updated, where required.

Risks, including Strategic, Operational and Financial

In the budget, due regard is made to the strategic and operational risks facing the council. Some of these relate to the current economic condition, others to potential regulatory or national issues, which may have a local impact. Estimates and forecasts include all known significant financial risks over the next year and medium term to inform spending decisions. The council continues to use an embedded good practice risk assessment approach both when setting the budget and in validating estimated outturns. This continues for the 2018/19 outturn and 2019/20+ budget.

The risk assessment has highlighted the following areas of financial risk:

- A potential Emergency Budget in relation to Brexit.
- Demand – the risk of further demand, specifically in children's' and adult social care, above the levels incorporated into the budget.
- New Burdens / national policy implications on local budgets – the risk that Government changes in policy will lead to a transfer of responsibility / new burdens, without the transfer of funding to support those activities; or potential costs arising from inspections arising after the budget was set.
- Grant reductions not published or known about at the time the budget is set.
- Unbudgeted income shortfalls during the financial year.
- Unknown liabilities that may arise after the budget is set, for example from changes in legislation or statutory guidance.
- Cost pressures – i.e. inflationary pressures, pressures arising from a severe winter (i.e. gritting, road maintenance, gulley cleaning), pressures from economic changes.

- Delays in delivery of savings, for example, arising from implementing organisational change.

These have been assessed, and a risk value assigned. Professional and best estimates have been made of the scope of the financial risk. Sensitivity analysis has been used where appropriate, to determine an appropriate risk value. The assessment confirms that a reserve value at the top end of the MTFS guidelines is appropriate.

The Budget in Context

The budget includes the allocation of financial resources to different services and projects, any proposed contingency funds, the council tax reduction scheme, setting the council tax and council tax base, and decisions relating to the control of the councils borrowing requirement, the control of its capital expenditure and the setting of virement limits. The budget has been constructed in accordance with the principles and direction set out in the MTFS.

All cost pressures, efficiencies and savings have been appraised to ensure accuracy of costings and deliverability. Individual officers are identified as accountable for their implementation. The council is working to improve performance outcomes on a range of activities which are monitored throughout the year. Budget provision has been identified for the priorities outlined in the council's corporate plan.

Summary

Best endeavours have been made to ensure that the budget and reserves are adequate using the information available at this date. The budget has been constructed with a professional policy-led medium term strategic framework, using appropriate assumptions, linking investment and spending to key priorities and having undertaken a comprehensive assessment of risk.

In summary, I can confirm that, the budget as it stands is robust, taking into account the information known at this time and that the level of reserves at £13.8m is sufficient to cover known events and reasonable possible events, however should a series or a combination of unforeseen or unusual events occur, the level of reserves may be insufficient.

James T Walsh, B Hum (Hons), ACMA, CGMA
S151 Officer

Section B - Part 2 – Treasury Management

A : Treasury Management and Investment Strategy for 2019/20 Onwards

1 INTRODUCTION

1.1 Background

The council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments with an appropriate level of risk (as defined within the Councils Treasury Management Policies), providing adequate liquidity initially before considering investment return.

The other main function of the treasury management service is to enure appropriate arrangements are in place to fund the council's approved capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer term cash flow planning to ensure that the council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet council risk or cost objectives.

CIPFA defines treasury management as:
"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Reporting requirements

The Council is required to receive and approve, as a minimum, four main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy - This covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure i.e. that funded from borrowing, is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters that set out how investments are to be made and managed).

A mid-year treasury management report – This will update members on the progress of the capital plans, amending prudential indicators as necessary, and identify whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates included within the strategy.

A Capital Strategy report - In December 2017, CIPFA issued revised Prudential and Treasury Management Codes, which included a requirement from 2019/20 for all local authorities to prepare an additional report, a Capital Strategy, which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. For Walsall Council the Cabinet undertakes this role.

1.2 Treasury Management Strategy for 2019/20

The strategy for 2019/20 covers two main areas:

Capital issues
- capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy;
- policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry for Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.3 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsibe for scrutiny. A treasury management e-learning course is available to all members and further specific training is then arranged as when required.

1.4 Treasury management consultants

The council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

The council recognises that the responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

1.5 Treasury management Monitoring

Local and Prudential indicators are used to monitor treasury management activities which are produced monthly and reported at least quarterly to the treasury management panel. The indicators monitored during the year are detailed in **Annex 1.**

2 THE CAPITAL PRUDENTIAL INDICATORS 2019/20 – 2021/22

The council's capital expenditure plans are the key driver of treasury management activity. The output of these plans is reflected in the prudential indicators, designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure - Prudential Indicator 1

This prudential indicator is a summary of the council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are recommended to approve the capital expenditure forecasts. The financing need below excludes other long term liabilities, such as Private Finance Initiative and leasing arrangements which already include borrowing instruments within them. The current capital plans which this strategy supports are detailed in Table 1 below.

Table 1 : Current Capital Programme					
	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	Actual	**Forecast**	**Estimated**	**Estimated**	**Estimated**
	£m	**£m**	**£m**	**£m**	**£m**
Total capital expenditure	**75.498**	**103.660**	**73.483**	**54.812**	**20.990**
Resourced by:					
• Capital receipts	2.226	1.500	1.785	1.500	1.500
• Capital grants	52.034	63.050	57.091	46.141	12.874
• Capital Reserves	-	-	-	-	-
• Revenue	2.934	0.130	0.170	0.040	0.040
• Borrowing	18.304	38.980	14.437	7.131	6.576
Total resources available	**75.498**	**103.660**	**73.483**	**54.812**	**20.990**

2.2 Affordability Indicators

The previous prudential code required the authority to prepare indicators (prudential indicator 2 and 3) so that the council could assess the affordability of its capital investment plans. Although these are no longer required under the code, the authority still prepares these former prudential indicators as they provide an indication of the impact of the capital investment plans on the council's overall finances. Council is recommended to approve the following indicators:

Ratio of financing costs to net revenue stream – Former Prudential Indicator 2

This indicator identifies the trend in the cost of capital financing (borrowing and other long-term obligation costs net of investment income) against the council's net revenue stream.

Table 2 : Former Prudential Indicator 2					
	2017/18 Actual	**2018/19 Forecast**	**2019/20 Estimated**	**2020/21 Estimated**	**2021/22 Estimated**
Ratio	8.75%	4.50%	4.32%	3.26%	4.00%

Incremental impact of capital investment decisions on council tax – Former Prudential Indicator 3

This indicator (shown in Table 3) identifies the revenue costs associated with the proposed changes to the capital programme recommended in the budget report compared to the council's existing approved commitments and current plans. This indicator will change during the year if the council makes changes affecting the borrowing required to support the capital programme.

Table 3 : Former Prudential Indicator 3					
	2017/18 Actual	**2018/19 Forecast**	**2019/20 Estimated**	**2020/21 Estimated**	**2021/22 Estimated**
Council tax - band D	£12.90	£24.14	£15.36	£10.41	£10.09

2.3 The council's borrowing need (the Capital Financing Requirement) – Prudential Indicator 4

Prudential indicator 4 is the council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the council's underlying borrowing need. Any capital expenditure not immediately paid will increase the CFR. The CFR does not increase indefinitely, as the Minimum Revenue Provision (MRP) is a statutory annual revenue charge, which broadly reduces the borrowing need in line with each assets estimated life.

The CFR does include other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the council's borrowing requirement, these types of schemes include a borrowing facility within them and so the council is not required to separately borrow for these schemes. The council currently has £6.772m of such schemes within the CFR. Council is asked to approve the CFR projections in Table 4 which shows that the council's net borrowing need for the period 2019/20 to 2021/22 is estimated to see a decrease of £14.956m. The council's borrowing strategy is set out in section 4.

Table 4 : Analysis of CFR				
	2018/19 Forecast £m	**2019/20 Estimated £m**	**2020/21 Estimated £m**	**2021/22 Estimated £m**
Opening Capital Financing Requirement	350.917	368.230	381.564	374.909
Net financing need for the year				
Less MRP and other financing movements	(11.248)	(12.893)	(13.785)	(14.086)
Additional Borrowing	28.561	26.227	7.130	6.580
Movement in CFR	17.313	13.334	(6.655)	(7.506)
Closing Capital Financing Requirement	368.230	381.564	374.909	367.403

The council has maintained an under-borrowed position, which means that the capital borrowing need (the CFR), has not been fully funded with loan debt as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. This strategy has been prudent whilst investment returns have remained low and counterparty risk is relatively high compared to the historical position.

3. MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

The MRP policy (see **Annex 2**) details the council's policies for calculating the annual amount charged to revenue for the repayment of debt.

3.1 Background to Annual MRP policy Review

A local authority shall determine each financial year an amount, it considers to be prudent, to be set aside for the repayment of accumulated borrowing relating to capital expenditure. This is known as the minimum revenue provision (MRP). There are four ready-made options available for calculating MRP, however authorities do also have discretion to determine their own MRP, other approaches are not ruled out, as long as the authority is properly reasoned and justified utilising them.

3.2 MRP Policy Objectives

- The council shall determine for each financial year an amount of revenue provision for the future repayment of debt that it considers prudent.
- To set aside funds at a rate such that future generations who benefit from the assets are contributing to the associated debt and avoiding the situation of future generations paying for the debt on assets that are no longer useable.

3.3 MRP Policy Review 2019/20

Full Council is required to approve an MRP Statement each year. The MRP review in 2015/16 was comprehensive and approved by Council on 26 February 2016. It amended the implementation date of the MRP policy introduced in 2014/15. It was considered an appropriate and prudent approach for the council; was agreed with external auditors and is fully consistent with the statutory duty to make prudent revenue provision for the redemption of debt.

The policy statement for 2019/20 is detailed in **Annex 2** and there are no changes proposed from 2018/19.

The MRP policy is regularly monitored, and because the MRP policy has to be approved by Council each year there is an opportunity to revisit the policy, and the prudent approach utilised to set the policy, as required.

4 BORROWING

The resourcing of the capital expenditure plans set out in **Section 2** provides details of the proposed capital expenditure that will be incurred in support of the service activity of the council. The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

4.1 Current portfolio position

The council is expected to end 2018/19 with borrowing of over 1 year length of £260m against an asset base of approximately £540m, and short term investments of between £125m and £150m. These will be proactively managed to minimise borrowing costs and maximise investment returns within a robust risk management environment. In 2019/20 estimated annual interest payments are £11.461m (£10.745m budget for 2018/19), with the increase due to planned borrowing included within the budget to take account of capital expenditure where approval to borrow was agreed by Council but this expenditure has initially been funded from cash balances. Net investment interest income for 2019/20 is estimated to be £2.411m (£1.524m budget for 2018/19), with the increase partly due to further investment income as a result of improved interest rates. The net budget for capital financing in 2019/20 is £18.923m (£18.673m in 2018/19). By having a proactive approach to managing cash flows and investments it is estimated that investment income of £1.160m above the bank base rate will be generated.

The council's treasury portfolio position at 30th November 2018 is shown in Table 5; year end forward projections are summarised in Table 6. This shows that the actual external borrowing (the treasury management operations), against the capital borrowing need and operational debt, and highlights any over or under borrowing. It shows that the council's underborrowing position is expected to continue for the medium term.

Table 5 : Borrowing and Investments

	Borrowing £ m	Investments £ m	Net Borrowing £ m
31 March 2018	(319.318)	148.915	(170.403)
30 November 2018	(319.313)	139.445	(179.868)
Change in year	0.005	(9.470)	(9.465)

Table 6 : Borrowing Forward Projections

Borrowing profile	2019/20 £m	2020/21 £m	2021/22 £m
Under 12 months	1.312	1.432	22.914
12 months to within 24 months	1.432	22.914	21.743
24 months to within 5 years	49.411	32.605	10.863
5 years to within 10 years	11.901	7.743	7.743
10 years and above	257.048	266.528	273.658
Total Borrowing	**321.104**	**331.222**	**336.921**
Operational Debt – Prudential Indicator 6	416.719	363.271	356.819
(Under) / Over Borrowing	**(95.615)**	**(32.049)**	**(19.898)**

Within the prudential indicators, there are a number of key indicators to ensure that the council operates its activities within defined limits. **Prudential Indicator 7** relates to the councils need to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Chief Finance Officer reports that the council complied with **Prudential Indicator 7** in the current year and does not envisage this indicator being breached in the future. This view takes into account current commitments, existing plans, and the proposals in this budget report. In accordance with **Prudential Indicator 8,** the council has adopted and complies with the CIPFA Code of Practice for Treasury Management.

4.2 Treasury Indicators: Limits to Borrowing Activity

The Authorised Limit for External Debt - Prudential Indicator 5

This prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt, which, whilst not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is based on the requirement to set a statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

The Council is asked to approve the following authorised limit:

Table 7 : Authorised Limit £m – Prudential Indicator 5				
	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Total	**442.096**	**458.391**	**399.598**	**392.501**

The Operational Boundary - Prudential Indicator 6

This is the limit beyond which external debt is not normally expected to exceed. It has been calculated by deducting the other long term liabilities and the Birmingham Airport investment (which together total £13.487m in 2018/19) from the capital financing requirement (CFR) and then adding any expected in year cash-flow borrowing requirements.

Table 8 : Operational Boundary £m – Prudential Indicator 6				
	2018/19 £m	**2019/20 £m**	**2020/21 £m**	**2021/22 £m**
Total	**401.905**	**416.719**	**363.271**	**356.819**

4.3 Prospects for interest rates

The council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the council to formulate a view on interest rates. The following table gives their central view.

Link Asset Services Interest Rate View	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the MPC came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting, but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the US Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Fed has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the Fed rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10 year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.

Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018/19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

4.4 Borrowing Strategy

Our borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining an appropriate level of cash and a balanced loan portfolio
- To manage the council's debt maturity profile, ensuring no single future year has a disproportionate level of repayments
- To maintain a view on current and possible future interest rate movements and borrow accordingly
- To monitor and review the balance between fixed and variable rate loans against the background of interest rate levels and prudential indicators.

Specific Borrowing Objectives

L1. Full compliance with the Prudential Code - **No Change**.

L2. Average maturity date between 15 and 25 years - **No Change**.

L3a. Financing costs as % of council tax requirement 20% – **No Change**.

L3b. Financing costs as % of tax revenues 12.5% - **No Change**.

L4. Actual debt as a proportion of operational debt range is maintained in the range 65% - 85% - **No Change**.

L5. Average interest rate for internally managed debt will reduce to **3.69%** - **Changed from 4.97% in view of planned Borrowing re-profiling**.

L6. Average interest rate for total debt (including other local authority debt) will be equal to or less than **3.93% - Changed from 5.06% in view of planned Borrowing re-profiling**.

L7. The gearing effect on capital financing estimates of 1% increase in interest rates must not be greater than 5**%** - **No Change**.

The capital borrowing need (CFR) has not been fully funded with loan debt and instead the council's cash which would normally be utilised to support the council's reserves, balances and cash flow has been used to fund the borrowing need as a temporary measure. This strategy has proved prudent as investment returns have been low and current levels of counterparty risk are higher than those seen historically and as such this is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Senior Finance Manager responsible for Treasury Management will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances. For example:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any changes that are required will be reported to the treasury management panel at the next available opportunity.

4.5 Treasury Management Limits on Activity

There are three debt related treasury activity limits. The purpose of these is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. These limits have been reviewed. The indicators the Council is asked to approve are in Table 10 below (please note there are no changes proposed to the targets approved for 2018/19):

Table 10: Borrowing Limits	2019/20	2020/21	2021/22
Prudential Code Indicator 10 Upper limits on fixed interest rate exposures.	95%	95%	95%
Lower limits on fixed interest rate exposures	40%	40%	40%
Prudential Code Indicator 11 Upper limits on variable interest rate exposures	45%	45%	45%
Lower limits on variable interest rate exposures	0%	0%	0%
Prudential Code Indicator 12 Lower limits for the maturity structure of borrowings: Under 12 Months 12 months and within 24 months 24 months and within 5 years 5 years and within 10 years 10 years and above	 0% 0% 0% 5% 30%	 0% 0% 0% 5% 30%	 0% 0% 0% 5% 30%
Upper limits for the maturity structure of borrowings: Under 12 Months 12 months and within 24 months 24 months and within 5 years 5 years and within 10 years 10 years and above	 25% 25% 40% 50% 85%	 25% 25% 40% 50% 85%	 25% 25% 40% 50% 85%

The council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.

4.6 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). The reasons for any rescheduling include:

- the generation of cash savings and / or discounted cash flow savings.
- helping to fulfil the treasury strategy.
- enhancing the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All potential rescheduling would require the approval of the treasury management panel.

5. ANNUAL INVESTMENT STRATEGY

5.1 Introduction: Changes to Credit Rating Methodology

The main rating agencies, through much of the financial crisis period from 2008 – 2015, provided some institutions with a ratings "uplift" due to implied levels of sovereign support. Commencing in 2015, in response to the evolving regulatory regime, all three agencies began removing these "uplifts" with the timing of the process determined by regulatory progress at the national level. The process has been part of a wider reassessment of methodologies by each of the rating agencies. In addition to the removal of implied support, new methodologies are now taking into account additional factors, such as regulatory capital levels. In some cases, these factors have "netted" each other off, to leave underlying ratings either unchanged or little changed.

It is important to note that these rating agency changes do not reflect any changes in the underlying status or credit quality of the institution. They are merely reflective of a reassessment of rating agency methodologies in the light of changes to the regulatory environment in which financial institutions operate. While some banks have received lower credit ratings as a result of these changes, this does not mean that they are suddenly less credit worthy than they were formerly. Rather, in the majority of cases, this mainly reflects the fact that implied sovereign government support has effectively been withdrawn from banks. They are now expected to have sufficiently strong balance sheets to be able to withstand foreseeable adverse financial circumstances without government support. In fact, in many cases, the balance sheets of banks are now much more robust than they were before the financial crisis when they had higher ratings than now.

5.2 Investment Policy

The council's Investment Policy has regard to the Ministry for Housing, Communities and Local Government's Guidance on Local Government Investments ("the Guidance"), last updated in February 2018, and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the MHCLG and CIPFA and in order to minimise the risk to investments, the council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. Counterparty limits are set through the council's treasury management practices – schedules. This year the TM policies have been reviewed to ensure that any Banking Regulation changes are appropriately reflected to make certain that the security of the council's deposits remain the highest priority whilst the council seeks a fair return for its investment. See TMP 1 section on Credit and Counterparty Risk Management paragraph h. TMP 1 also allows the undertaking of non-specified investments on the approval of the Chief Finance Officer e.g. loans to housing associations, property funds and bond issues by other public sector projects etc. The use of property funds can be deemed to be capital expenditure, and as such in some instances will be an application (spending) of capital resources. This Authority will undertake due diligence and appropriate checks, and if required seek guidance, on the status of any fund it may consider using.

5.3 Creditworthiness Policy

Approved Organisations for Investments

Only organisations that are eligible to receive investments from local authorities may be used. The council's credit worthiness policy forms part of this document for review and approval.

5.4 The Monitoring of Investment Counterparties

The credit rating and financial resilience of counter parties are monitored regularly. The council receives credit rating information from Link Asset Services as and when ratings change and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list by the Senior Finance Manager and / or Finance Manager – Technical Accounting and Treasury management, and if required new counterparties which meet the criteria will be added to the list.

5.5 Investment strategy

The general policy objective for this council is for the prudent investment of its treasury balances. The council's investment priorities are:

- The security of capital
- Liquidity of its investments
- All investments will be in sterling
- The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for interest rates.

Investment returns expectations. Investment returns expectations.

Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Bank Rate forecasts for financial year ends (March) are:

- 2018/19 0.75%
- 2019/20 1.25%
- 2020/21 1.50%
- 2021/22 2.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

	Now
2018/19	0.75%
2019/20	1.00%
2020/21	1.50%
2021/22	1.75%
2022/23	1.75%
2023/24	2.00%
Later years	2.50%

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

5.6 Specific Investment Objectives

Specific investment objectives are set out below.

L8. Average interest rate received on short-term interest (STI) versus 7-day Libid rate – 0.75% - **a change from 0.5% due to Bank of England base rate changes in year.**

L9. Average interest rate received on:

At call investments – 0.60% - **a change from 0.20%**
Short-term investments – 1.10% - **a change from 0.70%**
Long-term investments – 1.40% - **a change from 1.05%**

L10 Average rate on at call and short-term investments will be equal to or greater than 1.04% - **a change from 0.65%**

L11 Average rate on all investments will be equal to or greater than 1.08% - a change from 0.77% (including any property fund investments)

L12 % daily bank balances within a target range of 99% - **no change**.

Should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end.

The Council is asked to approve Prudential Indicator 13. Treasury indicator and limit:

Prudential Indicator 13 Maximum principal sums invested > 365 days			
£m	**2019/20**	**2020/21**	**2021/22**
Principal sums invested > 365 days	£25m	£25m	£25m

5.7 Additional disclosures required within the statutory guidance on local government investments

The updated statutory guidance on local government investments, which was issued in February 2018, identifies specific disclosures that the authority should identify within its Investment Strategy for all investments that it holds.

The required disclosures for investments held by the authority are set out at Annex 3.

5.8 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

Part 2 Annex 1 : In Year Treasury Management Indicators to be Monitored

No.	Indicator	2018/19 Forecast	2019/20 Estimated	2020/21 Estimated
PRL 1	a. Capital expenditure - Council Resources	40.61	16.39	8.67
PRL 1	b. Capital expenditure - External Resources	63.05	57.09	46.14
Former PRL 2	Estimates of the ratio of financing costs to the net revenue stream	4.50%	4.32%	3.26%
Former PRL 3	Incremental impact of capital investment decisions on council tax	£24.14	£15.36	£10.41
L.3	a. Financing costs as % of council tax requirement	20%	20%	20%
L.3	b. Financing costs as % of tax revenues	12.50%	12.50%	12.50%
L.4	Actual debt versus operational debt within the following range	65%-85%	65%-85%	65%-85%
L.5	Average interest rate of debt excluding other local authority debt	3.38%	3.69%	3.64%
L.6	Average interest rate of debt including other local authority debt	3.53%	3.93%	3.92%
L.8	Average interest rate received on STI Versus 7 day LIBID rate	0.76%	0.75%	0.75%
L.9	Average interest rate received on:			
	(a) At call investments	0.34%	0.60%	0.60%
	(b) Short Term investments	1.06%	1.10%	1.35%
	(c) Long Term investments	1.82%	1.40%	1.65%
L.10	Average interest rate on all ST investments. (ST and At call)	1.02%	1.04%	1.24%
L.11	Average rate on all investments	1.24%	1.08%	1.29%
L.12	% daily bank balances within target range	99%	99%	99%

Part 2 Annex 2 : Minimum Revenue Provision 2019/20 Onwards

There is no change proposed

Under the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010, local authorities have a duty to produce an annual statement on its policy for making a minimum revenue provision (MRP).

For the financial years **2008/09** onwards the authority will be adopting the following policies in determining the MRP:

1. For any capital expenditure carried out prior to 31 March 2008 or financed by supported borrowing capital expenditure, the authority will be charging MRP at 2% of the balance at 31 March 2013 (which has been adjusted as per the 2003 regulations, i.e. net of Adjustment A), fixed at the same cash value so that the whole debt is repaid after 50 years.

2. For any capital expenditure carried out after 1 April 2008 being financed by borrowing the authority will be adopting the asset life method (option 3). This is where MRP will be based on the capital expenditure divided by a determined asset life or profile of benefits to give annual instalments. The annual instalment may be calculated by the equal instalment method, annuity method or other methods as justified by the circumstances of the case at the discretion of the Chief Finance Officer.

3. The authority will treat the asset life as commencing in the year in which the asset first becomes operationally available. Noting that in accordance with the regulations the authority may postpone the beginning of the associated MRP until the financial year following the one in which the asset becomes operational, there will be an annual adjustment for Assets Under Construction.

4. In all years, the CFR for the purposes of the MRP calculation will be adjusted for other local authority transferred debt.

5. The Section 151 officer shall on an annual basis review the level of MRP to be charged, as calculated as per paragraphs 1, 2 and 3 above to determine if this is at a level, which is considered prudent. Dependant on this review the Section 151 officer shall be able to adjust the MRP charge (the total cumulative adjustment will never exceed the calculated CFR variance of £24.6m identified when reviewing the current MRP policy during 2015/16). The amount of MRP charged shall not be less than zero in any financial year.

Part 2 Annex 3 : Additional Disclosures Required within Statutory Guidance on Local Government Investments

The updated statutory guidance on local government investments, which was issued in February 2018, identifies specific disclosures that the authority should identify within its Investment Strategy for all investments that it holds.

The required disclosures for investments held by the authority are set out below.

1. Types of Investment

1.1 Investments made by local authorities can be classified into one of two main categories:

- Investments held for treasury management purposes
- Other investments

2. Contribution of investments toward the service delivery objectives and / or the place making role of the local authority

2.1 For each type of investment the disclosure guidelines require the authority to identify the contribution that the investments make. For Walsall's investments details of this contribution are set out below.

Investments held for treasury management purposes
The contribution that these investments make to the objectives of the local authority is to support effective treasury management activities, with the requirement to prioritise Security, Liquidity and Yield in that order of importance.

Other Investments
Details of all Other Investments that the authority holds, and the contribution that each makes to the service delivery objectives and / or the place making role of the local authority is set out below:

i. Investment Properties

The acquisition of the Saddlers Shopping Centre provided the Council with an opportunity to add to an existing but small investment portfolio. It is intended that further investment opportunities will be considered in the future following the completion of the review of the investment portfolio as part of the asset management improvement plan (asset management planning). The acquisition of revenue generating property is an activity that many public bodies are undertaking as they recognise the opportunity to borrow funds under the current interest rates of the Public Works Loan Board provide an attractive net return when set against repayment terms and investment yields. The Council under the MTFO has already made some assumptions regarding the benefits of further acquisitions to its investment portfolio and will be developing a strategy that has regard for the need to achieve a balanced use portfolio that is reflective of current market conditions.

The acquisition of Saddlers Centre will meet this aim of the four-year medium term financial plan in terms of generation of increased rental income. The potential income generation from The Saddlers Centre will provide additional revenue (after the capital is repaid) to the Council. However the acquisition of the Saddlers Centre was not only undertaken for the purposes of supporting the Council's revenue position, the opportunity for the Council to have purchase a significant land interest in the middle of Walsall Town Centre and adjacent to Walsall Rail Station was of similar importance as the Council recognises that regeneration activity in the Town Centre and beyond may well have to be public sector led.

Likewise the redevelopment of the Old Square Shopping Centre represented significant movement towards the delivery of the Council's aspirations for the regeneration of St Matthew's Quarter. In particularly difficult market conditions for the retail sector, the redevelopment of the shopping centre improved Walsall's retail offer and helped to cement the town centre's position as an important sub-regional centre. The new retail floorspace delivered through the first phase of the scheme provided over 4,100 sq metres/44,000 sq ft of floorspace for a new Primark store and over 900 sq metres/9,800 sq ft of floorspace for a new Co-op food store. These two new stores provided around 150 new jobs in the town centre, resulted annual business rate and rental income, and increased footfall and expenditure in the town centre, making it a more attractive destination for shoppers, retailers and other investors.

3. Use of Indicators

3.1 The disclosure guidelines require the authority to produce relevant indicators for investments to support the ability of the public to assess the level of risk exposure. These are provided below for Walsall's investments.

Investments held for treasury management purposes
These investments are funded through the council's cash balances. The authorities published Treasury Management and Investment Strategy already includes a range of Prudential and Local indicators that support the assessment of performance management and risk exposure in this area.

Additionally the disclosure guidelines recommend that the authority to also publish the following two indicators.

<table>
<tr><th>Indicator</th><th>Description</th><th>Ratio (2018/19 Forecast)</th><th>Ratio (2019/20 Estimate)</th><th>Narrative</th></tr>
<tr><td>Debt to Net Service Expenditure (NSE) Ratio</td><td>Gross debt as a percentage of net service expenditure (where net service expenditure is a proxy for the size and financial strength of a local authority).</td><td>1.75:1</td><td>1.80:1</td><td rowspan="2">As this is the first year where there is a requirement for these disclosures, no comparator information is available. This will be added going forwards following a review of published disclosures.</td></tr>
<tr><td>Commercial income to NSE Ratio</td><td>A measure of the authorities dependence on non-fees and charges income to deliver core services (where fees and charges are netted off gross expenditure to calculate NSE).</td><td>0.005:1</td><td>0.005:1</td></tr>
</table>

Other Investments
For Other Investments, the disclosure guidelines also require the authority to provide relevant indicators only where these investments are funded by borrowing – again to allow for assessment against the associated additional debt servicing costs taken on. As such, for any 'Other Investments' held by Walsall that are funded in this way, relevant indicators are provided below.

i. Investment Property – Saddlers Centre

Indicator	Description	Ratio (2018/19 Forecast)	Ratio (2019/20 Estimate)
Investment Cover Ratio	The total net income from the investment compared to the cost of interest on the borrowing which funded the investment.	1.29:1	1.29:1
Loan to Value Ratio –	The amount of debt compared to the total asset value.	1:0.96	1:0.96

4. Security, Liquidity and Yield

4.1 Prudent investments will consider security, liquidity and yield in that order with the underlying objectives being:

- **Security** – protecting the capital sum invested from loss
- **Liquidity** – ensuring the funds invested are available when needed
- **Yield** – once security and liquidity are determined it is then reasonable to consider what yield can be obtained

4.2 When entering into **'Investments held for treasury management purposes'** local authorities always consider security, liquidity and yield (in that order) and the authorities Treasury Management Policies clearly set out and support this requirement.

4.3 When entering into **'Other Investments'** local authorities should consider the balance between security, liquidity and yield based on their risk appetite and the contribution that the investment will make toward service delivery objectives and / or the place making role of the local authority.

4.4 **Security**

Investments held for treasury management purposes
All investments that the authority currently holds for treasury management purposes are defined as financial investments, and the authorities Treasury Management policies clearly define how credit worthiness and high credit quality will be determined. The policies also set out procedures for determining which categories of investment may be used, those which have already been defined as suitable for use, and the upper limits for investment with each counterparty / investment area.

Other Investments

All 'Other Investments' that the authority currently holds are defined as non-financial investments, which are non-financial assets that the authority holds primarily or partially to generate a profit.

Where a local authority holds a non-financial investment, it will normally have a physical asset that can be realised to recoup the capital invested. As such the disclosure guidelines require authorities to consider whether the asset retains sufficient value to provide security of investment.

Therefore details for each of the 'Other Investments' held by the authority are set out below:

i. Investment Property – Saddlers Centre
This was acquired in August 2018 and a fair value assessment was obtained. This showed that the underlying assets provide security for capital investment.

ii. Investment Property – Primark / Co-Op Shopping Units Development
A fair value assessment has been obtained within the past twelve months. This showed that the underlying assets provide security for capital investment.

Risk Assessment of Investments

Investments held for treasury management purposes

The authorities Treasury Management policies clearly define how risk for these types of investment will be assessed, including details of external advisors that may be used, the use of credit ratings and how often these are reviewed and additional sources of information that will support the underlying assessment of risk that may be attributable to the investment.

Other Investments

Normally where the Council enters into Other Investments it is using capital to invest in an asset to primarily or partially to generate a return / profit. This is normally in the form of an investment in an Investment Property that has a tenant / tenants who pay rents to the authority as owner of the property (the landlord).

As such the risk assessment for investments of this type need to ensure that the tenant is of good financial standing and the property and lease meet certain standards such as being in a commercially popular location and having a number of years remaining on the lease providing a certain and contractually secure rental income into the future.

Where the Council funds the purchase of the property by borrowing money – potentially from the Public Works Loans Board (itself funded by the Government), to deliver a profit the rental income paid by the tenant must exceed the cost of repaying the borrowed money each year.

The annual surplus then supports the Council's budget position, and enables the Council to continue to provide services for local people.

Historically, property has proved to be one of, if not the best, investment in terms of capital growth over the last 50 years. If the Council retains the ownership of the property for long term (20 years plus), and the property is managed and maintained appropriately, it would normally expect to see an increase in the value of the property as well as a net annual surplus of revenue.

Acquisition of investment properties to generate an income stream can also support the Council in delivering its other priorities, such as in its place making role or in the support of regeneration activities.

The reasons for buying and owning property investments are therefore primarily (and in this order):

- Financial gain to fund / support wider Council services to local people
- Market and economic opportunity – the right asset at the right time
- Economic development, place making and regeneration activity in Walsall

Operating in the Property Investment Market

Investment property will usually have a commercial occupier, paying a rent to the landlord. The better the covenant of the occupier, the more secure the rental income, the better the investment value and the yield obtainable in the open market. A tenant with a strong covenant and a long lease (10 years plus) with no break clause and with responsibility for repairing and maintaining the property, is the best type of investment.

The UK commercial property investment market is very well established, attracts global investors and is defined as a 'mature asset class'. It has a wide range of new and established investors including institutions, pension funds, specialist property companies, charities, family trusts and individuals.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as "…used solely to earn rentals or for capital appreciation or both…". Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

Property prices and returns are a function of the property type, condition, use and location, together with the lease structure and covenant strength of the tenant (in the case of a let property). Lease contracts will reflect all liability and outgoings being the responsibility of the tenant.

What should be sought by the Council are property investments which produce the best returns possible, whilst carrying an acceptable level of risk. The main mitigation measure in managing risk is to target investments which are let to 'blue chip' tenants, on relatively long leases with little or no landlord management involvement – typically the tenant is responsible for all property costs such as repair, maintenance and outgoings. In this way, the Council will be primarily buying a secure income stream and the buildings themselves become almost secondary considerations.

Any property asset coming onto the market could be for a number of reasons. Investors seek to buy and sell in many different circumstances - rebalancing their portfolio, seeking cash to influence balance sheet or share price, requirement for a more “liquid” asset, short term investment taking advantage of small capital growth, moving into different property classes, etc.

<u>Priorities and Risk Assessment in Property Investment</u>

The Priorities for the Council when acquiring property interests for investment purposes are (in order of importance):

- **Covenant Strength** - in the case of a let property, the quality of the tenant and, more importantly, their ability to pay the rent on time and in full. The Council’s primary reason and objective for this strategy is financial gain.

- **Lease length** - in the case of a let property, the unexpired length of the term of the lease or a tenant’s break clause is of key importance in ensuring that the landlord’s revenue stream is uninterrupted. The Council will take into consideration the risks associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels. Generally occupiers are moving away from 25 year leases which were more common back in the late twentieth century with 10 to 15 years now becoming more acceptable unless some form of lease break provisions are included in favour of the tenant.

- **Rate of return** - the rate of return from the property (for example through annual rental incomes) will normally need to be equivalent or better to the returns that could be earned from alternate investments, such as placing monies on deposit, following adjustment for risks and potential growth. The property will also normally need to produce an annual return in excess of the cost of PWLB borrowing (interest only).

- **Risk** – rate of return is one side of the coin; risk is the other. In general, the higher the sought level of return from an investment, the higher level of risk that it carries. For example, if a property is let at an attractive rent which would create a good return, it could still be risky if the tenant does not possess good covenant strength and could default at any time.

- **Lease Terms** – The terms of leases vary and even those held on an “Institutionally acceptable basis” can be very different in nature particularly as such leases have developed over time. The Council is seeking to invest in modern leases with full repairing and insuring obligations on the Tenant and a full Service Charge recovery to include any management fees where applicable. This will ensure a certain income / return to the Council.

- **Growth** - property has the potential for both revenue and capital growth. The Council will consider that potential when assessing the strength of the investment opportunity. Property values can fall as well as rise and mechanisms to minimise revenue reductions should be identified. Generally the nature of standard, institutional leases is that rent review clauses are upward only which protects landlords from any downward pressure on rental income giving some security as to the level of income.

- **Location** - should a tenant default or vacate, the location of the property is the key factor in influencing the ability to re-let and find another tenant. Location is also important when considering future redevelopment or regeneration opportunities. Ideally the Council will be able to undertake inspections and to deal with any management issues without the need to employ specialists or agents. Preference should be given to properties located within Walsall, then to the wider west midlands geographic location. This does not prevent investment outside of Walsall, subject to the appropriate justification and business case and correct governance procedure.

- **Sector** - information as to the sector of use of the property (e.g. office, retail, industrial, leisure) will assist in deciding on the risks associated with specific properties and the mix of sectors within the portfolio. Additionally the Council, as a public body, may take the view that it does not wish to invest in properties where the occupiers are generally seen to be undertaking a business which is contrary to its corporate values.

- **Building Age and Specification** - in the case of a let property, whilst the Council, as an investor, may be principally concerned with the characteristics of the tenant and lease, the age and specification of the property will also affect the ability of the Council to let or sell the property in the future. It must also be taken into consideration in respect of the cost of protecting the investment. An example of this would be the undertaking of repairs and refurbishment if the cost cannot be fully recovered from the tenant.

- **Use of external advisors** – where required the Council will utilise appropriately qualified and experienced external advisors to support decisions regarding property investments.

  In summary, the strategy for acquiring investment property assets is therefore to:
- Seek property let to tenants who are of strong covenant strength and sound financial standing with at least more than five years remaining on an FRI lease.
  - Minimise risk.
  - Maximise rental income and minimise management costs to ensure the best return is generated.
  - Identify opportunities for future growth, redevelopment or regeneration via property in commercially popular or development areas.
  - Prioritise Walsall and then the wider west midlands geographic location.
  - Pursue opportunities to increase returns and improve the investment value of commercial assets.

4.5 **Liquidity**

Investments held for treasury management purposes

For the Treasury Management investments held by the authority, the Treasury Management policies set out how the authority will determine the periods for which funds may be prudently committed and the maximum periods that will be utilised.

Other Investments

For the Other Investments held by the authority, these are all currently Investment Properties. The Council recognises that if it requires access to its investment these assets can take a considerable period to sell in certain market conditions. Therefore these investments are all considered to be medium to long term, with a fair value assessment undertaken on an annual basis which is used to inform the point at which it may be prudent for the authority to consider selling assets and repaying any associated borrowing.

5. Proportionality

5.1 The scale of the 'Other Investments' currently, or planned to be, held by the authority, and any assumed associated profit to be generated by these investments does not place the authority in a position where it is dependent on this activity to achieve a balanced revenue budget.

6. Borrowing In Advance of Need

6.1 The councils Treasury management Startegy clearly sets out that it will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved CFR estimates and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.

7. Capacity, Skills and Culture

Knowledge & Skills

7.1 The authorities Treasury Management activity is managed by a team of professionally qualified accountants, who actively undertake Continuous Professional Development (CPD) on an ongoing basis to keep abreast of new developments and develop additional skills. They also have extensive Local Government finance experience between them.

7.2 The Council's Section 151 Officer is the officer with overall responsibility for Treasury activities. They too are a professionally qualified accountant undertaking an ongoing CPD programme.

7.3 Any commercial projects that the council seek to enter into will also be supported by teams from all required professional disciplines from across the Council, and external professional advice will also be sought if needed.

7.4 Internal and external training is offered to members on an ongoing basis to ensure they have up to date skills to make commercial investment and treasury decisions.

7.5 The Council's Treasury Management Panel meet regularly to discuss treasury management performance, development of policy and identification of potential new investment products and the detail relating to them.

7.6 The knowledge and skills of officers and members are commensurate with the Council's risk appetite.

Commercial Activity and Governance

7.7 The Council has a strong governance framework that goes beyond the regulatory codes. This includes a Treasury Management Panel (TMP) and reporting to Cabinet and Council. The TMP is made up of senior council finance officers who meet to discuss treasury management performance, development of policy and identification of potential new investment products and the detail relating to them.

7.8 Due diligence is of paramount importance. All of the Councils commercial investments have individual business cases that are subject to thorough risk assessment. Where appropriate to the size and scale of the project independent technical and legal reviews will also be considered.

7.9 Ongoing performance monitoring for all commercial schemes is also undertaken and reported to relevant members and senior officers on a regular basis.

7.10 The Council also seeks to ensure that all commercial schemes are fully aligned with priority outcomes set out within the Corporate Plan.

7.11 Any decisions taken on commercial investments are supported by the approach to non-financial investments and risk assessment process set out within this Treasury Management and Investment Strategy, with any individuals involved in negotiation of commercials deals being made aware of these principles and the prudential and regulatory regime within which local authorities operate.

Other Useful Information

8. Links to other documents that provide useful information in relation to the disclosures set out within this annex are set out below:

Walsall Council 2017/18 Statement of Accounts

Walsall Council 2019/20 Capital Strategy

Part 2 Annex 4 : Economic Background

This Economic Commentary is based upon information provided by our Treasury Management Advisors – Link Asset Services. Key topics are denoted in bold.

GLOBAL OUTLOOK. World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to a marked acceleration of wage inflation which is likely to prompt central banks into a series of increases in central rates. The EU is probably about a year behind in a similar progression.

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period has already started in the US, and more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This now means that both asset categories are vulnerable to a sharp downward correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

The world economy also needs to adjust to a sharp change in **liquidity creation** over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt. In addition, the European Central Bank has cut back its QE purchases substantially and is likely to end them completely by the end of 2018.

UK. The flow of positive economic statistics since the end of the first quarter this year has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2; quarter 3 is expected to be robust at around +0.6% but quarter 4 is expected to weaken from that level.

At their November meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary of contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten years time but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also *raise* Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor has held back some spare capacity to provide a further fiscal stimulus if needed.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring next year. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019. The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

Inflation. The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.4% in October. In the November Bank of England quarterly inflation report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate. This inflation forecast is likely to be amended upwards due to the Bank's inflation report being produced prior to the Chancellor's announcement of a significant fiscal stimulus in the Budget; this is likely to add 0.3% to GDP growth at a time when there is little spare capacity left in the economy, particularly of labour.

As for the **labour market** figures in September**,** unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.2%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 0.8%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a, (temporary), boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. In particular, wage rates were increasing at 3.1% y/y in October and heading higher due to unemployment falling to a 49 year low of 3.7%. With CPI inflation over the target rate of 2% and on a rising trend towards 3%, the Fed increased rates another 0.25% in September to between 2.00% and 2.25%, this being the fourth increase in 2018. They also indicated that they expected to increase rates four more times by the end of 2019. The dilemma, however, is what to do when the temporary boost to consumption wanes, particularly as the recent imposition of tariffs on a number of countries' exports to the US, (China in particular), could see a switch to US production of some of those goods, but at higher prices. Such a scenario would invariably make any easing of monetary policy harder for the Fed in the second half of 2019. However, a combination of an expected four increases in rates of 0.25% by the end of 2019, together with a waning of the boost to economic growth from the fiscal stimulus in 2018, could combine to depress growth below its potential rate, i.e. monetary policy may prove to be too aggressive and lead to the Fed having to start on cutting rates. The Fed has also been unwinding its previous quantitative easing purchases of debt by gradually increasing the amount of monthly maturing debt that it has not been reinvesting.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation. The results of the mid-term elections are not expected to have a material effect on the economy.

Eurozone. Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this is probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank has indicated it is likely to end all further purchases in December 2018. Inflationary pressures are starting to build gently so it is expected that the ECB will start to increase rates towards the end of 2019.

China. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries. Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

Part 2 Annex 5 : Glossary of Terms

TERM	DEFINITION
Authorised Limit	Level of debt set by the council that must not be exceeded.
Bond	A government or public company's document undertaking to repay borrowed money usually with a fixed rate of interest.
Borrowing	Obtaining money for temporary use that has to be repaid.
Capital expenditure	Expenditure on major items e.g. land and buildings, which adds to and not merely maintains the value of existing fixed assets.
Capital grants	Specific targeted grants to cover capital expenditure.
Capital receipts	The proceeds from the disposal of land or other assets. Capital receipts can be used to fund new capital expenditure but cannot be used to finance revenue expenditure
Cash flow Management	The management of the authority's receipts and payments to ensure the authority can meet its financial obligations.
CIPFA	The chartered institute of public finance and accountancy
Counter party limits	Maximum amount that the council may lend to other institutions will vary according to size and credit rating of other intuitions.
Dividends	Sum to be payable as interest on loan.
ECB	European Central Bank
EU	European Union
GDP	Gross Domestic Product – the total market value of all final goods and services produced in a country in a given year, equal to total consumer investment and government spending, plus the value of exports minus the value of imports.
Investments	The employment of money with the aim of receiving a return.
Libid rate	London Interbank Bid Rate (the rate that banks are willing to borrow from each other)
Liquidity	How easily an asset including investments may be converted to cash.
Long Term Borrowing	Borrowing of money for a term greater than one year.
Long Term Liabilities	Amounts owed by the council greater than 12 months old.
Market convention	The rules and regulations by which all brokers and dealers should abide by. It includes standards of practice and calculation conventions for interest. They are defined in the London Code of Conduct ("The London Code") published by the Bank of England.
MHCLG	The Ministry for Housing, Communities and Local Government
MPC	Monetary Policy Committee – group that sets the bank base rate for the Bank of England
OLA	Other Local Authorities

TERM	DEFINITION
STI	Short term investments
Temporary borrowing	Borrowing of money for a term of up to 365 days.
Treasury management	The management of the local authority's cash flows, its borrowings and its investments, the management of associated risks, and the pursuit of the optimum performance or return consistent with those risks.
Treasury Policy Statement	A statement of key policies that an organisation follows in pursuit of effective treasury management, including borrowing limits and strategy.
Variable debt	This is money that has been borrowed at a variable interest rate, and as such is subject to interest rate changes.
Unsupported borrowing	Borrowing taken through the remit of the Prudential Code for which the council will not receive any government funding and will fund from own resources.

Section B - Part 2 – Treasury Management

B : TREASURY MANAGEMENT POLICY STATEMENT

The CIPFA Code recommends that authorities should:

i. Put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

ii. Policies and practices should make clear that the effective management of risk, having regard to return, is a prime objective of the treasury management activities.

iii. Acknowledge that the pursuit of best value in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, the treasury management policies and practices should reflect this.

In order to do this, the Council should once again adopt a treasury management policy statement as shown below and create and adopt treasury management practices (TMPs):

- A treasury management policy statement, stating policies and objectives of its treasury management activities.
- Suitable TMPs, setting out the manner in which the council will seek to achieve those policies and objectives, prescribing how the council will manage and control those activities.
- The contents of the policy statement and TMPs will follow the recommendations contained in section 6 and 7 of the Code, subject only to amendment where necessary to reflect this council's particular circumstances.

There are amendments to the responsible posts under delegated powers which reflect changes to the staffing structure of the finance service.

THE TREASURY MANAGEMENT PRACTICES 2018/19 & 2019/20 ONWARDS

Treasury Management Policy

Walsall Council defines its treasury management activities as:
"The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks."

Walsall Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

Walsall Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principle of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

TREASURY MANAGEMENT FUNCTION

The approved activities of the treasury management function are as follows:

Activities:
- Borrowing
- Investment of temporary surplus funds and other balances
- Setting and reviewing the treasury management strategy
- Cash flow management
- Management of school investments
- Management of debt and investments, including rescheduling, management of interest rate exposure and maturity profile management.

High Level Policies for Borrowing and Investment

The Treasury Management Strategy sets out the detailed policies that the organisation will follow in operating its treasury management function. The high level policies set out within the strategy that relate to borrowing (section 4.4 of the strategy) and investments (section 5.5 of the strategy) are as follows:

Borrowing Strategy

Walsall Councils borrowing objectives are:

- To minimise the revenue costs of debt whilst maintaining a balanced loan portfolio
- To manage the council's debt maturity profile, ensuring no single future year has a disproportionate level of repayments

- To maintain a view on current and possible future interest rate movements and borrow accordingly

- To monitor and review the balance between fixed and variable rate loans against the background of interest rate levels and prudential indicators.

Investment strategy

The underlying policy objective for Walsall Council is for the prudent investment of its treasury balances. The council's investment priorities are:

- The security of capital
- Liquidity of its investments
- All investments will be in sterling
- The council will aim to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity.

Treasury Management Practices

TMP 1 – TREASURY RISK MANAGEMENT
The S151 Officer shall: • Ensure that appropriate arrangements are in place for the design; implementation and monitoring of all arrangements related to the identification, management and control of treasury management risk. • Report at least annually on the adequacy/suitability thereof, and report as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the council's objectives in this respect. • In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives will be set out in schedules.
Liquidity Objective: Adequate but not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable the council at all times to have the level of funds available which are necessary for the achievement of its service objectives.
Interest Rates Objective: Management of the council's exposure to fluctuations in interest rates with a view to containment of its net interest costs.
Exchange Rates Objective: Management of the council's exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.
Inflation Objective: Control of exposure to the effects of inflation, in so far as they can be identified as impacting on treasury management activities.
Credit and Counterparties Objective: To secure the principal sums invested over the period of the investment. A counterparty list will be maintained and the named organisations and limits will reflect a prudent attitude towards organisations with whom funds may be deposited.

Rescheduling and Refinancing of Debt Objective: All borrowing, private financing and partnership arrangements will be negotiated, structured and documented. The maturity profile of debt will be managed with a view to obtaining terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time. Relationships with counterparties in these transactions will be managed in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.
Legal and Regulatory Objective: Compliance with statutory powers and regulatory requirements for all treasury management activities. The council will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1 - *Credit and Counterparty risk management,* the council will ensure that there is evidence of counterparties powers, authority and compliance in respect of the transactions they may affect with the organisation, particularly with regard to duty of care and fees charged. The council will seek to minimise the impact of future legislative or regulatory changes on its treasury management activities so far as it is reasonably able to do so.
Fraud, Error and Corruption, and Contingency Management Objective: Identification of circumstances which may expose the council to the risk of loss through fraud, corruption or other eventualities in its treasury management dealings. Employ suitable systems and procedures and maintain effective contingency management arrangements.
Market Risk Objective: Protection from adverse market fluctuations in the value of the principal sums invested over the period of the investment.
Additional Level Risk / Reward Objective: - to ensure that the risk/ reward balance is appropriate and consistent with the risk appetite of the council the following aims are managed:- ▪ to have a large proportion of debt on fixed rates to provide stability. ▪ to have investments over a range of period lengths ▪ to use UK highly rated banks or strong building societies ▪ to obtain a fair return without any undue risk.
Credit and Counterparty Risk Management The Treasury, Financial Administration and Systems Manager will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 - Reporting Requirements and Management Information Arrangements.

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests over the period of the investment. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 - Approved Instruments Methods And Techniques. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Policy on the use of credit risk analysis techniques.

a. The council will use credit criteria in order to select creditworthy counterparties for placing investments with.

b. Credit ratings will be used as supplied from rating agencies – Fitch, Moody's and S&P.

c. Treasury management advisors will provide regular updates of changes to all ratings relevant to the council.

d. The Senior Finance Manager and Finance manager – Technical Accounting and Treasury Management, as responsible officers, will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, sector, country and counterparty limits.

   The primary credit rating agencies Primary Credit Rating Scales, which are used, are shown below.

<table>
<tr><th colspan="15">Primary Credit Rating Agencies Credit Rating Scales</th></tr>
<tr><th></th><th colspan="4">Moody’s</th><th colspan="5">S&P</th><th colspan="5">Fitch</th></tr>
<tr><th></th><th>Long Term</th><th colspan="3">Short Term</th><th>Long Term</th><th colspan="4">Short Term</th><th>Long Term</th><th colspan="4">Short Term</th></tr>
<tr><td rowspan="10">Investment Grade</td><td>Aaa</td><td rowspan="7">P1</td><td></td><td></td><td>AAA</td><td rowspan="5">A-1+</td><td></td><td></td><td></td><td>AAA</td><td rowspan="5">F1+</td><td></td><td></td><td></td></tr>
<tr><td>Aa1</td><td></td><td></td><td>AA+</td><td></td><td></td><td></td><td>AA+</td><td></td><td></td><td></td></tr>
<tr><td>Aa2</td><td></td><td></td><td>AA</td><td></td><td></td><td></td><td>AA</td><td></td><td></td><td></td></tr>
<tr><td>Aa3</td><td></td><td></td><td>AA-</td><td></td><td></td><td></td><td>AA-</td><td></td><td></td><td></td></tr>
<tr><td>A1</td><td></td><td></td><td>A+</td><td rowspan="3">A-1</td><td></td><td></td><td>A+</td><td rowspan="3">F1</td><td></td><td></td></tr>
<tr><td>A2</td><td rowspan="4">P2</td><td></td><td>A</td><td></td><td></td><td></td><td>A</td><td></td><td></td><td></td></tr>
<tr><td>A3</td><td></td><td>A-</td><td></td><td rowspan="3">A-2</td><td></td><td>A-</td><td></td><td rowspan="4">F2</td><td></td></tr>
<tr><td>Baa1</td><td></td><td></td><td>BBB+</td><td></td><td></td><td></td><td>BBB+</td><td></td><td></td><td></td></tr>
<tr><td>Baa2</td><td></td><td rowspan="2">P3</td><td>BBB</td><td></td><td></td><td rowspan="2">A-3</td><td>BBB</td><td></td><td></td><td rowspan="2">F3</td></tr>
<tr><td>Baa3</td><td></td><td></td><td>BBB-</td><td></td><td></td><td></td><td>BBB-</td><td></td><td></td></tr>
<tr><td colspan="15"></td></tr>
<tr><td rowspan="10">Non-Investment Grade</td><td>Ba1</td><td colspan="3" rowspan="9">Not Prime</td><td>BB+</td><td colspan="4" rowspan="3">B</td><td>BB+</td><td colspan="4" rowspan="6">B</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td></tr>
<tr><td>Ba3</td><td>BB-</td><td>BB-</td></tr>
<tr><td>B1</td><td>B+</td><td colspan="4" rowspan="6">C</td><td>B+</td></tr>
<tr><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>B3</td><td>B-</td><td>B-</td></tr>
<tr><td>Caa</td><td>CCC</td><td>CCC</td><td colspan="4" rowspan="3">C</td></tr>
<tr><td>Ca</td><td>CC</td><td>CC</td></tr>
<tr><td>C</td><td>C</td><td>C</td></tr>
<tr><td></td><td></td><td></td><td></td><td>D</td><td colspan="4">D</td><td>D</td><td colspan="4">D</td></tr>
</table>

The minimum credit ratings within these scales that the authority would expect for individual counterparties are set out below.

Minimum ratings	Moody's	S&P	Fitch
Short term	P3	A-3	F2
Long term	A3	A-	A-

Credit ratings for individual counterparties can change at any time. The Senior Finance Manager and the Finance manager – Technical Accounting and Treasury Management are responsible for applying approved credit rating criteria for selecting approved counterparties. Treasury management staff will add or delete counterparties to/from the approved counterparty list in line with the policy on the criteria for selection of counterparties, and with the approval of either the Senior Finance Manager or Finance Manager – Technical Accounting and Treasury Management .

e. This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including: -

- The quality financial press
- Market data
- Information on government support for banks and the credit ratings of that government support
- The maximum maturity periods and investment amounts relating to Approved Investment Counterparties are set out below:

Organisation	Criteria	Max Amount	Max Period
Banks and Nationwide Building Society	Minimum Ratings as defined above in paragraph d above.	£25m in total with fixed term not exceeding £15m	3 years
Building Societies	Must be in Peer Group 1 of KPMG Building society Dashboard (based on total assets) and have a minimum Free Capital Ratio no lower than that set out by Common Equity Tier 1 (CET1).	£10m	3 years
	Other Building Societies must be in Peer Group 2 of KPMG Building Society Dashboard (based on total assets) and have a minimum Free Capital Ratio no lower than that set out by Common Equity Tier 1 (CET1).	£7m	3 years

Challenger Banks	Following an assessment must have a minimum Free Capital Ratio no lower than that set out by Common Equity Tier 1 (CET1), and must be a retail bank.	£15m	3 years
Money Market Funds	AAA long-term rating backed	£15m	3 years
Property Funds and Multi-Asset Investment Funds	Subject to individual financial assessment of each fund to identify the underlying financial strength	£20m	5 years
Non UK Banks	Minimum Ratings as defined above in paragraph d.	£10m	1 year

f. In defining the level and term of deposits significant regard is given to the proportion of the institution in government ownership.
g. Following the changes to the Banking Regulation the council will consider when assessing the financial resilience of an institution key ratios e.g. common equity tier 1, leverage capital / exposure, liquidity coverage, net stable funding.

Notes:

- The definition of 'high credit quality' is also used to determine what are specified investments as opposed to non specified investments. Specified investments are those that require minimum procedural formalities in terms of the placing of the investment by the treasury management team. Minimal procedural formalities means that the team is well experienced and knowledgeable in using these types of instruments and they pose minimal risk in their use.
- Non-specified investments may be undertaken on the approval of the S151 Officer e.g. loans to housing associations and bond issues by other public sector projects. These may be for a duration longer than 3 years.
- For a credit rated bank to be on the council's counter party list the criteria must be passed for at least 2 of the credit ratings agencies.
- Full Individual Listings of Counterparties and Counterparty Limits are available on request and reported regularly to the Treasury Management Panel.

Local Authority Mortgage Scheme (LAMS)

Cabinet agreed to adopt the LAMS scheme on 24th October 2012. It involved the Council placing a matching five year deposit to the life of the indemnity. As of 31st July 2016 the LAMS scheme was closed to new applications following a slowdown in national activity, partly due to the introduction of the Help to Buy Guarantee scheme.

The LAMS deposit was repaid in February 2018, however there remains a residual risk of liability for the authority for a period of up to 5 years from the point of the last mortgage being taken out.

Authorisation of Payments
In order to support and maintain strong controls for the release of payments. A payment releasers register is maintained. It includes the names and post titles of officers authorised to sign financial documents releasing payments including cheques requiring manual signature and bank mandates. The payments releasers register is reviewed regularly and is approved by the S151 Officer or Head of Finance.

The Invoice / Payments Authorisation process is regulated by the financial and contract rules. Limits and authorised officers are maintained in the authorised signatory's data base.

TMP 2 – BEST VALUE AND PERFORMANCE MEASUREMENT

The council actively works to promote value for money and best value in its treasury management activities. The treasury management function will be the subject of regular reviews to identify scope for improvement. In addition annual benchmarking is undertaken to measure performance and to ensure that relative to other councils the council is achieving a fair investment return without any undue risk.

TMP 3 – DECISION- MAKING AND ANALYSIS

Full records will be maintained of treasury management decisions, and of the processes and practices applied in reaching those decisions, to demonstrate that reasonable steps have been taken to ensure that all issues relevant to those decisions were taken into account.

TMP 4 – APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

Only approved instruments, methods and techniques will be used, within the limits defined in TMP1 - Risk Management.

Sources of Borrowing
There shall be no restriction in principle on sources or methods of borrowing other than those imposed by law. The sources or methods of borrowing at any time will be determined by the current approved treasury management strategy.

Other Sources of Finance
The S151 Officer shall arrange operating leases and similar arrangements for items of equipment, vehicles, etc. where the acquisition or use of such items has been approved in line with the council's contract and rules.

Approved Organisations for Investments
The S151 Officer shall approve and revise from time to time, a list of organisations within the statutory definitions of approved investments, which would be eligible to receive investments from the council. Apart from the Government, and, in any emergency, the council's own bank, the maximum limit for investment with any single organisation shall be £25 million and the maximum period for investment shall be 3 years in accordance with each individual institution's credibility. The only exceptions to this are the approved investment in the LAMS scheme where the planned period of the investment was 7 years, and any investment in a Property Fund which may be for a period of up to 5 years on condition that there is a reasonable withdrawal from the fund available. This should be reviewed at least monthly and incorporate any changes in ratings of counter parties.

Interest Rate Exposure
The limits on temporary borrowing and the proportion of interest at variable rates are set by Council, in accordance with Section 45 of the Local Government & Housing Act 1989.

TMP 5 – ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES AND DEALING ARRANGEMENTS
Treasury management activities will be properly structured in a clear and open fashion and a rigorous discipline of segregation of duties will be enforced to ensure effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance. The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions and audit of the treasury management function. If and when the council intends, due to a lack of resources or other circumstance, to depart from these principles, the S151 Officer will ensure that the reasons are properly reported in accordance with **TMP6** - Reporting Requirements and Management Information Arrangements and the implications properly considered and evaluated. • The S151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management and the arrangements for absence cover. • The S151 Officer will ensure that there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The delegations to the S151 Officer in respect of treasury management are set out in the Constitution. The S151 Officer will fulfil all such responsibilities in accordance with the Policy Statement and TMP's and the Standard of Professional Practice on Treasury Management. This includes, but not exclusively, the following activity.

Activity	Prepared By	Delegation / Accountability
Approval of Treasury Management and Investment Strategy.	Head of Finance / S151 Officer	Cabinet Council
Approval of Treasury Management Policies	Head of Finance / S151 Officer	Cabinet Council
Amendments to authorised officers and officer limits set out within the treasury management practices	Senior Finance Manager / Finance Manager – Technical Accounting and Treasury Management	S151 Officer
Review the debt portfolio and reschedule loans when considered appropriate	Finance Manager – Technical Accounting and Treasury Management	S151 Officer
Updates to TM Practices	Senior Finance Manager / Finance Manager – Technical Accounting and Treasury Management	S151 Officer
Undertake budget monitoring and initiate actions when necessary	Finance Manager – Technical Accounting and Treasury Management	Head of Finance
Authorisation of loan interest payments	Treasury Management Officer	Senior Accountancy Officer - Treasury

Approval of overnight investments	Treasury Management Officer	Senior Accountancy Officer - Treasury
Preparation of borrowings documentation	Treasury Management Officer	Senior Accountancy Officer - Treasury
To arrange borrowing from time to time for the council's purposes. Sources of funds will comprise temporary loans, loans from PWLB, other mortgages and bonds, money bills, bank overdraft and internal funds of the council, subject to any restrictions which may be made by statute, Council or Cabinet	Finance Manager – Technical Accounting and Treasury Management	S151 Officer or Head of Finance
Maintain Payment Releasers Register	Senior Accountancy Officer - Treasury	S151 Officer or Head of Finance
To arrange finance and operating leases as required in accordance with council's capital programme	Finance Manager – Technical Accounting and Treasury Management	S151 Officer or Head of Finance
To invest council funds temporarily not required in accordance with the statutory provisions regulating approved investments as defined in Section 66 of the Local Government and Housing Act 1989, subject to any restrictions which may be made by statute, by Council or by Cabinet	Treasury Management Officer	Senior Accountancy Officer - Treasury
To maintain a counter party list of approved organisations eligible to receive council investments, this involves; - ongoing monitoring of ratings on investment products and institutions. - Investigation and appraisal of free capital ratio measures - signing off by the treasury manager as evidence of a monthly review and mid month changes if necessary. - if ratings change for an investment product or institution currently held then actions for a possible exit of that strategy are	Senior Accountancy Officer - Treasury	Senior Finance Manager / Finance Manager – Technical Accounting and Treasury Management or S151 Officer dependent on limits set by TMP on exit strategy

undertaken as approved by the Treasury Management Panel		
Daily cash flow forecast	Treasury Management Officer	Senior Accountancy Officer - Treasury
Update loan records	Treasury Management Officer	Senior Accountancy Officer - Treasury
Operational Cash Flow	Senior Accountancy Officer - Treasury	Senior Finance Manager / Finance Manager – Technical Accounting and Treasury Management / Senior Accountancy Officer - Treasury
Audit and control review and improvements Recommendations implementations	Internal Audit / All	Senior Accountancy Officer - Treasury
Annual MRP Policy review	Senior Accountancy Officer – Financial Reporting	Senior Finance Manager / Finance Manager – Technical Accounting and Treasury Management / Senior Accountancy Officer - Treasury
Maintain accurate up to date information on Treasury Management	Treasury Management Officer	Senior Accountancy Officer - Treasury

TMP 6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS

Regular reports will be prepared for consideration by Council on:

- Annual report on treasury management activities for the preceding year;
- Treasury management strategy for the year, reviewed at least once during the year.

Regular monitoring reports on prudential and local indicators are prepared for the Treasury Management Panel.

Report	Frequency	When	Prepared By	To
Review of Treasury Management Strategy (TMS)	Annual	February/ March	Senior Finance Manager	Cabinet and Council
TMS - material changes	Immediately	As required	Senior Finance Manager / Finance Manager – Technical Accounting and Treasury Management	Cabinet and Council

Treasury Management Annual Report	Annual	September	Senior Finance Manager	Cabinet and Council
Review of Treasury Management Policy	Annual	November	Senior Finance Manager	Cabinet and Council
Mid-year report	Annual	October	Senior Finance Manager	Cabinet and Council
TM budget monitoring	Quarterly Monthly	July, Oct, Jan, April	Senior Accountancy Officer – Treasury (reviewed by Finance Manager – Technical Accounting and Treasury Management)	S151 Officer Treasury Management Panel Head of Finance for inclusion in overall corporate financial monitoring reports to CMT and Cabinet which are first reviewed by the S151 Officer
TM performance indicators	Quarterly Monthly	July, Oct, Jan, April	Senior Accountancy Officer – Treasury (reviewed by Finance Manager – Technical Accounting and Treasury Management)	S151 Officer Treasury Management Panel Head of Finance
Cash flow summary	Monthly		Senior Accountancy Officer - Treasury	Finance Manager – Technical Accounting and Treasury Management
Borrowing transactions	Monthly		Senior Accountancy Officer - Treasury	Finance Manager – Technical Accounting and Treasury Management
Payment Releasers Register	Quarterly		Senior Accountancy Officer - Treasury	S151 Officer Head of Finance

Operational Investment strategy	Quarterly		Senior Accountancy Officer - Treasury	Finance Manager – Technical Accounting and Treasury Management
12 monthly Cash Flow	Quarterly		Senior Accountancy Officer - Treasury	Finance Manager – Technical Accounting and Treasury Management
Government statistical returns	Monthly		Finance Manager – Technical Accounting and Treasury Management / Senior Accountancy Officer - Treasury	Department for Communities and Local Government
Daily cash balance forecast	Daily		Treasury Management Officer	Senior Accountancy Officer - Treasury

TMP 7 – BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS
The S151 Officer will prepare an annual treasury management budget which will bring together all costs involved in running the treasury management function and associated income. This will be presented to Cabinet and Council and is approved as part of the Treasury Management and Investment Strategy.
The council will account for its treasury management activities in accordance with appropriate accounting practices, standards and statutory and regulatory requirements.
The council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.
In line with market convention loans office staff, when dealing, are required to commit the council to terms of borrowing and investment transactions by telephone. Although these transactions are not legally binding until confirmed in writing, if subsequently dishonoured, this may damage the council's reputation. Electronic funds transfer requires the involvement of three officers, at least one of whom shall be on the payment releasers register**.**
TMP 8 – CASH AND CASH FLOW MANAGEMENT
All council monies will be under the control of the S151 Officer. Funds that are available within all council monies to support treasury management purposes are identified and Cash flow projections in relation to these funds are prepared on a regular and timely basis and the S151 Officer will ensure that these are adequate for the purposes of monitoring compliance with **TMP1** Liquidity risk management.

TMP 9 – MONEY LAUNDERING

Procedures will be enforced for verifying and recording the identity of counterparties and reporting suspicions and will ensure that staffs involved in this area are properly trained.

As a responsible public body, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly the council undertakes a number of safeguards including the following: -

a) evaluates the prospect of laundered monies being handled by them
b) determine the appropriate safeguards to be put in place
c) require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
d) make all its staff aware of their responsibilities under Proceeds of Crime Act (POCA) 2002

In respect of treasury management transactions, there is a need for due diligence. The Council will only invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The register can be accessed through the Financial Conduct Authority website.

All transactions will be carried out by BACS or Chaps for making deposits or repaying loans.

The council does continue to manage a local bonds scheme, although it is no longer taking any new loans. When repaying these loans procedures would be followed to check the bank details of the recipient and the council will confirm the identity of the lender.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000.

TMP 10 – STAFF TRAINING AND QUALIFICATIONS

The council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. An annual review of treasury staff capacity, training needs and experience will be undertaken and reported to the Treasury Management Panel. Specific training for councillors will be provided and undertaken as required.

TMP 11 – USE OF EXTERNAL SERVICE PROVIDERS

When external service providers are employed, the S151 Officer will ensure it does so for reasons which have been subjected to a full evaluation of the costs and benefits. The terms of appointment and the methods by which service providers' value will be assessed will be properly agreed and documented.

The council does not currently require external investment managers, but recognises it may do so in the future for general or specific advice on a range of matters. These future services would be procured using the council's prevailing regulations relating to obtaining supplies and services. The council employs external treasury advisors to provide economic outlooks and information relevant to making robust investment and borrowing decisions.

TMP 12 – CORPORATE GOVERNANCE
This authority is committed to the pursuit and achievement of proper corporate governance throughout its business and services and to establish principles and practices by which this can be achieved. Accordingly the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability. The council has adopted and has implemented the key recommendations of the CIPFA Code. The S151 Officer will monitor and when necessary, report upon the effectiveness of these arrangements to Cabinet. A forum for the monitoring of Governance arrangements is the Treasury Management Panel. The Treasury Management Panel meets quarterly chaired by the S151 Officer or (in his absence) the Head of Finance (deputy S151 Officer). It will receive reports on the monitoring of Prudential and Local Indicators and approve drafts of strategy and policy cabinet/council reports. It will also initiate work and projects to further ensure strong compliance of internal controls and effective treasury performance.