Agenda item No 12(b)

Cabinet – 9 February 2022

Corporate Budget Plan 2022/23 to 2025/26, incorporating the Capital Strategy; and the Treasury Management and Investment Strategy 2022/23

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. Aim

1.1 To provide the revenue and capital resource envelope for delivery of the council's aims and objectives and ensure that the statutory framework is met by recommending the statutory determinations (gross expenditure and income and council tax requirement for the year) and council tax bands, the capital programme and the Treasury Management and Investment Strategy to Full Council for approval.

2. Summary

2.1 This report contains several sections as follows:

Section A for Cabinet approval - Findings from Budget Consultation: Financial Year 2022/23+ 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.
- **Part 3** - Report on findings from equality impact assessments.

Section B for Cabinet approval and *<u>recommendation to Council</u>* consists of:

- **Part 1** - The Revenue Corporate Budget Plan and Capital Programme; comprising the final revenue and capital budget following consideration of consultation feedback and equality impact assessment by Cabinet. This also includes the Capital Strategy and the Flexible Use of Capital Receipts Strategy.
- **Part 2A** - 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 2B** - Treasury Management Policy Statement as required by the Treasury Management Code of Practice (2017).

3. Recommendations

3.1 **That Cabinet note:**

a) That at the time of despatch of this report, the final local government settlement for 2022/23 has not been received. Any changes will be included within the final papers to Council.

b) 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 2022/23. Draft figures have been included. Final figures will therefore be provided prior to or at the Council meeting of 24 February 2022 should they change.

c) 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 2022/23. Estimates have been used for the Transport Levy based on informal communication. (The final Transport Levy is expected to be approved early February, and will be included within the final papers to Council).

d) That the council tax base, set by the S151 Officer under officer delegations, is 71,803.35 for 2022/23.

e) 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** of this report, and general consultation feedback.

f) The amendments to the revenue budget arising from the provisional settlement, including changes to the savings proposals identified since the October Cabinet report, as set out in section 4.25.

g) 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.

3.2 **That Cabinet approve:**

a) The attached report as set out in **Section A - Part 2 and Part 3**: The Findings from Budget Consultation: Financial Year 2022/23+ 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) That delegated authority be given to the S151 Officer to make any necessary amendments, after consultation with the Leader (Portfolio Holder for Finance), to take account of the final local government settlement, 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 24 February 2022, after consultation with the Portfolio Holder for Finance (Leader of the Council).

c) Approve deferral of the policy service change as set out in section 4.28, Table 1 of this covering report.

d) That delegated authority be given to the S151 Officer, after consultation with the Leader of the Council and Chief Executive, to agree the council's final contribution to the West Midlands Combined Authority.

3.3 **Cabinet is asked to <u>approve and recommend to Council</u>, subject to receipt of the final local government settlement, 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 S151 Officer to take account of any changes arising from these*) the following**:

3.3.1 <u>Revenue</u>

a) The financial envelope of resources for 2022/23 as set out in **Section B - Part 1** "The Revenue Corporate Budget Plan and Capital Programme".

b) A Walsall Council net council tax requirement for 2022/23 of £138.43m and a 1.99% increase in council tax, plus a further 1% increase for Adult Social Care precept (total council tax increase of 2.99%).

c) That the recommendations of the S151 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 no less than £16.11m, as set out in the S151 Officer Section 25 statement in **Annex 11** 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 24 February 2022. (An estimate has been used within this report based on informal notification from the authorities).

LEVY	**AMOUNT (£)**
West Midlands Combined Authority Transport Levy	**11,411,844**
Environment Agency	**83,781**

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 24 February 2022 for the final figures once received:

I. **£703,984,510** 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. **£565,559,260** being the aggregate income which the council estimates for the items set out in Section 31A(3) (a) to (d) of the Act.

III. **£138,425,250** 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. **£1,927.84** being the amount at (e) (III) above**,** divided by the council tax base of 71,803.35, 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. <u>Valuation bands</u>

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
1,285.23	1,499.43	1,713.63	1,927.84
E	**F**	**G**	**H**
2,356.25	2,784.66	3,213.06	3,855.68

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 24 February 2022.

PRECEPTING AUTHORITY	VALUATION BANDS			
Police And Crime Commissioner	**A**	**B**	**C**	**D**
	125.03	145.87	166.71	187.55
	E	**F**	**G**	**H**
	229.23	270.91	312.58	375.10
Fire & Rescue	**A**	**B**	**C**	**D**
	45.35	52.91	60.47	68.03
	E	**F**	**G**	**H**
	83.15	98.27	113.38	136.06

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 2022/23 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 24 February 2022.

A	B	C	D
1,455.61	1,698.21	1,940.81	2,183.42
E	**F**	**G**	**H**
2,668.63	3,153.84	3,639.02	4,366.84

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 “Express and Star” newspaper circulating in the Authority’s area.

i) That the S151 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 S151 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.

3.3.2 *Capital*

a) The allocation of capital expenditure plans as set out in **Section B - Part 1** “The Revenue Corporate Budget Plan and Capital Programme” and that the capital and leasing programme as set out in **Annex 9 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.

b) That the S151 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.

c) That the S151 Officer, after 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).

d) The Capital Strategy set out in **Annex 8** of the Budget Plan **be approved**.

e) The Flexible Use of Capital Receipts Strategy set out in **Annex 10** of the Budget Plan **be approved.**

3.3.3 <u>Treasury Management</u>

1. **Section B – Part 2A** – The Treasury Management and Investment Strategy 2022/23 onwards, including the council's borrowing requirement, borrowing limits, and the adoption of 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 S151 Officer.

3. That decisions to use capital receipts or borrowing within the framework of approved prudential indicators **be delegated** to the S151 Officer.

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

4. Report detail - Know

4.1 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 2022/23 and beyond.

Council Corporate Plan priorities

4.2 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 and outcomes 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 in order to deliver the council's outcomes. This budget has been prepared using the council's high level purpose and priorities as outlined in the council's currently approved Corporate Plan.

Risk management

4.3 Budget Plan: The council reviews corporate financial planning and budget principles in accordance with the medium term financial framework (MTFF). 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.

4.4 The identification of risks, and level of reserves, is referred to in the S151 Officer (Chief Finance Officer) **Section 25 statement** at **Annex 11** of the Budget Plan. It is 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 recommended by the MTFF.

Financial implications

4.5 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.

Legal implications

4.6 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 are secured by the S151 Officer.

4.7 Cabinet recommend the revenue budget and capital programme envelope 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).

4.8 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 Section 25 statement that deals with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides, together with an assessment of risk. This is provided at **Annex 11** of the Budget Plan.

4.9 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.

4.10 In recent years Central Government has capped the level of council tax rises. For 2022/23, 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 3% or above as confirmed as part of the provisional local government settlement on 16 December 2021, inclusive of the 1% ring-fenced for Adult Social Care.

4.11 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.

4.12 Our approach to consultation was reported to Cabinet in October 2021 and feedback is provided in **Section A - Part 2** of this report.

4.13 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.

4.14 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. Equality Impact Assessment analysis is contained in **Section A - Part 3** of this report.

4.15 Saving plans, prior to implementation, will include consideration of equality impact, legislative and other requirements, duties or obligations imposed by statute, secondary legislation or guidance upon the council, specifically in the context of proposals which involve changes to service provision.

Procurement Implications / Social Value

4.16 There are no direct implications arising from this report. Any procurement implications as a result of the development of Proud service redesign benefits will be set out within the relevant redesign proposals as they are developed.

Property implications

4.17 There are no direct implications arising from this report. Any direct property implications as a result of service redesign will be set out within the relevant redesign proposals as they are developed.

Health and Wellbeing implications

4.18 There are no direct implications arising from this report. Any direct health and wellbeing implications as a result of service redesign will be set out within the service redesign proposal as they are developed.

Staffing implications

4.19 There will be some staffing implications arising from this report. 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 consult widely with them on the employee implications of service redesign and delivery.

4.20 Staff affected by proposals arising from identified Proud benefits will be supported as appropriate throughout the process and the number of redundancies will be minimised wherever possible.

Reducing Inequalities

4.21 Equality Impact Assessment (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.

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.

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. Equality Impact Assessment analysis is contained in **Section - A Part 3** of this report.

Climate Change

4.22 This report is prepared with consideration of the council's Climate Change Action Plan, and directors are required to ensure proposals are assessed, as appropriate, against the six key areas of the plan: strategy, energy, waste, transport, nature, resilience and adaptation.

Consultation

4.23 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 enable them to have their say. All feedback gathered is collated and carefully considered, along with other information, as part of the decision making process.

4.24 Stakeholder consultation has been undertaken with elected councillors through Overview and Scrutiny Committees, and with national non domestic ratepayers and voluntary and community organisations on the budget and draft council tax increases. Budget consultation has also been undertaken with residents and other stakeholders. Further consultation will be undertaken, as appropriate, with all stakeholders as detailed proposals are developed as part of planned Proud service redesign activity. Full details of the consultation process and findings is presented in **Section A - Part 2** of this report.

Amendments to the Revenue Budget

4.25 Since the draft revenue budget was presented to Cabinet in October 2021, there have been a number of funding announcements and technical changes to the budget;

these can be summarised as follows:

- The provisional 2022/23 Settlement was received on 16 December 2021. This confirmed permission for social care authorities to raise additional funding through a 1% adult social care precept in 2022/23, which has now been included within the final budget proposals, raising £1.34m for adult social care services;
- The Settlement also confirmed an additional £636m Social Care grant to be made available for the remaining Spending Review period, with Walsall's element confirmed as £4m; a new but one-off £5.2m Services Grant and £912k of one off funding for 2022/23 relating to the continuation of New Homes Bonus and Lower Tier Services Grant;
- Additional investment in services, including; additional investment to support demand within adult social care and children's following a review of existing and future forecasts; investment to fund shortfalls in income projections and investment to fund major capital projects;
- Approval by the S151 Officer, under delegations, of the council tax base and NNDR1 return in January 2022;
- A number of transfers to/from reserves to smooth financing of one-off costs.

4.26 The impact of the overall changes since October 2021 on the MTFO and savings requirement is shown below, resulting in a revised saving requirement for 2022/23 of £18.86m (reduced from £20.14m).

Movement in savings requirement - detail					
	2022/23 £m	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**	**Total £m**
Savings required per Cabinet on 20 October 2021	20.14	16.33	18.67	15.23	70.37
Investment / pay changes	9.14	3.87	0.27	(2.01)	11.27
Funding changes	8.11	(13.58)	(1.34)	(1.95)	(8.76)
Collection Fund changes	(0.28)	0.28	0.00	0.00	0.00
Transfer to / from reserves changes	(13.90)	8.68	1.46	0.64	(3.12)
Other changes including grants / income	(4.35)	(3.34)	(7.53)	(0.97)	(16.19)
Revised savings requirement	**18.86**	**12.24**	**11.53**	**10.94**	**53.57**
Variance – increase (decrease)	**(1.28)**	**(4.09)**	**(7.14)**	**(4.29)**	**(16.80)**

4.27 This revenue budget report presents a balanced budget subject to successful delivery of the £18.86m of identified benefits in 2022/23. The following summarises the changes made to the savings from those reported in October 2021, a reduction of £1.28m.

- OP109 - cross council efficiencies relating to administration and business support (£2.1m in 2022/23), and OP113 - cross council efficiencies relating to customer Access management (£2.9m in 2022/23) - £1.7m of this c£5m has been re-phased into 2023/24. Indicative plans have also been provided for the remaining £3.3m as follows:

- Regeneration & Economy - £260k of one off efficiencies from vacant posts in 2022/23 with a review of the service in 2023/24 planned to deliver this on an ongoing basis;
- Resilient Communities - £61k from a review of libraries management;
- Resilient Communities - £84k Efficiencies relating to Customer Access Management;
- Place & Environment – Waste Management, £15k premium bulky waste collection service, £86k capitalisation of staff working on waste contracts, £180k capitalisation of wheeled bin stock (built into the draft capital programme), £21k vacancy management offset by (£82k) to fund a shortfall in saving OP62/65;
- Place & Environment - Highways and Transport, £197k capitalisation of street furniture and car park resurfacing costs from existing capital allocations and £55k one off use of unallocated bus lane and parking income reserve (with ongoing savings for 2023/24 from further efficiencies within the service);
- Place & Environment – Resilience Unit, £20k one off efficiencies from vacant posts in 2022/23 with ongoing efficiencies from 2023/24 within the service;
- Place & Environment – Bereavement Services - £53k from a 2% increase in bereavement fees and charges (with a further £11k from the replacement of saving OP106 as referred to below);
- Resources and Transformation - £784k from a council wide review of Enabling & Support Services;
- Adult Social Care - £476k added to OP83/92, efficiencies attributed to implementation of an All Age Disability approach and development of a new target operating model and a further £657k of efficiencies attributed to the implementation of a Bettercare Finance System;
- Customer Engagement - £435k from the review of grant funding, including Homelessness Grant.

- Additional saving of £297k – OP94 - a review of funding streams to support demand management;

- Additional income generation of £120k:
  - Print and Design - £30k from external bodies;
  - Integrated Facilities Management - £30k from solar panels on our buildings;
  - Clean and Green - £30k from offering residential gardening services;
  - Active Living Centres - £30k from bookable gyms.

- Saving OP3 – the development of a locality partnership offer in Early Help and implementation of a restructure following the 'change grow live' contract being bought in house - £99k remains as a saving in 2022/23, with the remainder of this proposal - £880k - being deferred from 2023/24 to 2024/25 to allow for the review of the service following expected Government policy changes and the impact of greater partnership working.

Further changes in the plans to deliver the savings set out in the report to Cabinet on 20 October 2021:

- OP62 Management of current ‘silo’ roles within waste, and OP65 Management restructure amended to ‘Clean, Green & Leisure restructure and delivery model review’ have been amalgamated and reduced by £82k, (now £602k in 2022/23), with £21k from general staffing efficiencies from restructure of the service and to build in 3 month recruitment lag to posts outside restructure. The remaining £61k is planned to be delivered as part of the cross council review of efficiencies mentioned above;

- OP112 - Public Health (£800k in 2022/23). Contract efficiency savings of £500k and £300k from a review of the usage of the Public Health transformation fund. As the service is key to the councils response to Covid-19, a delay in implementation will mean this saving will not be achieved until 2023/24, and this will be mitigated by the one off use of Public Health grant reserve in 2022/23;
- OP83/92 – New ways of working within Resilient Communities and All Age Disability (£269k in 2022/23) have been merged and amended to 'Efficiencies attributed to the implementation of an All Age Disability approach and the development of a new target operating model' (further to the £476k identified above, this totals £745k);
- OP84 – New ways of working in Customer Access Management amended to 'Staffing impact following the implementation of Bettercare Finance System';
- OP89 – New ways of working (£1.18m in 2022/23) amended to 'Reduction in new clients achieved through strength based working practices and development of resilient communities framework';
- OP90 – Review of older people (£4.4m in 2022/23) split into two:
  - £3.30m - Efficiencies attributed to the review of existing Older People clients through strength based practice and development of a new target operating model;
  - £1.10m - Efficiencies attributed to the review of existing Learning Disability and Mental Health clients through strength based practice and development of a new target operating model;
- OP91 – Day care (£356k in 2022/23) amended to 'Efficiencies attributed to the review of day care provision through strength based practice and development of a new target operating model';
- OP100 – Bespoke webpage (18k in 2022/23) amended to 'Capitalisation of staff costs within Housing Services - Bespoke webpage and web data entry form allowing customers to submit and manage their information in relation to additional licensing for HMOs and through securing additional income for delivery of capital schemes';
- OP103/104 - Review of existing fees and charges within Resilient Communities and pre-license surgeries to individuals and businesses to support license applications merged into 'Reduction in operational costs within Resilient Communities';
- OP106 – Charging for change in name deeds within Registrars (£11k in 2022/23) removed and replaced with 2% increase in bereavement fees and charges (a further £53k included as part of the delivery plan to achieve cross council efficiencies as referred to above).

4.28 The draft revenue budget contains 5 policy proposals in respect of 2022/23, and 80 operational savings. Feedback from consultation and equality impact assessment results were received by Cabinet and are set out within this report (**Section A - Parts 1, 2 and 3**). Only 1 proposal requires a decision, as the remaining 5 are either full year effects of previous year's decision, or have been approved in year. Cabinet are asked to approve the policy decision as set out in **Table 1** overleaf (under the heading Executive (Cabinet) Decision) and instruct Executive Directors to implement the resulting decision.

Table 1: Summary of revised policy savings and the Executive (Cabinet) decision				
Saving ref	**Policy Saving Consulted on**	**2022/23 £**	**Decision required**	**Executive (Cabinet) Decision**
Children's & Customer Services				
P1	Change, Grow, Live Contract - bring service back in house (Full year effect of 2021/22 saving)	(122,714)	N	Approved in 2021/22 to bring service back in house, therefore no further decision required
Resources and Transformation				
P2	Finance - Adult Social Care Client Care Team - introduce charge for appointeeship management / support	(72,800)	N	Approved in 2021/22 to introduce a charge for appointeeship management / support
P3	Finance - Adult Social Care Client Care Team - introduce charging for administration of deaths for appointees	(6,000)	N	Approved in 2021/22 to introduce a charge for administration of deaths for appointees
P4	Organisational redesign to deliver Intelligent Client Model across Asset Management, Capital Projects and Facilities Management (Full year effect of 2021/22 saving)	(42,726)	N	Approved in 2021/22 for organisation redesign of the service, therefore no further decision required
P5	Redesign of Occupational Health contract (Full year effect of 2021/22 saving)	(7,500)	N	Approved in 2021/22 for redesign of the Occupational Health contract, therefore no further decision required
Economy, Environment and Communities				
P9	Charge developers for travel plans – alternate saving identified in 2021/22 for use of one off additional s38 income. To be reviewed further for 2023/24.	0	Y	To approve the deferral of this saving to 2023/24, subject to consultation as part of the 2023/24 budget setting process.

Amendments to the Capital Programme

4.29 The draft capital programme was set out in the report to Cabinet on 20 October 2021, totalling £62.27m. The programme has increased by £124.69m to £186.96m in 2022/23 with the following amendments:

- Enterprise Zones reduction of (£11.35m) as the scheme is reprofiled over the period to 2025/26;
- Waste Management Strategy - increase of £7.43m with the scheme reprofiled into 2023/24;
- Telephony cloud based system - £150k. Involves the transfer all of our incoming phone lines to new technology, potentially replace desk phones with headsets and implement microsoft telephony;
- Pipeline investment opportunities carry forward of £25.84m from 2021/22 to fund emerging and pipeline regeneration and other major capital schemes, along with the re-phasing of the additional £8m planned for 2022/23 into 2023/24. This includes approved allocations for Regional Materials Recycling Facility (£651k), Street Lighting (£7.04m), Streetly Cemetery improvements (£430k), Willenhall Garden City Phase 1 (£2.68m), Children's Residential (£100k) and Looked After Children Foster Care refurbishment programme (£150k);
- External funding of £8.91m and a council contribution of £2.02m towards the Towns Deal award for Bloxwich and Walsall;
- Future High Streets Fund – re-phasing of £816k council funding into 2022/23;
- Children's play equipment of £490k;
- Capitalisation of wheeled bin stock of £180k linked to a new revenue savings proposal;
- Highways maintenance / Integrated Transport Block external funding increase of £1.72m;
- High Streets Fund – external funding reduction of £3.62m due to re-profiling into 2023/24;
- Darlaston baths external funding of £2.66m for replacement of boilers, installation of solar panels, LED lights and insulate pipework;
- Refurbishment works at the New Art Gallery from external funding of £50k;
- External funding to support energy efficiency - external wall insulation and solar PV panels (£6.78m);
- Inclusion of a number of proposed carry forward schemes from 2021/22 totalling c£90m (£67m council funded and £23m external funded).

5. Decide

5.1 As set out in the legal section, Councils are required to set a legal budget. This report is the final stage in that process and Cabinet are asked to approve the recommendations as set out, and recommend the budget to Council on 24 February 2022 for formal approval of the 2022/23 statutory determinations and council tax levels.

6. Respond

6.1 Following recommendation by Cabinet, this budget report and plan will be forwarded on for formal approval by Council on 24 February 2022.

7. Review

7.1 Following approval by Council on 24 February 2022, the 2022/23 budget will be formally set and monitored throughout the year. Council tax bandings will be set and bills formally produced and distributed in accordance with approved guidance.

Background papers

- Various financial and working papers;
- Corporate Budget Plan 2021/22 to 2023/24, incorporating the Capital Strategy; and the Treasury Management and Investment Strategy 2021/22 Onwards – Council 25 February 2021;
- Corporate Financial Performance 2021/22, Covid-19 update, approach to Budget Setting for 2022/23, and changes to the council's Tax Strategy - Cabinet 21 July 2021;
- Draft Revenue Budget and Draft Capital Programme 2022/23 – 2025/26 - Cabinet 20 October 2021;
- Autumn Budget and Spending Review, and feedback from Overview and Scrutiny Committees on draft revenue and capital budget proposals 2022/23 to 2025/26 – Cabinet 15 December 2021;
- Settlement data;
- Equality Impact Assessments.

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9 February 2022

Councillor M Bird
Leader of the Council
9 February 2022

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

1. Overview and Scrutiny Committees received the draft revenue and capital proposals in November 2021, and Cabinet received feedback in December 2021.

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

2. Scrutiny Overview Committee – 9 November 2021

2.1 The Committee received a presentation from the Leader who outlined the Medium Term Financial Outlook (MTFO), investment and savings proposals and the draft capital programme. Members sought to understand what the impact of the budget savings would have on services to residents. The Executive Director (Resources & Transformation) explained that by utilising different ways of working it was possible to generate operational efficiencies but maintain services. Members noted the importance of scrutiny in reviewing the budget proposals and asked about the delivery plans for the proposed savings.

2.2 Members considered the budget proposals for services within the remit of the Committee. This covered proposals from the following portfolios:

- Leader of the Council
- Deputy Leader (Regeneration) - Customer
- Deputy Leader (Resilient Communities) - Partnerships
- Internal Services

2.3 *Council-wide proposals*

- Following questions about which Directorates were the most financially vulnerable the Executive Director (Resources & Transformation) explained that this was in areas which operated demand led services, such as Adult Social Care and Children's Services. This was because they were always vulnerable to significant unexpected demands and were the main source of risk within the budget and MTFO.
- A Member asked how much Walsall Proud was due to save? The Executive Director (Resources & Transformation) explained that £20m of savings through Proud would come through implementing new ways of working and new approaches across third party spend, income generation, customer access and technology during 2022/23.
- *OP saving 90 'Review of Older People existing long and new residential nursing and domiciliary placement costs support packages for learning disabilities including supported living and mental health' -* A Member expressed concern about the potential impact this saving could have on local residents and asked for reassurances that impact assessments had taken place? The Leader explained that no individual would be placed at risk and that the Council was making significant investment in mental health.

2.4 The Committee resolved -

- *Further details on OP saving 90 'Review of Older People existing long and new residential nursing and domiciliary placement costs support packages for learning disabilities including supported living and mental health' be provided to Members;*
- *Draft Revenue Budget and Draft Capital Programme 2022/23 – 2025/26 be noted.*

3. Social Care and Health Overview and Scrutiny Committee – 1 November 2021

3.1 Members considered the budget proposals in detail. At the request of the Committee, the Executive Director provided further information on each of the savings proposals.

3.2 Members sought assurances on the level of savings being made in the service area and requested clarity on the Walsall Proud programme, in order to seek to understand proposed efficiencies and their impact on services. Assurances on these areas were provided by the Executive Director who described how this would change the delivery of services. She added that the Adult Social Care Directorate was receiving £9.4m of investment.

3.3 A discussion was held and strong concern was expressed by some members at the following savings proposals:

- OP90 - Review of Older People existing long term and new residential nursing & domiciliary care;
- placement costs support packages for learning disabilities including supported living and mental health.

Members expressed concern that this would impact upon the most vulnerable members of society and that mental health needs within the Borough may be exacerbated by the pandemic.

- OP91 - Reduction of day care funded by direct payments.

A Member expressed concern that care payments to day care providers were being driven down by the council, and this may affect their viability in the future.

3.4 The Committee resolved -

- *The Committee considered and noted the draft revenue budget proposals that related to the remit of the Social Care and Health Overview and Scrutiny Committee.*

4. Economy and Environment Overview and Scrutiny Committee – 18 November 2021

4.1 The Lead Accountant presented a report which provided an extract of the Proud draft revenue savings proposals, investments/cost pressures and draft capital programme which fall within the remit of the Economy and Environment Overview and Scrutiny Committee. There were no questions or comments from Committee members.

4.2 The Committee resolved -

- *That the report be noted.*

5 Children's Services Overview and Scrutiny Committee – 23 November 2021

5.1 Members considered the budget proposals presented and sought further information and assurances on a number of the proposals contained within the report, including:

- *OP11 - Foster carer support - placement disruption*
  The impact of this proposal on the recruitment and retention of foster carers was challenged. Officers provided assurance that this proposal aimed to avoid foster placement disruption, through the provision of a support team for foster carers. It was explained that savings would be achieved by preventing placement breakdown and avoiding the use of residential care. This would also produce better outcomes for children and young people.

- *OP7 – Mother and Baby – Daisy Project*
  At the request of Members, further detail on this project was provided. The Committee was informed that this was a perinatal programme for parents who have had a previous child removed from their care and were at risk of having a recurrent infant removal. Where successful both savings and better outcomes were achieved. In situations where the intervention was not a success, earlier planning for the child was possible which also created improved outcomes for the child. The services seeks to remove the need for high cost residential assessment units, with purposeful assessments taking place pre-birth.

- *OP9 - Adolescent service - Turning Point - reduce number of adolescents coming into care*
  The Turning Point service worked with families to prevent family breakdown, to prevent young people from becoming looked after and/or needing residential care.

- *OP13/45 - Grandparents plus - build in for future years*
  Officers confirmed that 'Grandparents plus', supported the identification of children who could be transferred from being a looked after child to being subject to a special guardianship order. The service offers dedicated support to kinship carers.

5.2 The Committee resolved -

- *That the draft revenue budget proposals that related to the remit of the Committee, as shown in Appendix 1 and 2, and which will be presented to the meeting of the Cabinet on 15 December 2021, be noted.*

6. Education Overview and Scrutiny Committee – 25 November 2021

6.1 The Committee discussed a number of issues and appropriate clarification was provided by officers, as follows:

- Reductions in the use of agency and temporary staff, and the possible implications for the workloads of other staff. It was confirmed that there had been agreement for an increase in staffing, and it was expected that caseloads would be reduced accordingly and that there would be investment to encourage staff development.
- Increased traded services to schools. It was noted that there were services that schools needed to purchase and the Authority had been assessing what services were offered or could be offered to schools. This could also include packaging several services together in three-year programmes that would be beneficial, both to Walsall's schools and the Authority.
- The on-going design and build of the capital programme. It was confirmed that the Authority currently used the Solihull framework for contractor procurement processes. However, the ambition was to develop similar frameworks for the Walsall area or use national frameworks available through the sector.
- The number of schools anticipated to become academies and the impact for the Authority's budgetary focus. It was noted that the decision to become an academy lay with the school and that there were different types of federations and governance arrangements for academies. The focus for the Authority was school improvement and to work collaboratively with Walsall's schools.
- The arrangements to retain and develop existing skilled staff. The formal and informal arrangements were outlined, and included rigorous recruitment processes, induction, training and buddying programmes, together with other programmes to identify and develop new team leaders, and techniques to increase team efficiency and support staff, including huddle groups.

6.2 The Committee resolved -

- *That the draft revenue budget proposals that related to the remit of the Committee, as shown in Appendices 1 and 2, and which will be presented to the meeting of the Cabinet on 15 December 2021, be noted;*
- *That the draft capital schemes included in the draft capital programme that relate to the remit of the Committee, as shown in Appendices 3 and 4, and which will be presented to the meeting of the Cabinet on 15 December 2021, be noted.*

Section A - Part 2 - Report on findings from Budget Consultation

1. Background

1.1 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 draft budget proposals for 2022/23 to 2023/24 where applicable.

1.2 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 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.

Approach to consultation

1.3 Information on the draft proposals was made available in the 20 October 2021 Cabinet report and on the council's website at: www.walsall.gov.uk/budgethaveyoursay.

1.4 Consultation with a range of stakeholders, including residents, Non-Domestic Rate Payers, voluntary and community organisations, Councillors and other key stakeholders took place between 24 November and 31 December 2021.

Communications and promotion

1.5 The consultation was announced in a news item on the council's website (744 views) and was promoted on social media on the corporate Twitter and Facebook accounts. Facebook achieved a reach of 6,064 and 367 total clicks, Twitter 998 impressions and 23 clicks.

1.6 Information about the proposals was provided and further information could be sought on request.

Methodology

1.7 Consultation has, as far as possible, been designed to be appropriate to the audience and to facilitate informed comment. In doing so the needs of particular groups and communities have been considered, alternative formats and support to respond were made available on request. A dedicated budget email address and phone line was made available for people to call for further information or to make a comment.

1.8 The 20 October Cabinet report - Draft Revenue Budget and Draft Capital Programme 2022/23 – 2025/26 included 6 policy proposals which were consulted on as part of the 2021/22 budget. All were subsequently approved and therefore not included in this consultation. Operational proposals were covered in this consultation.

1.9 Operational proposals tend not to impact directly on the public as the changes are 'behind the scenes'. While operational proposals are savings that do not require Cabinet approval or formal consultation, public comments and feedback were sought as part of consultation on the wider budget.

1.10 Central to the consultation is to understand how the draft proposals, if approved, may impact on people / communities and to seek alternative suggestions for how the savings could be made. Feedback on all proposals was gathered via a short generic online questionnaire. Each proposal had a reference number allowing respondents to identify the proposal(s) they wished to comment on. The survey asked 3 key questions:

- What is your overall opinion on this operational proposal? (support, support but with concerns / amendments, do not support)
- How if at all, might this proposal affect you?
- Do you have any alternative suggestions for how this saving could be made or income generated?

1.11 Due to the operational nature of the proposals interest in the budget has been extremely limited and just 13 responses have been received with no one commenting on specific proposals. Nonetheless, some feedback given on the budget in general and council tax was received and is summarised here.

Petitions

1.12 No petitions have been received.

2. Summary of feedback - Comments on budget in general (residents)

2.1 An online survey was made available on the council's website from 24 November 2021 until 31 December 2021.

2.2 Of those completing the online survey, 12 were residents of Walsall and 1 business representative. Note that not all questions were mandatory. Results are reported on the basis of the number of people who answered the specific question. No one commented on a specific proposal. The following results are for residents only.

2.3 Some comments may reflect the lack of understanding of local government funding and what is and isn't under its control. As such some comments may seem irrelevant but are however included for completeness.

2.4 Three of the 6 comments received via the online survey mentioned council tax increases in relation to personal circumstances and affordability.

"Please do not increase the council tax as I cannot pay any more honestly that's as much I can afford now."

"Not happy with this budget, taking in account increases this is a big increase that I am not in favour of."

"Putting up council tax. We don't get any street cleaning, lights or maintenance of our roads due to where we live. But we have to pay exactly the same as the other residential areas that get this as part of their council tax and we have to pay extra."

2.5 One comment mentioned a preference to see savings made in other areas rather than in social care.

"I note there are no plans to reduce councillor costs yet children's services and adult social care are the main impacted proposals."

2.6 Two respondents offer suggestions for how savings could be made. One suggests selling the Saddlers Centre and introducing mandatory unpaid leave for council staff at Christmas. The other respondent feels that the way adult social care services are funded needs to change, where every adult should pay for services not just home owners. They also want to see councils trying to incorporate more options to raise revenues in adult social care.

3. **Thoughts on paying more council tax to help protect services (residents)**

3.1. The online survey also sought feedback on paying a bit more council tax, in particular an increase of 1.99% in general council tax and a further 1% Adult Social Care Precept. Details and figures were provided.

3.2. The majority of the 12 respondents do not want to see council tax increased. Results show that of the 12 people who responded 4 said 'Yes increase general council tax by 1.99%'. Eight people said 'No do not increase general council tax by 1.99%'.

3.3. Comments from residents who did not favour an increase in general council tax reiterate concerns about personal affordability and those of others. One person questions why Walsall's rates are higher than neighbouring authorities.

"Can't afford any more please do not increase."

"Residents cannot afford this charge you will be increasing people's poverty yet cutting services they will need to cope."

"We shouldn't have to pay more. We pay enough as it is."

"Walsall Council has without question the highest council tax bands in neighbouring authorities….Every single year the council tax rates increase by the allowed rate of 1.99%. You say that the majority of houses in the borough are in Bands A and B - unfortunately these are the people who feel the increase in council tax the most. Many of these people are on minimum wage or earn well under the average salary and knowing that there will be an increase in council tax every year, especially when council services are slightly reduced, is a source

of anxiety for many people. I don't believe council tax should be increased so that it can be more in line with other neighbouring authorities. I don't see why Walsall has the highest council tax rates in the local area."

3.4. The two respondents in favour of a 1.99% increase make general remarks.

"This would help to provide more money so it can't be taken off the children."

"So long as services are kept in place!"

3.5. In terms of a 1% Adult Social Care Precept, 3 respondents say yes apply it, 9 say do not apply it and 1 said don't know. Those not in favour don't want to see increases and thus have to pay more. One expresses concern for those on lower incomes and another questions paying more for less.

"Again. We should not pay more."

"As per my previous comments, a 2.99% would be completely worrying for lower paid residents especially."

"Why increase yet reduce service?"

3.6. One comment in support of the 1% precept expresses the importance of being able to finance vital services.

"As the partner of a receiver of social care I understand how important this service is."

3.7. Nine respondents say that paying a bit more council tax would have a 'big impact' on them, two said 'some impact' and 1 'no impact'.

4. Statutory consultation on the draft budget and council tax (NDRP)

4.1. 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 invited to have their say on the current and preceding years' expenditure proposals, as well as the proposed council tax increase for 2022/23.

4.2. On 25 November, emails outlining the draft budget and explaining the adult social care precept were distributed electronically to 3,799 businesses and to community and voluntary organisations via the One Walsall CVS social media network. As well as providing a link where further information could be found the communication invited people to have their say via the online survey.

4.3. This information was also made available on the council's budget consultation pages: www.walsall.gov.uk/budgethaveyoursay

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

4.4. By the final closing date of 31 December 2021, 1 response from a business representative had been received. They did not comment on any specific proposals.

4.5. The one respondent did not support a 1.99% increase in general council tax, indicating it would have a big impact and commenting;

“Business rates for those who are still paying are already a struggle for most companies and are unfair when online retailers pay next to nothing.”

4.6. They also did not support a 1% adult social care precept, saying;

“No more increases.”

Section A - Part 3 - Report on findings from Equality Impact Assessment

1 Introduction

1.1 All managers responsible for savings proposals outlined in the draft budget report to Cabinet on 20 October 2021 were requested to carry out an assessment of each proposal.

1.2 An EqIA is the Walsall Council 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

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

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.

1.4 <u>What course of action does the EqIA suggest?</u>

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.

2. Evaluation of EqIAs

2.1 Cabinet, on 20 October 2021 agreed a summary of revenue savings for consultation. All managers responsible for policy proposals, and operational proposals with the confirmed requirement for EqIAs, were requested to carry out an assessment. 6 policy proposals and 74 operational proposals were considered for their impact on protected characteristic groups. Each of the proposals had an equality screening and 30 were considered necessary, or having the potential to undergo an impact assessment process. Following consultation and feedback analysis, a number of proposals were reviewed or paused. The table below shows the outcomes for these proposals.

Ref	Decision	2022/23 EqIAs
A	No major change required	6
B	Adjustments are needed to mitigate adverse impact and to better promote equality (Includes initial EqIAs submitted and in progress)	10
C	Continue despite possible adverse impact	5
D	Stop and rethink the proposal	0
	Other decisions (e.g. sub-proposals, in progress)	9
	No EqIA required	50
	Awaiting confirmation of commencement to EqIA	0
	Total	**80**

2.2 The tables below provides further detail on those assessed as B, C or D. Where the outcomes showed B or C, the action plan is required to show the adjustments needed, how to reduce the impact or justify why it should continue despite the impact. No EqIAs were considered as D in this period. All EqIAs that resulted in initial B or C outcomes are further reviewed by the Equality, Diversity and Inclusion (EDI) team and considered by Cabinet members, giving an 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 continue to be monitored and managed following implementation.

2.3 A number of proposals continue to be subject to consultation and engagement and there is ongoing activity. In addition, some EqIAs that have been submitted, whilst not causing any particular concern around equality considerations, require further analysis or work prior to or as they are implemented. These have been categorised as C in the table above at this point. This demonstrates that we are keeping in close contact with the proposals and that the owner has shown equality considerations. All C's will be monitored corporately to ensure any required mitigating action is implemented and has the desired result.

2.4 Of the 6 policy proposals, 1 relates to 2023/24 and will be assessed as part ot htat budget setting process. The 5 policy proposals for implementation in 2022/23 period were reviewed as follows:

Ref Number	Proposal	EqIA	Update / Comments
P1 (Children's)	Change, Grow, Live Contract – bring service back in house.	C	The service was brought back in house in October 2021 and the assessment is being updated. The EqIA is being updated to confirm impact on children and parents with disabilities in accessing services after the relocation of the locality teams into one central hub.
P2 (linked to P3) (Resources & Transformation)	Finance - Adult Social Care Client Care Team - introduce charge for appointeeship management/support	B	There is impact on people aged 65+. The EqIA will mitigate the risk of discrimination by monitoring charges and the service.
P3 (linked with P2) (Resources & Transformation)	Finance - Adult Social Care Client Care Team - introduce charging for administration of deaths for appointees	B	As P2 above.
P4 (Resources & Transformation)	Organisational redesign to deliver Intelligent Client Model across Asset Management, Capital Projects and Facilities Management	N/A	This is in progress with consultation ending January 2022.
P5 (Resources & Transformation)	Redesign of Occupational Health (OH) contract	B	B – Mitigation in the action plan to ensure consistency, including the communication to confirm the criteria to be used for OH referral threshold

2.5 The 74 operational proposals for implementation in 2022/23 period were reviewed and the following table identifies the 11 which were assessed as a B or C. Those identified in the summary table above as 'Other Decisions' are either in progress or about to be assessed due to timing reasons (i.e. a later than April 2022 implementation date). Any assessed as other than A, will be reported to senior managers and members for further consideration prior to implementation.

Ref Number	Proposal	EqIA	Update / Comments
OP60 (Resources & Transformation)	Consider ceasing of physio contract - £12k	C	C - Further consultation recommended, as the provider of the Physio contract did not undertake equality monitoring of those who used the service, so impact is currently unknown.
OP83/92 (Adult Social Care)	Efficiencies attributed to implementation of an All Age Disability approach and development of a new Target Operating Model	C	An overall assessment cannot be made at present as this in the preparatory stages of implementation. Further information will be gathered and assessed.
OP84 (Adult Social Care)	Staffing impact following the implementation of Bettercare Finance System	B	Monitoring to establish impact, particularly around people with disabilities.
OP89 (Adult Social Care)	Reduction in new clients achieved through strength based working practices and development of resilient communities framework	B	Monitoring to establish impact, particularly around people with disabilities.
OP91 (Adult Social Care)	Efficiencies attributed to the review of day care provision through strength based practice and development of a new Target Operating Model	B	An overall assessment has not been concluded at present as this a 3-year plan. Further information will be gathered and assessed on quarterly basis.
OP97 (Adult Social Care)	Review of Resources including Goscote Centre and development of new Target Operating Model	C	Establish single point of access for referrals and start monitoring outcomes for people with different characteristics, as well as signposting to local support groups.
OP98A	Restructure within Money Home Job	B	Monitoring and review of any impact, particularly around people with disabilities.
OP107 (Children’s)	Independent Living	B	Implementation of quarterly monitoring to assess known and unknown impact.
OP108 (Resources & Transformation)	Review of mobile phones contract	B	Monitor services for potential impact on people with disabilities.
OP109 /113 (Resources & Transformation)	Review of Enabling & Support Services	C	An overall assessment cannot be made at present as this in the preparatory stages of implementation. Further information will be gathered and assessed.
OP113 (Adult Social Care)	Efficiencies attributed to the implementation of Bettercare Finance System	B	Monitoring to establish impact, particularly around people with disabilities.

3. Emerging findings from the Cumulative EqIA

3.1 As well as the 6 policy proposals there are a further 83 operational proposals which in total deliver approximately £26m of savings over two years. These are savings which officers have delegations to implement; examples include restructures, back office savings, operational efficiencies and new ways of working.

3.2 Many operational proposals do not always impact directly on the public as the changes are a part of ’back office’ administration. However, the introduction of new way of working can impact on accessibility and inclusion of people with protected characteristics. While operational proposals are savings that the service can decide to implement and they do not require Cabinet approval or formal consultation, proposal owners are required to consider the equality impact of these changes. Several trends to watch out for and monitor were evaluated by the EDI team:

3.3 Enabling Support Services and Proud

Some of the operational proposals are subject to the progression and delivery of the Enabling Support Services (ESS) workstream. So as to deliver the council's aspirations to better serve its customers and deliver improved outcomes and experiences, significant review of the ways of working is required. The ESS workstream is an integral part of the council's Proud programme, enabling the organisation to work more effectively through the adoption of new ways of working.

The ESS workstream is critical in achieving the change required to deliver successful and sustainable transformational change for the full range of workstreams and activities across the Proud Programme by enabling services to work more efficiently and effectively.

EDI is a key component in the delivery of quality services. Good practice means encouraging and promoting these values wherever possible. The ESS team will ensure that through their work, colleagues and service users are treated fairly and equally with dignity and respect. EDI will remain an integral part of service planning. The EqIA associated with ESS is currently categorised as C as a full assessment cannot yet be made due to timing. However, it is anticipated that the updated EqIA will ensure that decision making, partnership working and governance all promote EDI and that it remains at the centre of strategic planning.

The work of the Proud Programme can also be seen in the Customer Access Management (CAM) programme. The work in this area has seen the redesign of services that we provide, both internally and externally, that have impacted on people with protected characteristics.

Aligned to this and, subsequently, some budget proposals, are the Corporate Landlord model and Customer Experience Centre (CXC). As part of the council's transformation of how it manages its land and property assets, it has adopted this model, whereby all property related functions within the council have been brought together into a single Corporate Landlord service to ensure that a comprehensive and joined up approach is possible for the property portfolio.

The CXC project is one of the five pillars of the Customer Access Management workstream. Working through different phases, the initial EqIA focused on creating an evidenced view of customer needs and experience, defining the detailed principles and parameters for the future customer capability and a centralised model for customer management.

As work is ongoing in this workstream, and as some proposals remain subject to the updated EqIA for CAM and CXC as these proposals move through the phases (and, to a lesser extent, the Corporate Landlord EqIA), it can be seen that improving the customer experience remains at the heart of the Proud Programme. Previous equality considerations have seen the council developing ways of working that meet customer expectations and which reflect changing demands for the future.

3.4 Covid – 19 and emerging technology

It has been said that Covid-19 does not discriminate. However, as the United Nations has reported, the pandemic has magnified several forms of discrimination and inequality that have been at work in our society for centuries.

Nationally, the economic impact of the pandemic has been unequal, entrenching existing inequalities and widening others. Older people, ethnic minorities and disabled people, particularly those in care homes, have been disproportionately impacted by the pandemic, leading to an increased reliance on unpaid carers, who are more likely to be women.

Women have dropped out of the workforce at staggering rates after trying to balance a crushing convergence of work and home life. Young people unfortunate enough to be entering the workforce or trying to secure internships have been turned away, their opportunities cancelled. Black, Asian and ethnic minority people continue to struggle for recognition, advancement, and representation at all organisational levels, especially in senior roles.

The Government has acknowledged the findings of Equinet, the European Network of Equality Bodies, who argued that differences in support for remote learning during the pandemic has threatened to widen inequalities for those who already perform less well than their peers. This would particularly impact boys, black pupils, some Gypsy, Roma and Traveller pupils, pupils who need support in education, and those who are socio-economically disadvantaged.

However, emerging technology has had an opportunity to help bridge the equality divide and effect positive change across all sectors of business and society. Navigating the pandemic has been a challenge, to say the least. But the pandemic has also been a catalyst for technology to step up and help and make a difference to people's lives. This puts the council's social responsibility into action.

People with disabilities are benefiting from emerging technology. Inclusive approaches will ensure that such technology makes a difference in the lives of all users. Technology can lower barriers that people with disabilities encounter in their daily and working lives, such as speaking, travelling, reading, and writing. It allows them to participate and enjoy the benefits of the digital society, with the same access to information as everyone else. And, perhaps most importantly, new technology can allow people with disabilities to act more independently from others if they wish.

The budget proposal OP32 has seen new technology being utilised by Members, as paperless meetings will become the norm, in due course. This will continue to be monitored for impact on anyone with a disability.

3.5 <u>Finance and Insurance</u>

As evidenced in the Financial Conduct Authority's report, 'Diversity and inclusion in the financial sector – working together to drive change', Financial services have traditionally had challenges with diversity, particularly around age, disability and gender. The introduction of the Equality Act 2010 certainly helped the industry understand how the discrimination in the provision of goods, facilities and services applies in this area.

More recently, the industry has seen targeted action to drive meaningful change and lead the charge for equality. The submission of a number of budget proposal EqIAs around operational activities within the Finance service demonstrated a commitment to and understanding of the importance of EDI at Walsall Council.

3.6 **Children and young people with disabilities or SEND (0-19)**

Policy Proposal (P1) Change, Grow, Live Contract - bring service back in house. Change, Grow, Live (CGL) is commissioned to deliver a 0-19 years Early Help whole family service to those families most in need in the central and south locality. The proposal was for the council to take on the delivery of these services with staff transferring. Whilst there was no change to service provision, the service needed to re-locate. 15 of the children and young people have either a disability or SEND. These children will continue to receive support within their home, school or new location. 17 of the parents/carers have a disability or illness, so all parents receiving Early Help one to one dedicated support are offered support within their own home and, if internet access is available, within their home. All parenting courses are available on line.

After careful consideration of engagement and consultation data, together with service user feedback and statistics, the outcome for this proposal was ‘C’ - continue despite possible adverse impact.

The proposal also identified adverse impact on a substantial group of parents with disabilities or illness which would make it harder for them to access the services after the relocation of the locality teams into one central hub. A number of other issues have been highlighted in relation to transport and distance from different communities.

The EqIA resulted in extensive action plan and monitoring schedule. The plan included exploring alternative community venues, more extensive outreach and home visits and more research into demographic data on changing communities.

The affected children will continue to receive support within their home, school or new location. 17 of the parents/carers have a disability or illness. All parents receiving Early Help one to one dedicated support are offered support within their own home and, if internet access is available within their home, all parenting courses are available on line.

With the budget proposal Independent Living (OP107), the council is seeking the provision of a range of Supported Housing accommodation and support for Young People who are aged 16-25. These are young people assessed as vulnerable by the Children in Need Service and for who Local Authorities have a statutory duty. This includes Children Looked After aged 16-17; Care Leavers aged 18-25; and homeless young people aged 16-29.

3.7 **Independent living and homelessness**

The Independent Living proposal has, as its aim, the commissioning of a range of accommodation that will provide the right young people with the right place and the right support to acquire the skills to live independently, and make successful transition to independent living.

The under 35’s are a group which are affected by a number of welfare reforms and receive reduced levels of benefit. They are therefore more likely to be affected by homelessness. The Homeless Reduction Act (2017) is set to improve outcomes for young single people. These services are also targeted at young people who are homeless, as well as those who are leaving care.

According to the 2016 JR Foundation report, 28% of all customers in poverty have a disability. Disabled people are therefore more likely to become homeless than non-disabled people. 31% of children from Asian and Black backgrounds live in low income households compared to 11% of white households. Black ethnic groups make up 7% of the homeless, but are only 2.4% of the resident population.

Women are also more likely to experience homelessness than men. The delivery of these services have been sought with the requirements of taking into consideration the key race, religion, cultural, genders and disabilities of people by the contractor. Further data can be collected on need and, where a customer has a disability, work is done to ensure their needs and aspirations are met.

3.8 **Workforce impact – older age, pregnancy and disabled employees**

One policy proposal that identified potential adverse impact on the workforce was the Occupational health contract (P5), proposing some changes to the criteria for occupational health referrals. The initial EqIA showed a negative effect on several protected characteristics, including:

- Potential for older employees to be adversely impacted by inability to access OH service (i.e. for conditions more likely to affect older employees). Or where seeking specialist advice on reasonable adjustments where these may relate to an age-related condition;
- Impact on employees who require specialist support or advice regarding reasonable adjustments as a result of a disability-related condition;
- Potential impact on employees who are pregnant and who may require assessment of reasonable adjustments required as part of a pregnancy-related condition.

The mitigation action plan includes communication to managers/employees and HR colleagues confirming the criteria to be used for the OH referral threshold. In addition, managers will give full consideration as to whether the case meets the OH threshold criteria and discuss with Senior HR Advisors any questions or concerns. The communication regarding the changes will be made available in other languages on request for employees whose first language is not English, through liaison with the council's Interpretation, Translation, Transcription and Easy Read service (ITTE).

Alternative formats (audio and Easy Read) for disabled employees will be made available on request. Liaison will also be as required with the Council's procured Interpretation, Translation, Transcription and Easy Read services, Word360.

Whilst an EqIA was undertaken for the cessation of the Physio contract (OP60), and was considered completed, it was strongly recommended by the EDI team that further consultation was undertaken as part of a review of the proposal. This consideration has allowed the EDI team to consider this proposal a C.

The main reason for this is that the provider of the Physio contract did not undertake equality monitoring of those who used the service. Whilst numbers of users, in itself, may not always present a true picture, it could have provided some justification, or otherwise, for the removal of the contract. In essence, without this data, it is impossible to acknowledge or deny equality impact through this closure.

Usage did reduce during the pandemic, which is understandable. The concern, of course, will be that without a service being available, council employees will have to access physiotherapy self-referral services through their GP/other health provider, who are currently experiencing unprecedented long waiting times.

Whilst being LBGT+ should not, in itself, prevent access to services, the experiences of invisibility, violence, discrimination and prejudice help to explain the poorer emotional health and wellbeing experienced by these communities. This contributes to barriers to accessing healthcare services, including physio. This may be particularly relevant to colleagues that have not come out, may have had negative experiences with their own GP and may now find any additional restrictions to accessing services a struggle to cope with. Specifically with Trans colleagues, during transition there may be the requirement to undertake bespoke physio appointments. In essence, removing the physio contract may provide another barrier to access health services, without knowing the usage of that service.

3.9 **Those qualifying for Adult Social Care services**

Demand for health and social care services is increasing. People are living longer and the older population is growing. As people age they become frailer and the incidence of dementia increases. In addition there are more people living with long-term health conditions and who have complex health needs.

The Adult Social Care Service Transformation Plan is a three-year programme of work, underpinned by a range of projects, which seek to deliver customer, and staff satisfaction and cashable savings, which supports the council's organisational transformation agenda.

The aim is the delivery of improved outcomes for citizens, underpinned by strengths based practice, with a focus on prevention, maximising and enhancing citizen independence, wellbeing and autonomy, community resilience, prevention and enablement. It is anticipated that this will lead to a reduction in the need for statutory services.

With the commencement of this EqIA, comes the anticipation that the proposal will have a positive impact on age, gender and disability as more women and older people access adult social care provision. The impact on all protected characteristics will be updated as further evidence is gathered.

There has been a need to consult on the reshaping of the council's Provider services. This is part of the long term work that has been delivered in terms of developing an all age approach and also through the ongoing work to continually achieve a strength based approach that asks people what their aspirations are.

The aim is to create a seamless and robust management and delivery model that supports the internal provider activities under the umbrella of one management structure and a streamlined front line team that have generic roles to deliver a mix of regulated and none regulated activities as part of the model.

This work is linked directly to all age, day opportunities and the promotion of meaningful activities focussing on a strength based approach, as well as the development of a new Target Operating Model. The reshape also fits within the priorities for the council's transformation agendas.

Local and regional work has enabled the Service to consider the lessons learned from work undertaken recently by ADASS (Association of Director of Adult Social Care) as part of the Post Covid-19 review. In protecting characteristics, the reshape will provide different ways in which people can choose to receive their support, thus demonstrating inclusion across community based activities.

The intentions of the reshape is to ensure that Walsall Council continues to support local agendas and to deliver front facing outcomes with people referred into the Service, as part of time-limited intervention. Whilst the proposal is purporting to have a positive impact on people with protected characteristics, the EDI team is awaiting further information around how any potential impact will be mitigated on people with protected characteristics, so has marked the proposal as C. It should also be noted that some Adult Social Care budget proposals are linked into the CAM EqIA, so will be subject to work undertaken on that process.

4. Ongoing EqIAs and implementation

4.1 EqIAs are live assessments, continuing through the budget considerations as well as during the implementation. Some will not have completed consultation and engagement by the time Cabinet and Council meets and certainly not in time for this report. The EDI team has engaged with proposal holders, working with them and their proposals to ensure that equality is being considered throughout the process. An update will be provided as part of Corporate Management Team (CMT) quarterly monitoring.

5. Equalities Monitoring Process

5.1 Findings from the cumulative impact assessments and corrective actions are monitored quarterly by Equality Champions, Departmental management teams and CMT where updates will be provided as appropriate.

5.2 The EDI team will carefully consider the full impact of all EqIAs, with the support of CMT and Equality Champions. 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 CMT and reports provided to Cabinet as required.

SECTION B – Part 1

For Approval by Cabinet and Recommendation to Council:

Corporate Budget Plan, incorporating the Capital Strategy, Flexible Use of Capital Receipts Strategy and Treasury Management and Investment Strategy

2022/23 to 2025/26

February 2022

Contents **Page No**

Part 1 – Revenue and Capital Budget Plan

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

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 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.

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 spending round for 2022/23 and the following three years to 2025/26, and is constructed as an integral part of the council's planning processes.

It is aligned to its priorities, objectives, specifically the Council Plan, and the council's Proud Programme of transformational change. It aims to achieve this through the delivery of efficiencies, income reviews and service reviews, redesigns to redirect existing and reducing resources to areas of high council priority in order to deliver the council's outcomes.

This budget has been prepared using the council's high-level purpose and priorities as outlined in the Council Plan. The 2021/22 plan presents the council's five priorities with 10 identified outcomes, measured against 20 markers of success. This process ensures transparency and accountability as the council will measure achievements and identify gaps with the focus on reducing inequalities and maximising all potential across the borough. The plan outlines how the council matched resources to the delivery of outcomes in 2020/21 and highlights some of the feedback from 'The Impact of Covid-19: Residents' experience and wellbeing survey', which was carried out in October 2020. All of the learning from the feedback will assist in developing the medium term strategy for 2022–26, with the next Council Plan (Corporate Plan) being published in April 2022. This will allow the council to undertake further research, analysis and to listen to our communities to inform the Council Plan 2022 to 2025.

The council's financial plan and budget will therefore be reviewed and aligned to the new Council Plan in the next budget cycle. This budget plan, cash limits, savings and investments are aligned to the councils five priorities and specifically the 10 outcomes which are as follows:

Economic Growth

- Creating an environment where business invests and everyone who wants a job can access one
- Education, training and skills enable people to fulfil their personal development

People

- People live a good quality of life and feel they belong

- People know what makes them healthy and they are encouraged to get support when they need it

Internal Focus

- Internal services deliver quality and adapt to meet the needs of customer facing services
- Services are efficient and deliver value for money

Children

- Children thrive emotionally, physically, mentally and feel they are achieving their potential
- Children grow up in connected communities and feel safe everywhere

Communities

- Housing meets all people's needs, is affordable, safe and warm
- People are proud of their vibrant town, districts and communities

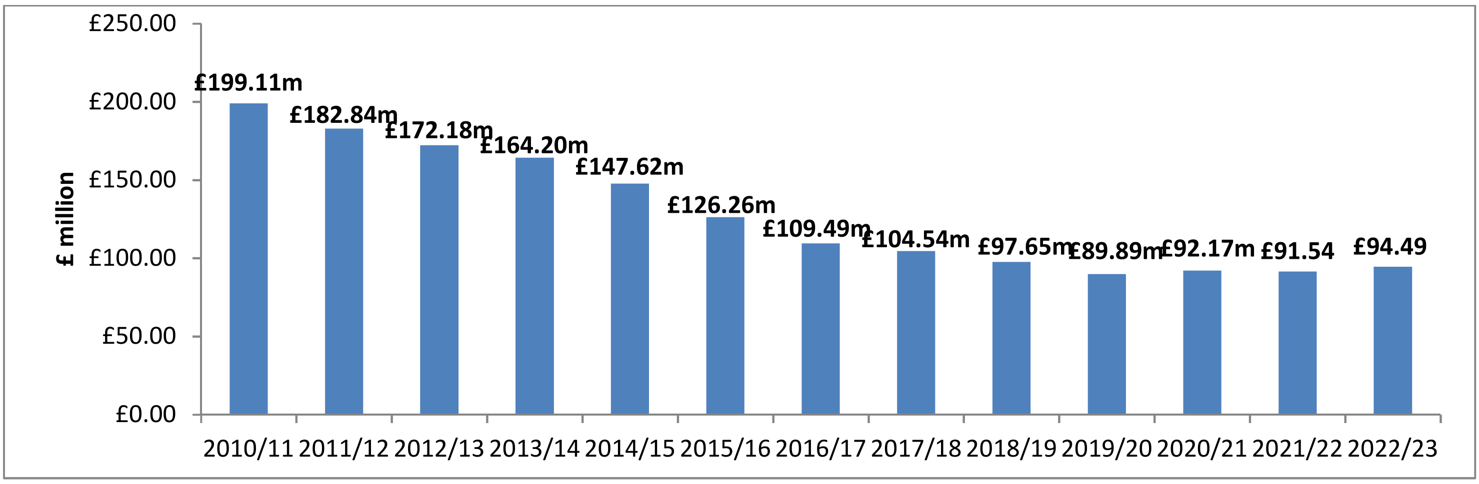
The council will be a key enabler of improvements to Walsall and its' Districts as a place to live, learn and work; working innovatively and collaboratively with strong and resilient communities, public sector partners, schools and businesses to shape services that deliver real and sustainable improvements 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 focus 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.

1.1 Our Challenges

1. Core Government Funding

Around half of Walsall's funding comes from Government grant (c57% - top up, schools DSG and some specific service grants). In 2010, Walsall received £199.11m of Government core funding support to deliver services, alongside income generated from council tax. Between 2010/11 and 2022/23, Government has cut funding by c£104.62m. Alongside cost pressures over the same period, savings totalling over £249m have had to be identified and implemented.

Government Funding 2010/11 to 2022/23



Total forecasts for core funding are shown below, which compares the baseline funding for 2022/23 (as advised in the provisional local government settlement received on 16 December 2021) with comparative data for 2021/22. The impact of Covid-19, including the issuing of business rates reliefs are expected to be covered by specific government grants, which will impact on the distribution of funds identified below. Government have announced a one-year provisional local government finance settlement for 2022/23 only. The Spending Review (SR21) on 27 October 2021 set out the economic forecast and departmental budgets for the three year period 2022/23 to 2024/25, so we were expecting some clarity over funding for the period to 2024/25 in the provisional settlement, which was not forthcoming.

	2021/22 £m	2022/23 £m
Business Rate Retention (BRR)	74.61	74.61
Top Up Grant	18.09	18.64
Baseline Funding *	92.70	93.25
Walsall's own estimate of baseline funding	91.39	88.04
Shortfall against baseline	(1.31)	(5.21)

** Government set Walsall a baseline figure under the business rates retention scheme (Settlement Funding Assessment – SFA as referred to in table 6).*

In previous years we have generally collected c£500k less than the Government's baseline estimates. The above table shows an estimated shortfall in 2021/22 of £1.31m and £5.21m in 2022/23. The main reason for this is due to the impact of the pandemic on collection of business rates income which has resulted in a reduction in income received and the need for an increase in the bad debt and appeals provisions.

The Government replaced the way it funds councils with a new scheme known as Business Rate Retention (BRR) from April 2013. A review of the scheme by Government to amend the % of retained business rates from 49% to 75% was due to be finalised by 2021/22 but due to delays this has not been fully undertaken or introduced.

The provisional settlement for 2022/23 announced on 16 December 2021 confirmed that the Government will not proceed with the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% Business Rates Retention in 2022/23. The reset of accumulated business rates growth will also not take place in 2022/23. These decisions were reported as allowing both the Government and councils to focus on meeting the immediate public health challenges posed by the Covid-19 pandemic.

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 (c20% 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 1.99% over the next four years, with an additional 1% in 2022/23 for Adult Social Care activity, in line with current referendum principles.

The provisional settlement for 2022/23 was announced on 16 December 2021, with the final settlement expected in February 2022. The future financial environment continues to be challenging for councils for 2023/24 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.

2. Impact of Covid-19

2021/22 has been a challenging year, with the global pandemic impacting greatly on service delivery and financially for the second year. Emerging service pressures and Covid-19 have required action to be taken to limit the council's financial exposure. These actions continue to ensure that the budget is balanced at year-end, with a sufficient level of reserves to manage existing liabilities and emerging risks which may arise in 2022/23, including the unknown ongoing impact of Covid-19.

The council continues to respond to the financial challenges imposed by Covid-19. Government originally committed to fully compensating councils for the costs of authorities' responses to Covid-19 and has to date allocated £76.57m of funding (plus £156.10m of support to Walsall residents and businesses) to help support those costs in Walsall. As well as the initial costs of funding the council's response, the impact of Covid-19 includes significant loss of income following closure of services and facilities; a considerable impact on the council tax and business rates income; and delays to the delivery of approved budget savings as the council has refocused its resources on its response to Covid-19.

The council is able to manage the financial impact of Covid-19 in 2021/22 within allocated funds, *providing* Covid-19 cost pressures and income losses remain within the predicted scenario as reported to Cabinet, however should cost pressures and income losses substantially exceed this, then additional further action will need to be taken. Given the current nation-wide position, the risk of further impact increases, not only for the remainder of 2021/22, but also into 2022/23.

The 2021/22 budget was predicated on delivery of £28.90m from Proud benefits from the adoption of new ways of working across the council, significantly enhancing our enabling technology capabilities, and improving our service efficiency and performance. Covid-19 has had some continuing impact on the delivery of savings, however this is much reduced compared to the previous year. All savings are expected to be delivered in year, with the exception of £7.56m (26%) at risk of delayed or non-delivery, which includes £598k of savings funded by one off Covid-19 grant in 2021/22 now expected to be delivered in 2022/23. This is in the main due to: an inability to generate some fee and charge increases due to facility closures and a reduced client base on reopening some services; and some delays in the commencement of consultation on a number of organisational redesigns. This is factored into the financial plan for 2022/23.

No further funding of the ongoing impact of losses due to the Covid-19 pandemic have been announced beyond 2021/22. As such, an assurance from Government that they will fund all ongoing pressures and income losses in relation to Covid-19 would be welcome.

3. Demand and other cost pressures

Alongside reductions in funding, the council also faces increasing cost pressures due to both increasing demand (for example, as a result of welfare reforms reducing individuals disposable incomes further, the numbers of older people requiring support to remain independent, etc), new burdens imposed by Government, but without the corresponding full funding given, and the continuing impact of Covid-19.

In summary, the following summarises initiatives, demand and other pressures that have and will continue to have financial implications for the council over the coming years:

- The existing and future unknown ongoing impact of Covid-19, including ongoing cost pressures and reductions in income as a result of a reduced take up of Council services. The knock on impact of Covid-19 also includes delays in delivery of some approved 2021/22 Proud savings, which are expected to be fully implemented in 2022/23;
- Continued reductions in core government grant funding, for example:
  - Impact of the future review of full business rate retention (BRR) and revaluation;
  - Impact of the future review of Relative Needs and Resources (formerly the Fair Funding Review) to include the setting of new baseline funding allocations, subject to confirmation. The Government have confirmed that this will now not happen in 2022/23;
  - Impact of funding beyond 2022/23 (provisional settlement on 16 December 2021 confirmed a one year settlement for 2022/23 only);
  - Continuation or otherwise of other specific grants e.g. public health, improved better care fund, social care, troubled families, etc;
- Increases in demand:
  - From an ageing population, increased costs in care packages and the impact of Covid-19 putting a strain on local authority systems both in financial and operational terms. For example, adult social care packages and placements costs have risen by £25.92m from £56.21m in 2010/11 to £82.13m in 2021/22 (with £5.20m being funded through Covid-19 reserves/ grant);
  - For children and young people in care, and the associated impact on numbers of social workers, and costs required to support these children. In March 2018, there were 930 children and young people receiving care or support from the local authority (644 looked after children / 286 non looked after children) with an average cost per placement of £735 per week for looked after children and £141 per week for non-looked after children. In comparison, in March 2021 there were 1,063 children and young people receiving care or support from the local authority (673 looked after children / 390 non looked after children) with an average cost per placement of £1,089 per week for looked after children and £198 per week for non-looked after children. This cost increase is mainly attributable to annual increases in market cost as well as an increase in the complexity and level of support needed for some children and young people currently receiving care and support from the local authority. For information, non-looked after children includes placements such as supported accommodation, special guardianship orders, care leavers & residence orders.

- Government reliance on individual council’s ability to raise income through council tax increases, rather than providing national ongoing funding to support social care pressures, etc;
- Welfare reform, including universal credit;
- Increased corporate costs, including costs in relation to pay and pensions and potentially national insurance (from the Governments Social Care Reform Paper ‘Build Back Better’ to fund a Social Care Levy). The Government announced on 7 September 2021 a Social Care Reform Paper ‘Build Back Better – Our Plan for Health and Social Care’ to make an additional £12 billion per year for health and social care on average over the next three years, which aims to support LA’s being put on a sustainable financial footing post the pandemic. This will be funded by a new, UK-wide 1.25 per cent Health and Social Care Levy introduced from April 2022, ringfenced for health and social care. This will be based on National Insurance contributions (NICs) and from 2023 will be legislatively separate, and will also apply to individuals working above State Pension age. We anticipate this will cost the council c£788k in employee NI contributions, which in 2022/23 will be compensated for through grant.

Further information on cost pressures and how these are being managed within the medium term financial framework are outlined in section 2 and summarised in **Annex 5**.

1.2 The Medium Term Financial Framework (MTFF)

The MTFF 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 effective 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 MTFF 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 MTFF is the overarching corporate financial policy sitting below the Council Plan and above the other elements of the financial cycle. It is the driver for all other financial activity. Below the MTFF sit the other financial strategies; the Capital Strategy and the Treasury Management and Investment 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 Framework</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. We will also ensure that we benchmark against the Financial Management Code of Practice.

How we will achieve this is through:

- Financial Governance and Leadership
- Financial Planning
- Finance for Decision making
- Financial Forecasting and Monitoring
- Financial Reporting

Financial governance and leadership

1. Our senior 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 framework, 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 council 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. 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, 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, 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 2022/23 Revenue Budget

The budget has been prepared for the period 2022/23 to 2025/26 and extends beyond the current Parliament. The 2021/22 position is reported regularly to Members. The current position is that despite a forecast overspend of c£1.08m as at December 2021 and because further work is in hand to bring the position in line with budget that we expect the budget to be balanced by year end with a nil overspend. Covid-19 cost pressures / income losses are expected to be funded from Covid-19 grants made available by the Government, subject to the unknown impact for the remainder of 2021/22, the risks of which are being monitored on a regular basis.

The focus in this plan is 2022/23, as this is the year for which Full 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 2023/24 and beyond.

2.1 2022/23 Revenue Budget Headlines

The revenue budget is constructed in accordance with the council's Medium Term Financial Framework (MTFF), the Council 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 **£138.43m**;
- A 2.99% council tax increase, equivalent to a Band D Council Tax of **£1,927.84** (excluding precepts) and **£2,183.42** (including precepts) subject to confirmation of final precepts;
- Investment of **£15.60m** for Adult Social Care, Public Health and Hub cost pressures primarily to cover demographic changes;
- Investment of **£8.07m** for Children's Services, Education and Customer Engagement 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, reduced levels of income or grant, and pay changes of **£11.06m**;
- Bringing total investment to **£34.73m**;
- Savings of **£18.86m**;
- 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**£16.11m** as assessed and recommended by the S151 Officer.

The financial implications arising from the financing of the capital programme for 2022/23 are contained within this revenue budget.

2.2 Net Council Tax Requirement

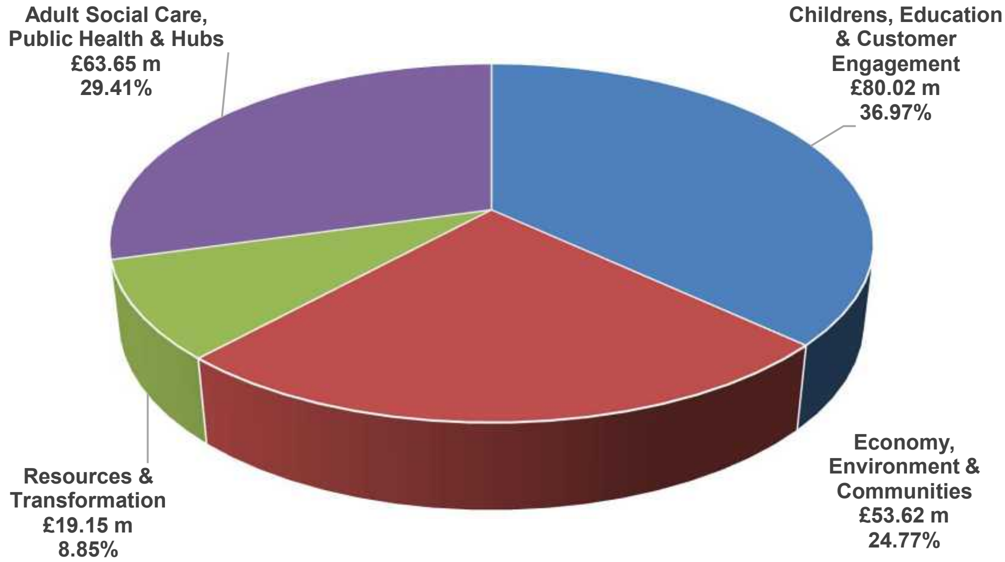
The gross revenue expenditure budget for 2022/23 will be **£703.98m**, and gross income will be **£565.55m**, resulting in a net council tax requirement of **£138.43m**.

It has been possible to commit to **£34.73m** of investment to address key priorities in 2022/23, funding of essential cost pressures, provision to fund inflationary pressures (i.e. pay and contractual) and corporate cost pressures to fund for example, pension costs. Income targets have also been realigned where ongoing shortfalls have arisen.

The change in council tax requirement from 2022/23 to 2025/26 is shown in **Table 1.**

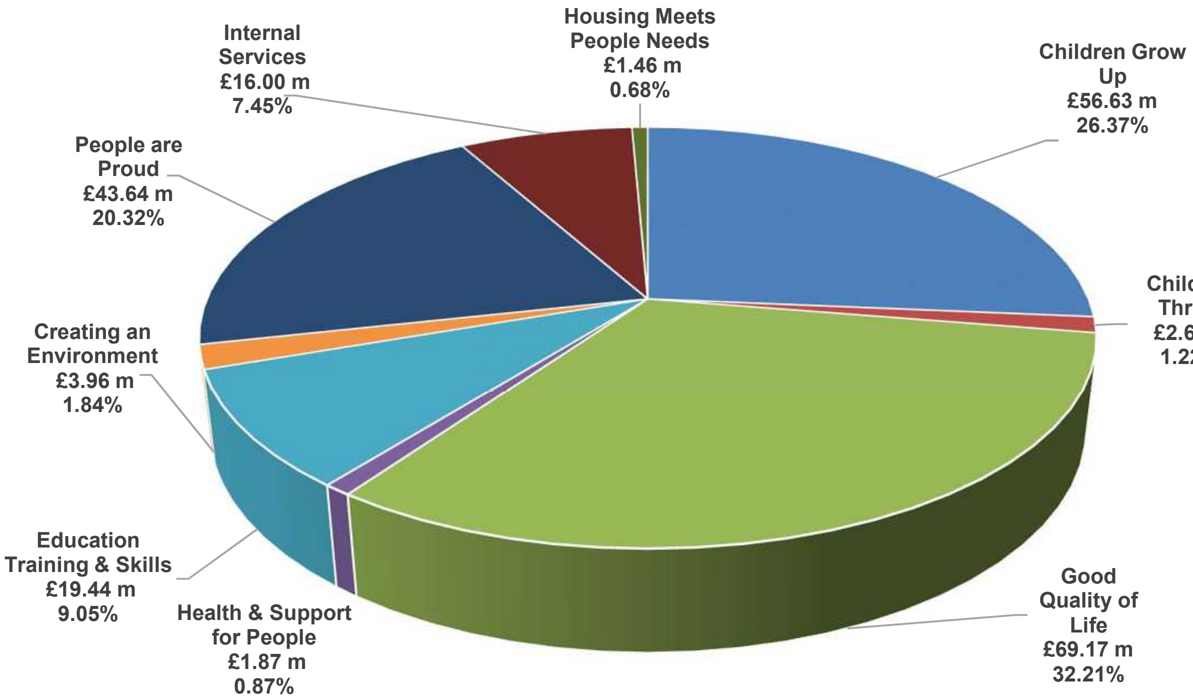
Table 1: Council Tax requirement				
	2022/23 £m	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Council tax Requirement	**132.55**	**138.43**	**143.56**	**148.88**
Cost Pressures:				
Growth / Investment **(Annex 5)**	34.73	21.89	15.99	13.41
Savings plans identified **(Annex 7)**	(18.86)	(6.89)	(1.15)	
Other savings to be identified		(5.35)	(10.38)	(10.94)
Other movements / funding changes:				
Other changes including base budget adjustments, grants, income	(1.44)	(7.75)	(1.68)	(0.28)
Core Funding changes	7.45	(9.46)	1.08	1.17
Collection fund (surplus) / deficit	1.04	0.28	0.00	0.00
Transfer to / (from) reserves	(17.04)	12.41	1.46	0.64
Revised Council Tax Requirement	**138.43**	**143.56**	**148.88**	**152.88**
Council Tax Increase – General	**1.99%**	**1.99%**	**1.99%**	**1.99%**
Council Tax Increase – Adult Social Care precept	**1.00%**	**0.00%**	**0.00%**	**0.00%**

Figure 2a – Net council tax requirement by directorate



Note: Figure 2a excludes centrally held and capital financing budgets

Figure 2b – Net council tax requirement by outcomes



Note: Figure 2b excludes centrally held and capital financing budgets

This results in a band D council tax for the Walsall Council element only of £1,927.84, representing an increase of 2.99% from 2021/22 levels (1.99% General, 1% Adult Social Care precept). Most properties in Walsall (67.52%) are in bands A or B (**Annex 3**).

2.3 Levies and Precepts

Table 2 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 2: Levies 2022/23				
Levy	**2021/22 £**	**2022/23 £**	**Increase / (Decrease) £**	**Increase / (Decrease) %**
West Midlands Combined Authority Levy (Transport)	11,182,889	11,411,844	228,955	2.05
Environment Agency	83,781	83,781	0	0.00

Walsall's precepting authorities are the West Midlands Police and Crime Commissioner, and West Midlands Fire and Rescue Authorities, as shown in **Table 3** below.

Table 3: Precepts 2022/23				
Precepting Authority	**2022/23 Amount £**	**Band D 2022/23 £**	**Band D 2021/22 £**	**Band D Increase %**
WM Police and Crime Commissioner	13,466,718	187.55	177.55	5.63
WM Fire and Rescue	4,884,782	68.03	63.04	7.91

Table 4 shows the Council Tax calculation at Band D.

Table 4: Net Council Tax Requirement and Council Tax Levels 2022/23		
Element of budget	**2022/23 budget £**	**Council Tax Band D £**
WMBC element - required from council tax	**138,425,250**	**1,927.84**
Police & Crime Commissioner precept	13,466,718	187.55
Fire & Rescue precept	4,884,782	68.03
Total from council tax	**156,776,750**	**2,183.42**

NB: based on an approved council tax base of 71,803.35 band D equivalents.

2.4 Council Tax – Referendum principles

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, which would require the seeking of support from 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 a set of 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 was no more than 6%. Walsall increased its social care precept by 3% in 2017/18, 2% in 2018/19, and 1% in 2019/20.

The provisional local government settlement for 2020/21, as announced on 20 December 2019, confirmed the council tax referendum limit of up to 4%, inclusive of 2% continuation of the social care precept. Walsall increased its council tax by 3.99% in 2020/21.

For 2021/22, the local government settlement announced on 10 February 2021, confirmed a council tax referendum limit of up to 5% (4.99% maximum), inclusive of 3% for a social care precept. Walsall increased its council tax by 4.99% in 2021/22.

The provisional local government settlement for 2022/23, as announced on 16 December 2021, confirmed the council tax referendum limit of up to 3%, inclusive of 1% continuation of the social care precept. This would mean if a local authority seeks to raise its relevant basic amount of council tax by 3% or more for 2022/23, local people would have the right to vote to keep council tax bills down through a binding referendum veto.

Walsall proposes to increase council tax by 2.99% in 2022/23 (1.99% general increase and 1% precept for Adult Social Care), within the referendum limits set by Government.

The provisional settlement announced an increase in Core Spending Power for local authorities in England from £50.4bn in 2021/22 to £53.9bn in 2022/23; a real terms increase of over 4% (£3.5bn). However, this is heavily reliant on councils making the maximum council tax increase as well as the number of properties eligible to pay council tax continuing to grow at pre-pandemic levels. Overall, £1.4bn (40%) of the £3.5bn spending power increase first announced at the Spending Review comes from council tax. Given the scale of the challenge in 2022/23, with an initial funding gap of £18.86m, Walsall has opted to increase the council tax by the maximum permitted, as this secures ongoing funding to support essential service delivery. This equates to a council tax increase of £1.07 per week or 15p a day for a band D property or a 72p increase per week (10p per day) for a band A. 67.5% of residents are in band A and B increasing to 83.5% including band C. It is recognised that the above may have an impact on residents' income. Where residents are on low incomes, they may be entitled to council tax reduction, may be offered welfare benefits and/or money management advice. The council also has a discretionary scheme in place to help those who need support. The council will continue to monitor impact.

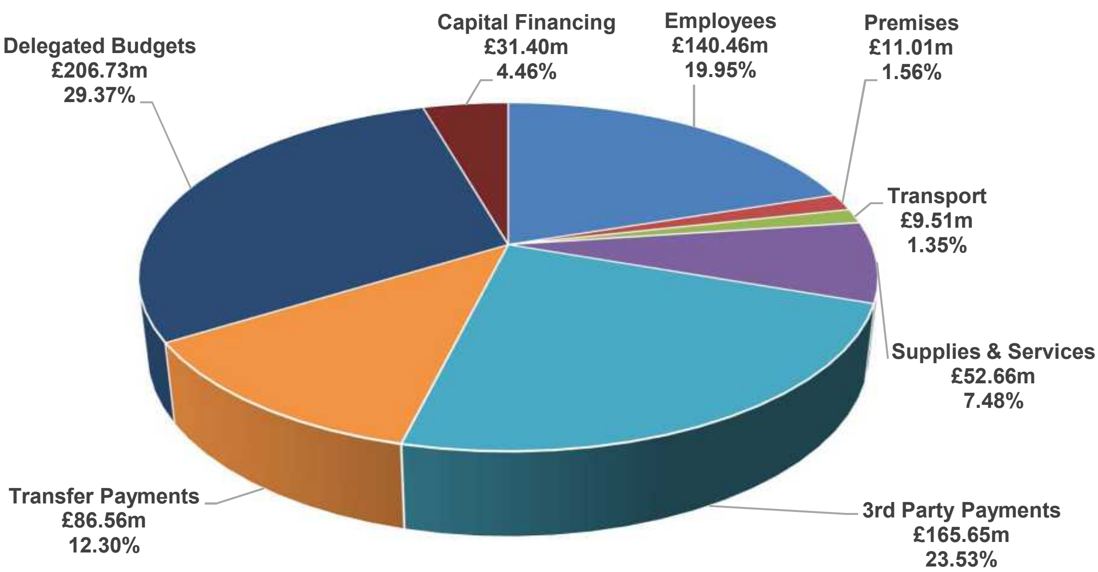
2.5 Expenditure and Income

Expenditure analysis

The council analyses its expenditure by category, as referred to in **Table 5,** and illustrated in **figure 3.**

Table 5: Expenditure by Category of Spend	
Type of Expenditure	**£m**
Employees	140.46
Premises and Transport	20.52
Supplies and Services	52.66
Third Party Payments	165.65
Delegated Budgets	206.73
Leasing and Capital Financing	31.40
Transfer Payments	86.56
Total Expenditure (excluding Internal Recharges)	**703.98**

Figure 3 – Spend by Type of Expenditure

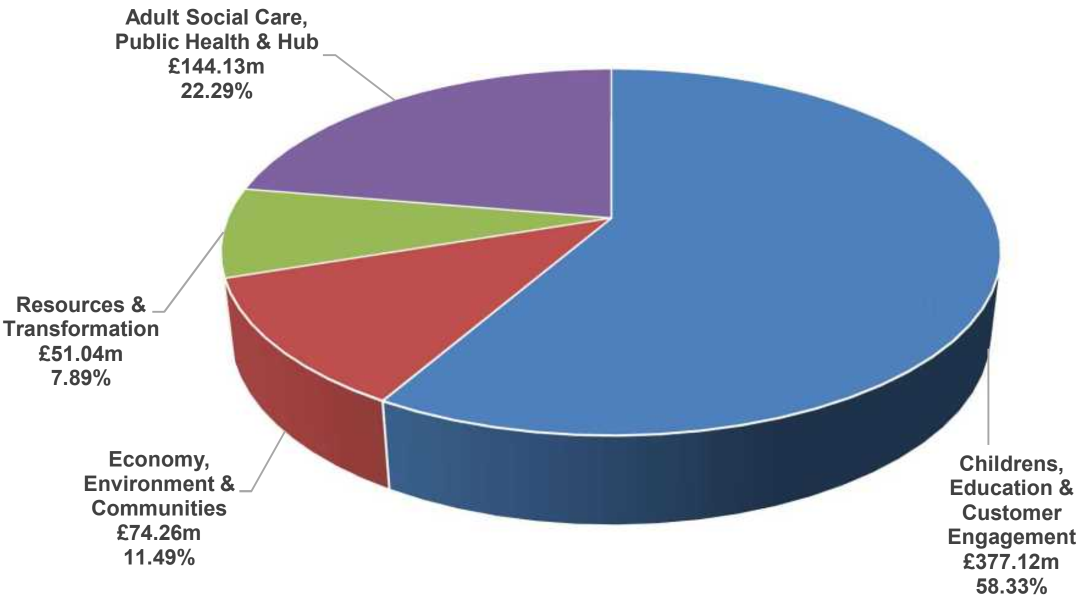


Notes

- *Transfer payments include expenditure such as housing benefits, 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.*

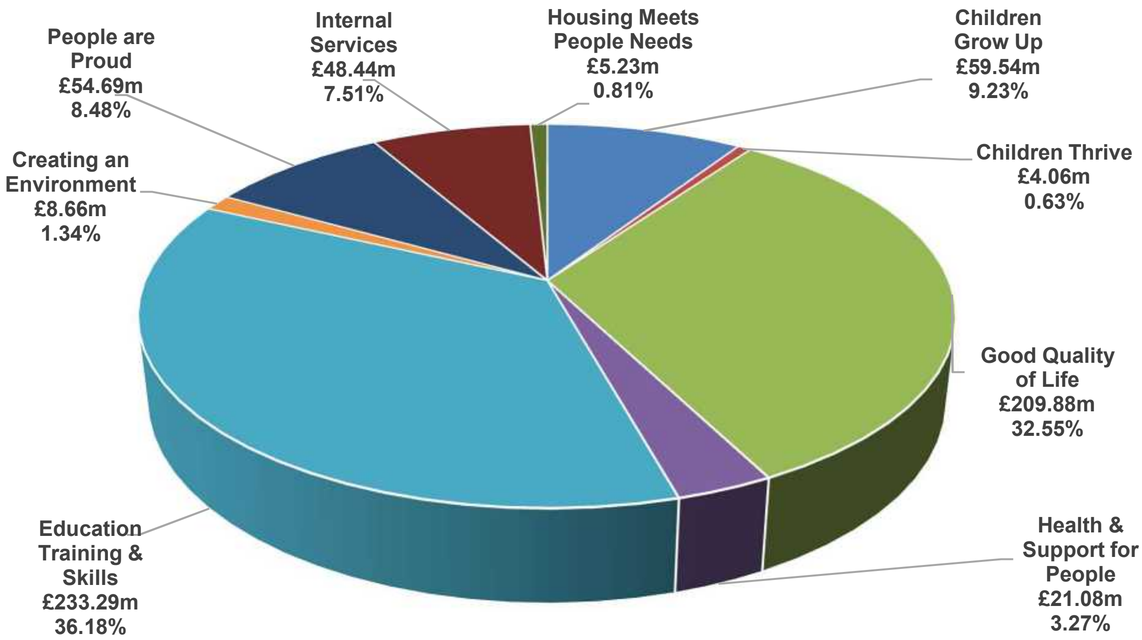
The total council expenditure is analysed by directorate in **figure 4a** and outcome in **figure 4b**. For Children's, Education and Customer Engagement, 19.15% of the £377.12m relates to Housing Benefit payments and 54.82% relates to Schools.

Figure 4a – Gross expenditure by directorate



Note: Figure 4a excludes centrally held and capital financing gross expenditure budgets

Figure 4b – Gross expenditure by outcome



Note: Figure 4b excludes centrally held and capital financing gross expenditure budgets

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 some services, such as parking, use of leisure facilities, etc. In 2022/23 the council tax will account for c20% of total income. **Figure 5** shows all the main sources of income, which is analysed by directorate at **Figure 5a** and by outcome at **Figure 5b**.

Figure 5 – Sources of income

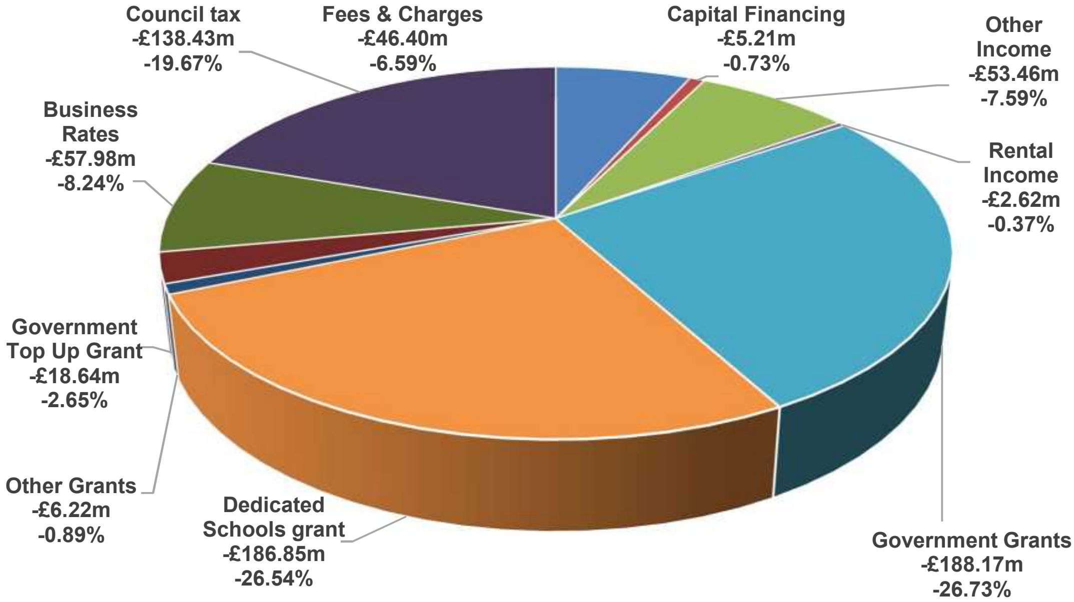
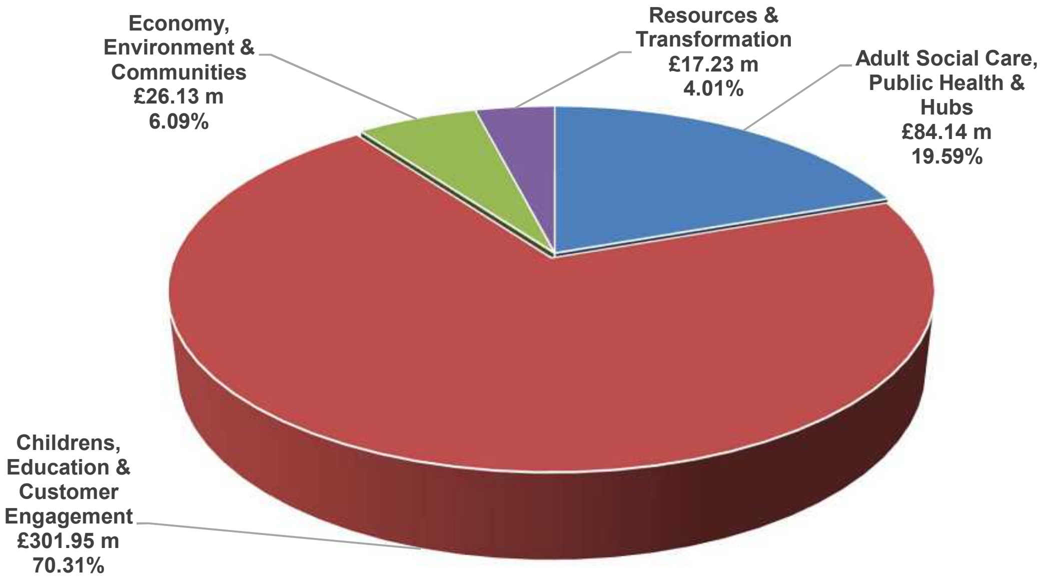
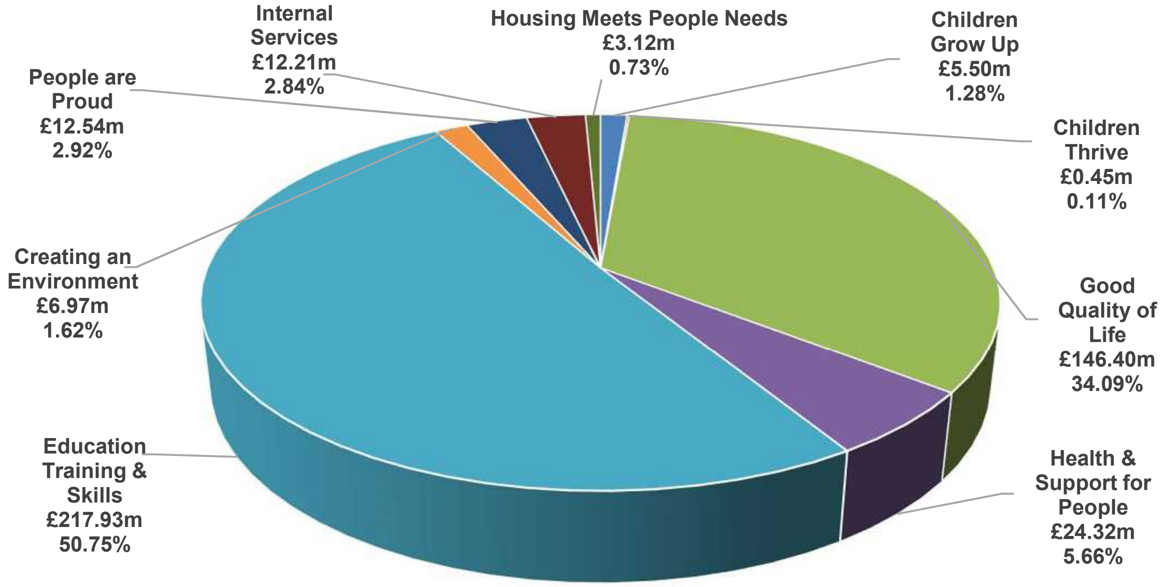


Figure 5a – Gross income by directorate



Note: Figure 5a excludes centrally held and capital financing gross income budgets

Figure 5b – Gross income by outcome



Note: Figure 5b excludes centrally held and capital financing gross income budgets

Council services are required to annually review their fees and charges to ensure they remain relevant, competitive, and recover appropriate costs of running the service (where applicable). Through the Income Generation and Cost Recovery workstream of the Councils Proud redesign activity, it was recommended for the Council to annually publish a central fees and charges register of all charges levied on the Councils webpage, and for this to be annually reviewed. The fees and charges register for 2021/22 is a key document on the publications page, and can be accessed by the following link –
https://go.walsall.gov.uk/your_council/decision_making_in_walsall_borough/publications
This document will be updated for 2022/23 charges once they have been finalised following approval of the 2022/23 budget.

2.6 Government central funding and business rate retention

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. A review of the scheme by Government to amend the % of retained business rates from 49% to 75% was due to be finalised by 2020/21 but due to delays this has not been fully undertaken or introduced.

Areas that have agreed a Devolution Deal had 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. Walsall, along with the other six West Midlands Authorities, has been 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 2022/23.

The provisional settlement for 2022/23 announced on 16 December 2021 confirmed that the Government will not proceed with the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% Business Rates Retention in 2022/23. The reset of accumulated business rates growth will also not take place in 2022/23. These decisions were reported as allowing both the Government and councils to focus on meeting the immediate public health challenges posed by the Covid-19 pandemic.

Coupled with only a one year settlement for 2022/23, there therefore remains considerable uncertainty in respect of the amount of income we will receive in Government funding from 2023/24 onwards.

The 2022/23 provisional finance settlement announced on 16 December 2021 represents the tenth year in which the BRR scheme is the principal form of local government funding, summarised as follows:-

- Business rates local share - **£69.40m** in 2022/23 – this is an estimate of what Walsall will bill in business rates plus compensation for one-off additional reliefs. This local share is guaranteed income to revenue and is based on the council retaining 99% of what is expected to be billed in 2022/23, as part of the pilot scheme. Government set Walsall a baseline figure under the business rates retention scheme of £74.61m for 2022/23 due to the impact of the pandemic.
- Top up grant – **£18.64m** in 2022/23. 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 has been piloting 100% business rates retention since 2017/18, which will continue into 2022/23. 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 influence and not control local spending levels. This will include income raised through council, 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). The provisional settlement on 16 December 2021 summarised Walsall's change in spending power as an increase of £17.5m (6.84%) as set out in **Table 6**.

Table 6 : Government Core Spending Power			
	2021/22 £m	2022/23 £m	Variance £m
Top Up	18.08	18.64	0.55
Business Rates	74.61	74.61	0.00
Total Settlement Funding Assessment (SFA)	**92.70**	**93.25**	**0.55**
Compensation for under indexing	3.90	6.14	2.25
Council Tax Requirement	132.55	137.37	4.83
Improved Better Care Fund	13.76	14.18	0.42
Social Care Grant	11.20	15.21	4.01
New Homes Bonus	1.14	0.45	(0.69)
Lower Tier Services Grant	0.44	0.46	0.02
Market Sustainability & Fair Cost of Care Fund	0.00	0.97	0.97
2022/23 Services Grant	0.00	5.15	5.15
Core Spending Power	**255.69**	**273.19**	**17.50**

2.7 Collection Fund

The collection fund is accounted for separately to the 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 2022, which incorporated the impact of Covid-19 on lost council tax and business rate, calculated the following:

- Council Tax - an estimated in year surplus of £746k for Walsall (total estimated surplus for 2021/22 of £842k including precepts) Offsetting this surplus in accordance with the regulations put in place due to Covid-19 is a charge of £684k for the spread of the 2020/21 exceptional balance to be spread over three years. A brought forward cumulative surplus of £250k from 2020/21 (total actual surplus of £282k including preceptors) and payments from the collection fund totalling £109k to the council and £14k to preceptors means there is a net surplus of £282k for Walsall (total actual net surplus for 2021/22 of £318k, less the required contribution of £36k to the West Midlands Police and Fire & Rescue);
- Business Rates – an estimated in year surplus of £15.63m for Walsall (total estimated surplus for 2021/22 of £15.84m). In addition there is a brought forward deficit totalling £33.86m for Walsall (£34.20m including West Midlands Fire & Rescue) meaning there is a carried forward deficit into 2022/23 totalling £18.23m for Walsall (£18.36m including West Midlands Fire & Rescue). This is partially offset by Covid-19 grant income to be applied in 2022/23 totalling £12.62m. In accordance with regulations put in place due to Covid-19 this deficit also includes amounts to be spread over three years.

Changes to council tax base

Council tax base is to be set at 71,803.35 Band D equivalents (70,809.41 in 2021/22). The council tax base (which measures the number of Band D equivalent properties) has increased mainly due to estimated new build properties in the borough.

Changes to collection rates

In year collection for council tax is expected to be 93.0% in 2021/22, up from 92.5% in 2020/21. Collection rates remain below pre Covid-19 levels of approximately 94.0% mainly as a result of Covid-19 and the short term impact on people's ability to pay. However over the longer period 97.8% of debt is still expected to be collected, in line with budgeted expectations.

Collection rates for business rates are expected to be better than 2020/21 but remain down on previous years as a result of the ongoing pressures businesses are seeing due to Covid-19. Uncollected debt for the 2021/22 billing year as at 31 March 2022 is expected to be approximately £3.7m compared to £5.4m in 2020/21 and £2m in 2019/20. Collection rates performance for business rates in 2020/21 and 2021/22 are not comparable to prior years due to a number of rates reliefs being made available by Government to support businesses during the pandemic.

Smoothing of collection fund losses

The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into force on 1 December 2020 allowing the repayment of collection fund deficits arising in 2020/21 to be spread over the next three years rather than the usual period of one year, and these Regulations apply separately to each of the council tax and non-domestic rates collection fund balances.

2.8 Other specific grants / pooled funding

The council receives a large number of external grants which make up c57% of the councils total funding. The main grants are summarised below:

- Dedicated Schools Grant – this is passported directly to schools under a specified formulae. Grant is expected to increase by 5.42% between 2021/22 and 2022/23, representing an increase of £16.59m. Of this £10.32m relates to mainstream schools and in the main relates to an increase in pupil numbers and those children eligible for free school meals alongside a minimum increase in funding for Walsall of 0.5% per pupil. A further £7.25m relates to funding for children with high needs, and follows government direction over the previous two years of significant investment in this area to support increased need being seen nationally. Central School Services Block which funds the delivery of statutory duties for all schools has increased by £102k, however, funding received for early years education has reduced by £1.09m which is largely due to a reduction in 2 year old children placed in early years provision, this is due to a combination of reduced eligibility and a fall in take up of places amongst eligible families;
- Public Health Grant - Local Authorities in England took responsibility for the commissioning of some Public Health services from the National Health Service (NHS) on April 1st 2013. The grant is £18.20m and is still subject to final confirmation.
- Additional Social Care grant – funding initially announced in October 2018 to council's for adults and children's social care, which has continued each year thereafter. Distributed using the existing Adult Social Care Relative Needs Formula, the local allocation for Walsall is £15.21m in 2022/23 as announced in the provisional local government settlement on 16 December 2021;

- Better Care Fund (BCF) – The authority is the lead for the BCF pooled budget which involves partnership working between adult social care and Walsall Clinical Commissioning Group (WCCG), with both parties making a contribution into the fund. BCF (formerly the Integration Transformation Fund) was announced by the Government in the June 2013 spending round, at a national value of £5.3bn, to ensure a transformation in integrated health and social care. It creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services. The 2015/16 financial year was the first year of the BCF, with the Improved Better Care Fund (iBCF) introduced in 2017/18. For 2022/23, £10.99m is expected to be received for BCF and £14.18m for iBCF;
- New Homes Bonus (NHB) - introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas by rewarding local authorities for net additional homes added to the council tax base. It is paid annually from a top-slice of Revenue Support Grant. The provisional settlement on 16 December 2021 announced that the Government will maintain the current approach to the New Homes Bonus payments in 2022/23. This is assumed to be one off for 2022/23 only of £450k and no longer includes legacy payments;
- Housing Benefit grant of £72m, expected to reduce annually as we continue to move to Universal Credit. Any change is a net nil impact to the authority;
- A new Lower Tier Services Grant was introduced in the 2021/22 local government finance settlement for local authorities with responsibility for lower tier services. The government proposes to keep the Lower Tier Services Grant for another year, maintaining the value of the grant from 2021/22 into 2022/23 of £462k, as announced in the provisional settlement on 16 December 2021;
- Market sustainability and Fair Cost of Care Fund - outlined at SR21 that social care reform funding would be part of Core Spending Power. In 2022/23, this will be the Market Sustainability and Fair Cost of Care Fund worth £162 million, to be distributed using the existing relative needs formula. The 2022/23 funding is designed to ensure local authorities can prepare their markets for reform (particularly the impact of section 18(3)) and move towards paying providers a fair cost of care, as appropriate to local circumstances. Walsall's allocation of £966k was announced in the provisional settlement on 16 December 2021;
- New 2022/23 Services Grant of £5.15m for Walsall as announced in the provisional settlement on 16 December 2021. This grant is for 2022/23 only. The funding will go to all tiers of local government in recognition of the range of vital services delivered by councils across the country. This grant will be unringfenced with local authorities best placed to understand local priorities, with no reporting conditions attached. This is so local authorities can provide support across the entire sector in recognition of the vital services delivered at every level of local government;
- Other grants are expected to continue at current levels – these include specific grants for schools (Pupil Premium, 6th Form, Teachers' pay/pensions), Street Lighting, and Leisure related funding.

2.9 Growth and Investment

The following key financial planning assumptions are included and are based on best professional estimates. The draft budget 2022/23 – 2025/26 includes provision for investment and cost pressures of c£86m, as shown in **Annex 5**, and summarised below, which are proposed to address service demand pressures linked to council priorities in the Council Plan, and the prioritisation of key services.

Primarily, investment covers:

1. *Provision for pay and pensions (corporate cost pressures) and contractual inflation:*
   - Annual pay increase and provision for pay increments;
   - Impact of pension auto-enrolment and tri-annual employer pensions contributions based on the latest valuation information;
   - Provision for contractual increases;
   - Managing the cost of energy price changes;
   - No provision for general inflation – services are required to manage this within existing budgets.

2. *Demand, demographic changes and managing market conditions within Services (demand led cost pressures):*
   - Increases in placements/costs for Looked after children;
   - Increased care packages/costs within Adult Social Care arising from an increased ageing population with more complex care needs;
   - Investment to vulnerable resident's in crisis;
   - Support to the Adult Social Care market i.e. payment on plan;
   - Supporting social worker recruitment and retention in Children's Services;
   - Supporting recycling;
   - Covid-19 cost pressures across all services;
   - Waste collection and disposal costs.

3. *Other service based pressures/investments:*
   - Investment to deliver change and new ways or working through the Proud programme;
   - Delivering on the Administration's pledges in respect of enhanced street cleansing initiatives, fly tipping enforcement, play grounds in parks, etc;
   - Funding of ongoing fees and income shortfalls e.g. Active Living, Car Parking etc;
   - Fall out of grant.

4. *Other central provisions:*
   - Review of capital financing, treasury debt and investment portfolio;
   - Revenue implications of capital programme;

Table 7 below summarises investment into directorates.

Table 7 : Investment by directorate				
Directorate	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Adult Social Care, Public Health & Hub	15.60	9.45	5.30	3.91
Children's, Education & Customer Engagement: - Children's Services - Customer Engagement	 7.95 0.12	 5.11 0.86	 3.73 0.00	 3.84 (0.36)
Economy, Environment & Communities	3.16	0.49	0.02	0.34
Resources and Transformation	2.01	1.71	0.10	0.08
Central / Capital Financing	5.90	4.27	6.84	5.60
Total	**34.73**	**21.89**	**15.99**	**13.41**

2.10 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 £28.90m were approved by Council in February 2021 for 2021/22. Due to the impact of Covid-19, there has been a small delay in the full implementation of approved savings into 2022/23 as set out in previous sections.

Our approach to budget setting was established in 2020 with overall financial savings expected to be delivered via Proud activity. For 2022/23 Proud work streams will continue to provide the ‘enablers’ to allow directorates to deliver their service transformation plans.

For 2022/23 and future years, the council’s medium term financial framework has been updated to reflect the predicted changes to direct government funding, the collection fund and other known cost pressures set out in the previous sections of this report, resulting in a revised requirement to make changes to service delivery to meet a four year funding shortfall of c£53.57m as follows:

2022/23 - £18.86m
2023/24 - £12.24m
2024/25 - £11.53m
2025/26 - £10.94m

2.11 Walsall Proud change activity

Our approach to setting the budget from 2020/21 was different to previous years. The new approach set the overall financial savings expected to be delivered via Proud work stream activity.

Walsall Proud (WP) is an extensive and ambitious programme of change designed to modernise the way the council works and deliver improved services to customers. The launch of the programme in April 2019 marked the beginning of a period of intensive activity designed to deliver sustainable improvements to both the council’s existing ways of working and as a consequence, its long term budget position. As such, these improvements are set to last well beyond the term of the programme putting the council in a sustainable position for the future, able to attract great employees, balance competing demands for scarce resource, provide easy access to council services and play a vital role in the future of our communities.

The Proud Promises are a key feature of the programme and guide the decisions of the Walsall Proud Board. The Proud promises are:

- Improve outcomes and customer experience
- Improve employee satisfaction and engagement
- Improve service efficiency and performance

Walsall Proud (WP) is the council’s transformation programme to transform the way the council works; Achieve Improved Outcomes and Customer Experience; Improve Staff Satisfaction and Engagement; and Improve Service Efficiency and Performance. Proud activity covers all council services and consists of a number of key work streams, as follows:

- Commissioning, Procurement & Contract Management (Third Party Spend)
- Enabling Communications and Culture
- Customer Access and Management
- Designing the Ways of Working – Hub and Enabling Support Services
- Enabling Technology
- Income Generation & Cost Recovery
- Connected Working
- Corporate Landlord

The Proud business case set out up to £70.26m of ongoing saving opportunities, of which savings to date are as follows:

- Delivered 2020/21 - £1.19m;
- Approved for delivery during 2021/22 - £28.90m (£26.62m after adjusting for one-offs of £2.28m) which is all expected to be delivered in year with the exception of £7.56m high risk which is currently under review;
- Identified for delivery in 2022/23 - £18.86m in this report;
- £2.72m of benefits identified but not approved;
- Identified for delivery in 2023/24 - £6.89m;
- Totalling £56.28m, leaving a further £13.98m to be identified and delivered, and therefore to contribute to the remaining gap of £5.35m in 2023/24 and contribute towards some of the gap in 2024/25.

Further details of the work streams and activity are shown in **Annex 6**. Cabinet approved a total investment cost to benefit ratio of 1:2.5 for Proud (for every one-off £1 invested, this will deliver £2.50 of recurring additional benefit which can be used to support the council's financial position or be reinvested into services).

The programme is developed around the following ten key outcomes, aligned to Council Plan priorities:

Economic Growth;

- Creating an environment where business invests and everyone who wants a job can access one
- Education, training and skills enable people to fulfil their personal development

People;

- People live a good quality of life and feel they belong
- People know what makes them healthy and they are encouraged to get support when they need it

Internal Focus;

- Internal services deliver quality and adapt to meet the needs of customer facing services
- Services are efficient and deliver value for money

Children;

- Children thrive emotionally, physically, mentally and feel they are achieving their potential
- Children grow up in connected communities and feel safe everywhere

Communities;

- Housing meets all people's needs, is affordable, safe and warm
- People are proud of their vibrant town, districts and communities

Proud savings of £18.86m are required in 2022/23 to balance the budget and these have been identified. These are summarised at **Annex 7**, split into two categories;

A. **Policy Proposals** - which require an Executive (Cabinet) decision to proceed, and which will be referred for public consultation and equality impact assessment prior to any decision being made to include these in Cabinet's final budget proposals. These total £282k over the two years, and relate to full year impact of savings approved in 2021/22;

B. **Operational Proposals** – savings which officers have delegations to implement; examples include restructures, back office savings, operational efficiencies. These total £25.48m over the two years.

Savings of £18.86m in 2022/23 are summarised by Proud Outcomes in **Table 8:**

Table 8: 2022/23 Savings by Proud Outcome			
Outcome	**Policy savings Annex 7A £m**	**Operational savings Annex 7B £m**	**Total savings £m**
Creating an environment where business invests and everyone who wants a job can access one	0.00	(0.19)	(0.19)
Education, training and skills enable people to fulfil their personal development	0.00	(0.57)	(0.57)
People live a good quality of life and feel they belong	0.00	(8.54)	(8.54)
People know what makes them healthy and they are encouraged to get support when they need it	0.00	(1.03)	(1.03)
Internal services deliver quality and adapt to meet the needs of customer facing services / Services are efficient and deliver value for money	(0.13)	(1.73)	(1.86)
Children thrive emotionally, physically, mentally and feel they are achieving their potential	0.00	(0.27)	(0.27)
Children grow up in connected communities and feel safe everywhere	(0.12)	(4.63)	(4.75)
Housing meets all people's needs, is affordable, safe and warm	0.00	(0.51)	(0.51)
People are proud of their vibrant town, districts and communities	0.00	(1.14)	(1.14)
Total Savings / efficiencies	**(0.25)**	**(18.61)**	**(18.86)**

The impact of Covid-19

Since March 2020, the council along with the communities it serves, has responded to the impact of the Covid-19 crisis. As a provider of public services and in its civic leadership role, the council quickly responded by re-prioritising services, responding to Government announcements, working in partnership and immediately redirecting resources to achieve the necessary crisis response. As part of this response, the council conducted a review of Walsall Proud activity in order to determine those activities which could continue and those which should be delayed whilst the council responded to the Covid-19 situation, using the following criteria:

- *Care* - Employees and residents are already experiencing disruption to their lives and significant amounts of uncertainty. Therefore, we will not conduct activities which may add to this.
- *Manage disruption* - We will identify those activities which can continue over the coming months so that we can continue to progress towards delivering the Programme benefits where possible.
- *Working remotely* - Our teams will work remotely and use the technology available to collaborate on service delivery, projects and deliver outputs. Exceptions to this will be managed and the impact on progress monitored.

Over the latter part of 2020/21, activity within the Programme resumed. This included preparing for employee consultations; completing outstanding design work within the Enabling Support Services; continuing with procurement activities within the Enabling Technology work stream; commencing work on the council's Strategic Asset Plan and providing Connected Working tools and techniques to support teams. In parallel and complementary to the Resilient Communities service transformation plan, public consultation was undertaken on the Resilient Communities proposals, in conjunction with the residents' survey, and engagement activities with partners.

Service Transformation Planning process (STP)

As part of the Reset process, the council identified an opportunity to bring together Proud activity and the work taking place in each directorate in response to Covid-19. During 2020/21, Proud activity supported directors to develop three-year service transformation plans (STPs) to deliver both financial and non-financial benefits. Each Director was asked to prepare an STP identifying:

- The strategic direction of travel for their service(s);
- How the service(s) would deliver against the 3 KPIs of the Proud Programme;
- How each service would use the new ways of working delivered by the Programme to deliver the 3 KPIs;
- Savings to be delivered.

This process has enabled directors to consider the practical application of the original Proud business case within their individual area and as a result generate the budget options set out within this report for 2022/23.

To complement and align with the new outcomes based budget process outlined in the draft budget report to Cabinet in October 2021, STP's will be reviewed and revised to ensure that:

- The Council Plan objectives and proposed Direction of Travel for each area has been considered;
- All future options for the application of new ways of working have been considered within each service transformation plan;
- Further options for service transformation in future are clearly identified including opportunities to bring that activity forward;
- Identification of benefit opportunities to meet the budget gap for 2023/24 onwards.

This work is required as the council continues to seek to address the budget position for 2023/24 and the years beyond. It also ensures that the Walsall Proud business case which sets out the benefits (including financial) to be delivered though investment in the programme is delivered. For a period, the council will be required to manage the implementation of STP's whilst continuing to deliver new ways of working through the work streams, for example, implementation of the Customer Access and Management capability is underway at the same time as director's will be seeking to use that capability as part of delivering their plans. This will put additional strain on resourcing throughout the organisation and requires a joined up approach to change management. Investment provided for in the 2022/23 budget ensures this will be the case.

Table 9 summarises savings identified for 2022/23 and 2023/24 by directorate:

Table 9 : Summary of savings by directorate			
Directorate	**2022/23 £m**	**2023/24 £m**	**Total £m**
Adult Social Care, Public Health and Hub	(9.01)	0.00	(9.01)
Children's, Education and Customer Engagement:			
- Children's Services	(5.43)	(1.70)	(7.13)
- Customer Engagement	(0.62)	0.00	(0.62)
Economy, Environment and Communities	(1.99)	(0.73)	(2.71)
Resources and Transformation	(1.82)	0.00	(1.82)
Central - Customer	0.00	(4.47)	(4.47)
Total	**(18.86)**	**(6.89)**	**(25.76)**

Table 10 shows net investment (investment less savings) for each directorate indicating significant net investment overall of £31m over 2022/23 and 2023/24, and specifically into the key priority areas of Adult Social Care and Children's Services.

Table 10 : Net investment by directorate						
Directorate	**2022/23**			**2023/24**		
	Investment £m	**Savings £m**	**Net £m**	**Investment £m**	**Savings £m**	**Net £m**
Adult Social Care, Public Health and Hub	15.60	(9.01)	6.59	9.45	0.00	9.45
Children's, Education and Customer Engagement:						
- Children's Services	7.95	(5.43)	2.52	5.11	(1.70)	3.42
- Customer Engagement	0.12	(0.62)	(0.50)	0.86	0.00	0.86
Economy, Environment and Communities	3.16	(1.99)	1.17	0.49	(0.73)	(0.23)
Resources and Transformation	2.01	(1.82)	0.19	1.71	0.00	1.71
Central / Capital Financing	5.90	0.00	5.90	(0.58)	0.00	(0.58)
Central - Customer	0.00	0.00	0.00	4.86	(4.47)	0.39
Total	**34.73**	**(18.86)**	**15.87**	**21.89**	**(6.89)**	**15.00**

Annex 1 outlines the indicative cash limit for 2022/23 by directorate, and **Annex 2** by outcome. **Annex 4** outlines indicative cash limits by directorate over the four year period to 2025/26.

2.12 General / Earmarked Reserves and Contingencies

The council's MTFF sets out how the council will structure and manage its finances now and in the future to ensure it continues to demonstrate financial stability and to ensure this facilitates delivery of the council plan objectives.

The council's statutory S151 Officer produces the Framework and advises on the level of reserves, in accordance with statute, best practice, professional opinion and the council's MTFF. 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 2022/23 budget, as outlined in **Annex 11**.

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.

3. Summary of the 2022/23 Capital Programme

Following the publication of the revised Prudential Code for Capital Finance in Local Authorities 2017, there is a requirement for councils to produce a Capital Strategy. 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 revised Capital Strategy is set out at **Annex 8**.

The council has an asset portfolio of £560m as at 31 March 2021. 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 2022/23 capital programme totals £186.96m, detailed in **Annex 9**, and is presented in two parts:

A. Council funded programme (£79.70m) - funded through borrowing and capital receipts (**Table 11/12**). Of this £1m 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.

   A further £25.84m provision is made for council pipeline investment opportunities, including emerging regeneration schemes, where funding or match funding is required, and major capital projects. This is the unallocated provision of the £28m approved in 2021/22 which has been carried forward into 2022/23. To access these funds, an outline business case needs to be approved by the council's Strategic Investment Board, followed by a full business case requiring (depending on investment levels requested) Cabinet approval. This allocation will include £500k per annum set aside for capital contingency, subject to approval.

B. Non-council funded programme (£107.26m) - funded from capital grants and other external contributions **(Table 13)**.

In addition, the council's leasing programme for 2022/23 is £0.43m, the revenue costs of which are funded from services own budgets **(Table 14).**

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 is being undertaken as part of the

Corporate Landlord work stream of the Proud Programme, which will inform the revision of the Capital Strategy and formulation of future years capital programmes.

Following consultation during 2020, HM Treasury revised access requirements for local authorities seeking to access borrowing from the Public Works and Loans Board (PWLB). These revisions mean that Local Authorities will not be able to access PWLB borrowing to buy investment property with the primary aim of ‘generating yield’, and specifically to access PWLB funding authorities will need to submit three year capital plans to PWLB, with the S151 officer confirming that there is no intention to buy investment properties primarily for yield at any point within those three years.

If there are any intentions by the authority to buy investment properties primarily for yield within the four year capital programme then PWLB will not be able to lend to the authority for the period of that programme. HM Treasury have also confirmed that where local authorities do seek to pursue debt-for-yield projects which they finance in other ways, such as through the use of internal cash balances or borrowing from other financial institutions, they would then not be able to access PWLB borrowing to refinance this element of debt going forwards. Walsall are not intending to pursue debt for yield.

As interest rates on PWLB borrowing are normally more favourable than other forms of borrowing, being unable to access PWLB and having to seek borrowing from other financial institutions is therefore likely to increase the overall revenue costs required to fund the elements of the councils capital programme which are funded from borrowing – for example every 1% increase in interest costs on a four year capital programme including circa £147m of capital spending funded from borrowing (similar to the level included within this report) would add £1.47m of additional ongoing revenue costs per year by the end of the four year period.

Council Funded Programme: Funded from Walsall’s own resources

Funding

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 is required to be funded from the 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 £78.18m of additional borrowing to fund high priority items in 2022/23.

Annex 10 sets out the council’s Flexible Use of Capital Receipts Strategy, which will utilise eligible new receipts to fund elements of the council’s Proud Programme. **Table 11** shows planned resources to fund the mainstream capital programme for the four years from 2022/23.

Table 11: Mainstream Capital Programme (Council Funded)				
Category	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Capital receipt projections	1.50	1.50	1.50	1.50
General borrowing	9.56	7.09	4.67	4.67
Revenue contribution to capital	0.02	0.02	0.02	0.02
Prior year underspends / carry forwards	61.64	0.39	2.71	0.00
Borrowing – Regional Materials Recycling Facility*	2.72	0.00	0.00	0.00
Borrowing – Waste Strategy	0.93	2.07	0.00	0.00
Borrowing – Enterprise Zones**	0.00	0.00	4.19	2.43
Borrowing – Pipeline investment	0.00	22.00	10.00	10.00
Borrowing – Towns Fund	2.02	2.43	0.42	0.60
Borrowing – High Streets Fund	0.82	7.52	11.19	0.00
Borrowing – Children's play equipment	0.49	0.58	0.00	0.00
Total Mainstream resources	**79.70**	**43.60**	**34.70**	**19.22**

*To be funded from loan repayment and net interest return from loans.
**Requirement to cash flow prior to generation of business rates.

Carry forwards from 2021/22 are estimated based on the forecast position at December 2021 (£65m council funded and £67m external funded), which are included in the draft capital programme at **Annex 9**. All carry forwards will be reported to Cabinet for approval alongside the outturn position for 2021/22 once finalised. This currently excludes £4m set aside for Flexible Use of Capital Receipts, which will be added to the programme once identified projects have been agreed.

<u>Capital Schemes</u>
For 2022/23 services were asked to review current and future schemes included in the capital programme approved by Council in February 2021. Requests for new allocations were considered in line with council priorities and the work of the Proud change programme. Details can be found in **Annex 9A** and are summarised by directorate in **Table 12** below.

Table 12: Mainstream Capital Programme 2022/23 by Directorate (Council funded)				
Directorate	**Rolling Programme £m**	**Prior Year Approval £m**	**New Allocations £m**	**Total Mainstream £m**
Adult Social Care, Public Health and Hub	0.00	0.00	0.00	0.00
Children's, Education and Customer Engagement	1.15	0.73	0.53	2.41
Economy, Environment and Communities	2.82	23.70	11.78	38.30
Resources and Transformation	0.00	21.49	2.02	23.51
Centrally held budgets *	1.00	0.00	14.48	15.48
Total Council Funded Capital	**4.97**	**45.92**	**28.81**	**79.70**

**Centrally held relates to £1.00m funding to support essential works, including health and safety e.g. retained housing land, asbestos removal, statutory testing, legionella, fire risk, demolition of redundant buildings, planned maintenance, risk management and self-insured property damage, along with a further £14.48m unallocated carried forward from 2021/22 for pipeline investment opportunities/contingency, which will be allocated in year subject to a full business case being approved by Cabinet.*

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; and invests in assets to grow future income streams for the council;
- Supports the delivery of ongoing benefits identified through the Proud change programme;
- 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 Corporate Management Team and Strategic Investment Board, prior to formal consideration by Cabinet for recommendation to Council. The draft capital programme was scrutinised by Overview and Scrutiny Committees. 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 2022/23 with indicative allocations which are subject to further review for 2023/24 onwards.

Externally Funded Programme

Full details of externally funded schemes are found in the draft capital programme at **Annex 9B** and are summarised in **Table 13** 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 13: Externally Funded Capital Programme 2022/23 by Directorate

Directorate	Government Funding £m	Third Party / External* £m	Total Funding £m
Adult Social Care, Public Health and Hub	0.00	0.00	0.00
Children's, Education and Customer Engagement	37.45	0.00	37.45
Economy, Environment and Communities	16.70	2.72	19.42
Resources and Transformation	8.91	41.48	50.39
Centrally held budgets	0.00	0.00	0.00
Total Externally Funded Capital	**63.06**	**44.20**	**107.26**

**Walsall is Accountable Body for Growth Deal, Towns Deal and Land & Property Investment Fund*

Leasing Programme

The 2022/23 leasing programme totals £0.43m, summarised in **Table 14** 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 14: Leasing Programme	**Capital £m**	**Revenue £m**
Equipment	0.00	0.06
Light Commercial vehicles	0.35	0.41
Refuse Vehicles	0.00	0.54
Tractors & Agricultural Implements	0.08	0.21
Welfare vehicles	0.00	0.01
	0.43	**1.23**

There is expected to be a carry forward from 2021/22 of c£1.3m which is dependent on timings on acquisition of vehicles.

4. Medium term financial outlook – 2023/24 onwards

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, 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 2022/23.

A review of the scheme by government to amend the % of retained business rates from 49% to 75% was due to be finalised by 2020/21 but due to delays this has not been fully undertaken or introduced.

The Government expects national increases in growth in rate yields to fully offset any reduction in future core funding. The reality is that Walsall, due to its relative need and business rate yield, may not be able to fully cover funding shortfalls, if they arise from 2023/24 onwards. This is potentially exacerbated further by the ongoing impact of the pandemic. Assumptions have been made in our medium term financial outlook around overall changes to Government spending for this period, along with known cost reductions and pressures.

The provisional settlement for 2022/23 announced on 16 December 2021 confirmed that the Government will not proceed with the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% Business Rates Retention in 2022/23. The reset of accumulated business rates growth will also not take place in 2022/23. These decisions were reported as allowing both the Government and councils to focus on meeting the immediate public health challenges posed by the Covid-19 pandemic.

Beyond 2023/24, funding allocations therefore still remain uncertain. The Spending Review (SR21) on 27 October 2021 set out the economic forecast and departmental budgets for the three year period 2022/23 to 2024/25, so we were expecting some clarity over funding for the period to 2024/25 in the provisional settlement, which was not provided to us.

A balanced budget is reported for 2022/23, with savings of £18.86m to be delivered through the Proud change programme. Indicative draft budgets are presented for 2023/24 to 2025/26, with a further c£34.71m of savings required over this period. £6.89m of the required £12.24m of savings for 2023/24 have been identified. £1.15m of the required £11.53m of savings for 2024/25 have been identified.

This budget provides the council with a sound opportunity to plan ahead and seek to rebalance the budget to deliver its Council Plan priorities, and allows it flexibility to adapt to an ever changing climate.

As referred to in Section 2, further details on the proud work streams and current activity are shown in **Annex 6.**

Annex 4 outlines indicative cash limits by directorate and the required phasing of implementation of the Proud change programme to deliver a balanced budget over the period to 2025/26, summarised in **Table 15**.

Table 15 : Revenue cash limits by directorate				
Directorate	**Indicative 2022/23 £m**	**Indicative 2023/24 £m**	**Indicative 2024/25 £m**	**Indicative 2025/26 £m**
Adult Social Care	63.65	64.80	65.76	69.28
Children's Services	80.01	84.04	86.88	90.37
Economy and Environment	53.62	53.39	53.14	53.48
Resources and Transformation	19.15	20.86	20.96	21.04
Net Portfolio Cash Limits	**216.43**	**223.09**	**226.74**	**234.17**
Levies	11.49	11.49	11.49	11.49
Central budgets *	(89.49)	(91.02)	(89.35)	(92.78)
Council Tax Requirement	**138.43**	**143.56**	**148.88**	**152.88**

**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 four years 2022/23 to 2025/26. The capital programme is balanced for 2022/23. 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 2022/23 to 2025/26 are shown in **Annex 9**. **Table 16** shows the capital programme against predicted available resources. **Table 17** summarises the capital programme by directorate, and **Table 18** by council outcome.

Table 16 : Capital Programme				
Anticipated Capital Resources	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Council resources as shown in **table 11**	79.70	43.60	34.70	19.22
External Funding	107.26	38.40	22.47	15.11
Total capital resources	***186.96***	***82.00***	***57.17***	***34.33***
Capital Schemes				
Rolling Programme Schemes	4.97	4.31	4.31	4.31
Prior Year Approvals	45.92	14.26	19.02	3.27
New capital allocations	28.81	25.21	10.63	10.78
Total council funded schemes	***79.70***	***43.78***	***33.96***	***18.36***
Externally funded schemes	107.26	38.40	22.47	15.11
Total draft capital programme	***186.96***	***82.18***	***56.43***	***33.47***
Funding shortfall (surplus)	**0.00**	**0.18**	**(0.74)**	**(0.86)**

Table 17 : Capital Programme by directorate				
Directorate	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Adult Social Care, Public Health and Hub	0.00	0.00	0.00	0.00
Children's, Education and Customer Engagement	39.85	9.09	9.09	8.94
Economy, Environment and Communities	57.73	36.43	30.50	11.94
Resources and Transformation	73.90	25.44	9.72	2.66
Centrally held budgets *	15.48	11.22	7.12	9.93
Draft Capital Programme by directorate	**186.96**	**82.18**	**56.43**	**33.47**

**Centrally held relates to an annual allocation of £1m 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. A further £39.8m over four years is set aside for unallocated pipeline investment opportunities/contingency (including £14.5m carried forward from 2021/22), which will be allocated in year subject to a full business case being approved by Cabinet.*

Table 18 : Capital Programme by Outcome				
Outcome	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**	**2025/26 £m**
Creating an environment where business invests and everyone who wants a job can access one	68.73	41.93	31.43	6.16
Education, training and skills enable people to fulfil their personal development	26.40	4.25	4.25	4.25
People live a good quality of life and feel they belong	0.89	0.89	0.89	0.89
People know what makes them healthy and they are encouraged to get support when they need it	3.32	0.58	0.00	0.00
Internal services deliver quality and adapt to meet the needs of customer facing services / Services are efficient and deliver value for money	33.01	5.95	1.28	1.18
Children thrive emotionally, physically, mentally and feel they are achieving their potential	0.00	0.00	0.00	0.00
Children grow up in connected communities and feel safe everywhere	0.25	0.15	0.15	0.00
Housing meets all people’s needs, is affordable, safe and warm	12.42	3.80	3.80	3.80
People are proud of their vibrant town, districts and communities	41.94	24.63	14.64	17.19
Draft Capital Programme by Outcome	**186.96**	**82.19**	**56.43**	**33.47**

Part 1 Annex 1: Summary of Corporate Revenue Budget 2022/23 by Directorate

DIRECTORATE	2021/22 REVISED FORECAST £	BASE BUDGET ADJUSTMENTS £	INVESTMENT AND PRESSURES (Annex 5) £	SAVINGS (Annex 7) £	2022/23 FORECAST BUDGET £
Adult Social Care, Public Health & Hub	**56,756,156**	303,502	15,600,460	(9,012,770)	**63,647,348**
Children's, Education & Customer Engagement	**78,456,918**	(462,315)	8,069,636	(6,050,521)	**80,013,718**
Economy, Environment & Communities	**52,523,207**	(75,297)	3,157,057	(1,985,170)	**53,619,797**
Resources & Transformation *	**18,200,936**	757,534	2,008,354	(1,816,216)	**19,150,608**
TOTAL SERVICES	**205,937,217**	**523,424**	**28,835,507**	**(18,864,677)**	**216,431,471**
Non-service specific prudence/central items/capital financing	**(88,414,967)**	6,522,530	5,670,000	0	**(76,222,437)**
Levies: West Midlands Combined Authority Transport Levy	**11,182,889**	3,955	225,000	0	**11,411,844**
Environment Agency	**83,781**	0	0	0	**83,781**
NET REVENUE EXPENDITURE	**128,788,920**	**7,049,909**	**34,730,507**	**(18,864,677)**	**151,704,659**
(Use of)/contribution to reserves	3,756,861	(17,036,270)	0	0	(13,279,409)
TOTAL COUNCIL TAX REQUIREMENT	**132,545,781**	**(9,986,361)**	**34,730,507**	**(18,864,677)**	**138,425,250**

* Includes internal recharge income of c£19m for Central Support Services and c£1m for Office Accommodation which is recharged to cost of services.

Part 1 Annex 2: Summary of Corporate Revenue Budget 2022/23 by Outcome

OUTCOME	2021/22 REVISED FORECAST £	BASE BUDGET ADJUSTMENTS £	INVESTMENT AND PRESSURES (Annex 5) £	SAVINGS (Annex 7) £	2022/23 FORECAST BUDGET £
Creating an environment where business invests and everyone who wants a job can access one	**3,924,147**	(50,722)	277,567	(193,821)	**3,957,171**
Education, training and skills enable people to fulfil their personal development	**18,661,557**	(330,167)	1,673,825	(569,538)	**19,435,677**
People live a good quality of life and feel they belong	**61,130,871**	813,673	15,771,300	(8,543,206)	**69,172,638**
People know what makes them healthy and they are encouraged to get support when they need it	**2,725,983**	(360,537)	531,296	(1,031,936)	**1,864,806**
Internal services deliver quality and adapt to meet the needs of customer facing services / Services are efficient and deliver value for money	**(56,394,650)**	(9,737,561)	7,641,328	(1,855,492)	**(60,346,375)**
Children thrive emotionally, physically, mentally and feel they are achieving their potential	**2,517,656**	33,994	323,494	(265,000)	**2,610,144**
Children grow up in connected communities and feel safe everywhere	**55,510,104**	(154,594)	6,026,145	(4,748,773)	**56,632,882**
Housing meets all people’s needs, is affordable, safe and warm	**1,935,167**	(18,099)	59,007	(515,835)	**1,460,240**
People are proud of their vibrant town, districts and communities	**42,534,946**	(182,348)	2,426,545	(1,141,076)	**43,638,067**
TOTAL COUNCIL TAX REQUIREMENT	**132,545,781**	**(9,986,361)**	**34,730,507**	**(18,864,677)**	**138,425,250**

Part 1 Annex 3: Council Tax Data 2022/23

1. COUNCIL TAX EXCLUDING PRECEPTS (WALSALL COUNCIL ONLY)

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

BAND	WEIGHT	2021/22 C.TAX	2022/23 C.TAX	ANNUAL CHANGE	OF WHICH ASC	ANNUAL INCREASE	WEEKLY INCREASE	DAILY INCREASE
		£	£	£	£	%	£	£
A	6/9	**1,247.91**	**1,285.23**	37.32	22.44	2.99%	0.72	0.10
B	7/9	**1,455.90**	**1,499.43**	43.53	26.17	2.99%	0.83	0.12
C	8/9	**1,663.88**	**1,713.63**	49.75	29.91	2.99%	0.95	0.14
D	**9/9**	**1,871.87**	**1,927.84**	**55.97**	**33.65**	**2.99%**	**1.07**	**0.15**
E	11/9	**2,287.84**	**2,356.25**	68.41	41.13	2.99%	1.31	0.19
F	13/9	**2,703.81**	**2,784.66**	80.85	48.61	2.99%	1.55	0.22
G	15/9	**3,119.78**	**3,213.06**	93.28	56.08	2.99%	1.79	0.26
H	18/9	**3,743.73**	**3,855.68**	111.95	67.30	2.99%	2.15	0.31

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	2021/22 TOTAL C.TAX	2022/23 WMBC C.TAX	2022/23 FIRE PRECEPT	2022/23 POLICE PRECEPT	2022/23 TOTAL C.TAX
		£	£	£	£	£
A	6/9	**1,408.30**	**1,285.23**	45.35	125.03	**1,455.61**
B	7/9	**1,643.02**	**1,499.43**	52.91	145.87	**1,698.21**
C	8/9	**1,877.73**	**1,713.63**	60.47	166.71	**1,940.81**
D	**9/9**	**2,112.46**	**1,927.84**	68.03	**187.55**	**2,183.42**
E	11/9	**2,581.89**	**2,356.25**	83.15	229.23	**2,668.63**
F	13/9	**3,051.32**	**2,784.66**	98.27	270.91	**3,153.84**
G	15/9	**3,520.76**	**3,213.06**	113.38	312.58	**3,639.02**
H	18/9	**4,224.90**	**3,855.68**	136.06	375.10	**4,366.84**

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

				ESTIMATE - ACTUAL T.B.A		OVERALL (INC PRECEPTS)
BAND	**WEIGHT**	**2021/22 TOTAL C.TAX**	**2022/23 WMBC C.TAX**	**2022/23 FIRE PRECEPT**	**2022/23 POLICE PRECEPT**	**2022/23 TOTAL C.TAX**
		£		**£**	**£**	**£**
A	6/9	1,056.23	963.91	34.02	93.78	**1,091.71**
B	7/9	1,232.27	1,124.58	39.68	109.40	**1,273.66**
C	8/9	1,408.31	1,285.23	45.35	125.03	**1,455.61**
D	**9/9**	**1,584.34**	**1,445.89**	**51.02**	**140.66**	**1,637.57**
E	11/9	1,936.43	1,767.19	62.36	171.92	**2,001.47**
F	13/9	2,288.49	2,088.50	73.70	203.18	**2,365.38**
G	15/9	2,640.58	2,409.79	85.04	234.44	**2,729.27**
H	18/9	3,168.69	2,891.75	102.05	281.33	**3,275.13**

3. SPREAD OF PROPERTIES

The proportion of properties within Walsall MBC within each Council Tax band at 1st December 2021 is as follows:

BAND	A	B	C	D	E	F	G	H	TOTAL
PROPERTIES (No)	**51,044**	**27,424**	**18,622**	**10,317**	**5,544**	**2,388**	**829**	**52**	**116,220**
PROPERTIES (%)	**43.92**	**23.60**	**16.02**	**8.88**	**4.77**	**2.06**	**0.71**	**0.04**	**100**
CUMULATIVE TOTALS	**67.52** (A–B)								
	83.54 (A–C)								
	92.42 (A–D)								

Part 1 Annex 4 : Revenue Cash Limit 2022/23 to 2025/26 by Directorate

This annex outlines the indicative cash limits by directorate, including portfolio responsibilities. These will be updated in year to reflect any movement in directorate/portfolio responsibilities. Savings plans for 2023/24 onwards will be realigned to services when agreed.

1. *Adult Social Care, Public Health and Hub 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.
- ***Health and Wellbeing Portfolio***
  Public Health and member of Health and Wellbeing Board.
- ***Leader of the Council Portfolio***
  Overall responsibility for Council strategy, the Council Plan, communications and public relations, print and design, government relations and liaison with local MPs and West Midlands leaders.
- ***Internal Services Portfolio***
  Procurement.
- ***Resilient Communities Portfolio***
  Engagement and consultation.

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Opening cash limit	56,756,156	63,647,348	64,800,555	65,757,173
Base budget adjustments				
- Removal of one off savings (iBCF) reprofile	1,829,987	0	0	0
- Public Health grant income	(518,073)	(372,142)	(379,585)	(387,177)
- Market sustainability grant income	(966,482)	(7,920,000)	(3,960,000)	0
- Other service realignments	(41,930)	0	0	0
Investment / Pressures – see Annex 5	15,600,460	9,445,349	5,296,203	3,910,367
Less Proposed Savings Plans – see Annex 7	(9,012,770)	0	0	0
Adult Social Care, Public Health and Hub draft cash limit	**63,647,348**	**64,800,555**	**65,757,173**	**69,280,363**

2. *Children's, Education and Customer Engagement Directorate*

- ***Children's Portfolio***
  Services for children in need of help and protection, children looked after and care leavers, early help, 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.
- ***Regeneration Portfolio***
  Strategic housing role, Customer.

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Opening cash limit	**78,456,918**	**80,013,718**	**84,037,956**	**86,880,673**
Base budget adjustments				
- Removal of one off investment	(203,755)	0	0	0
- Home to school transport	(250,000)	(250,000)	0	0
- Other service realignments	(8,560)	0	0	0
Investment / Pressures – see Annex 5	8,069,636	5,970,953	3,731,113	3,486,528
Less Proposed Savings Plans – see Annex 7	(6,050,521)	(1,696,715)	(888,396)	0
Children's, Education and Customer Engagement draft cash limit	**80,013,718**	**84,037,956**	**86,880,673**	**90,367,201**
Children's Services	75,026,628	78,194,866	81,037,583	84,880,111
Customer Engagement	4,987,090	5,843,090	5,843,090	5,487,090
Children's, Education and Customer Engagement draft cash limit	**80,013,718**	**84,037,956**	**86,880,673**	**90,367,201**

3. ***Economy, Environment and Communities Directorate***

- ***Leader of the Council Portfolio***
  Emergency planning, West Midlands Combined Authority, Association of Black Country Authorities and Black Country Joint Committee.
- ***Clean and Green/Transport Portfolio***
  Gateways and corridors, pollution control, waste strategy, refuse collection, recycling, street cleaning, parks (maintenance) and the council's vehicle fleet, healthy spaces.
- ***Regeneration Portfolio***
  Economic development, physical development, markets, town and district centres, planning policy. Strategic housing role. Traffic and transportation, car parks, strategic transport and highways.
- ***Resilient Communities Portfolio***
  Locality co-ordination, community development, community associations, voluntary and community sectors, Community Safety, community cohesion, Safer Walsall Partnership, public protection. Leisure and culture services including the New Art Gallery, libraries, sports and museums, Cemeteries and crematoria.

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Opening cash limit	**52,523,207**	**53,619,797**	**53,385,094**	**53,142,094**
Base budget adjustments				
- Shortfall in leisure income	170,000	0	0	0
- Removal of one off savings	300,000	0	0	0
- Removal of one off investment	(112,500)	0	0	0
- Shortfall in Street Lighting PFI	(450,000)	0	0	0
- Black Country Plan	62,000	0	0	0
- Other service realignments	(44,797)	0	0	0
Investment / Pressures – see Annex 5	3,157,057	493,297	20,000	340,000
Less Proposed Savings Plans – see Annex 7	(1,985,170)	(728,000)	(263,000)	0
Economy, Environment and Communities draft cash limit	**53,619,797**	**53,385,094**	**53,142,094**	**53,482,094**

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

- ***Leader of the Council Portfolio***
  Transformation and digital (including Information Governance), Finance (including payroll and pensions, insurance, risk management, policy led budgeting, Financial Regulations, Audit), Legal and Democratic Services, Performance. Member Development.
- ***Internal Services Portfolio***
  HR, Organisational Development, Learning and Development, Equalities, Corporate Landlord (including facilities and general asset management, catering, cleaning, caretaking), Administration and Business Support, Workforce.
- ***Regeneration Portfolio***
  Property and strategic asset management, Black Country Consortium, sub regional regeneration issues, local development framework, business liaison.

	2022/23 **£**	**2023/24** **£**	**2024/25** **£**	**2025/26** **£**
Opening cash limit	**18,200,936**	**19,150,608**	**20,861,528**	**20,958,678**
Base budget adjustments				
- Elections reinstatement of funding	250,000	0	0	0
- Removal of one off investment	(100,000)	0	0	0
- Payroll - loss of traded income	43,212	0	0	0
- Centre of excellence	290,000	0	0	0
- Blue badges	45,000	0	0	0
- Additional finance support (Social Care/Capital)	150,000	0	0	0
- Reprofile supplier early repayment scheme	92,000	0	0	0
- Human Resources EDI project	20,000	0	0	0
- Human Resources Odyssey training	47,000	0	0	0
- Other service realignments	(79,678)	0	0	0
Investment / Pressures – see Annex 5	2,008,354	1,710,920	97,150	78,000
Less Proposed Savings Plans – see Annex 7	(1,816,216)	0	0	0
Resources and Transformation draft cash limit *	**19,150,608**	**20,861,528**	**20,958,678**	**21,036,678**

* Includes the review of administration across the council, so will be achieved from the realignment of services in year.

5. *Central / Capital Financing*

	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Opening cash limit	**(73,391,436)**	**(78,006,221)**	**(79,528,184)**	**(77,866,893)**
Base budget adjustments				
- Pension contribution increase	1,000,000	0	0	0
- Collection fund	793,968	1,084,171	1,080,705	1,173,696
- Funding changes	(8,489,207)	6,066,628	0	0
- Fall out of one off Covid-19 grant	7,188,665	(3,262,186)	457,172	137,000
- Fall out of transformation funds	(6,224,040)	0	0	0
- Fall out of one off grant expenditure from previous year	(6,779,244)	0	0	0
- Risk provision	3,325,000	0	0	0
- Service redesign / redundancy adjustment	(3,000,000)	0	1,000,000	500,000
- Inflation - Pay and Non Pay	923,672	120,000	0	0
- Combined Authority	109,500	109,500	109,500	109,500
- Capital financing - MRP / Airport	953,000	191,000	2,550,000	0
- Other service realignments	(311,099)	(282,000)	0	0
Investment / Pressures – see Annex 5	5,895,000	4,273,385	6,840,972	5,595,463
Less Proposed Savings Plans – see Annex 7 (Customer savings centrally held)	0	(4,470,000)	0	0
Savings yet to be identified	0	(5,352,461)	(10,377,058)	(10,938,059)
Central / Capital Financing draft cash limit	**(78,006,221)**	**(79,528,184)**	**(77,866,893)**	**(81,289,293)**

Part 1 Annex 5 : Summary of New Growth and Investment 2022/23 – 2025/26 aligned to Outcomes

Directorate	Ref No	Details of Growth by outcome	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Creating an environment where business invests and everyone who wants a job can access one						
Economy, Environment & Communities	New	Economic growth programme	0	1,013,000	0	0
	New	Pay changes within Economy, Environment & Communities	15,277	0	0	0
Resources & Transformation	New	Economic growth programme	0	843,000	42,150	0
	New	Investment property income shortfall	250,000	0	0	0
	New	Pay changes within Resources & Transformation	12,290	0	0	0
Total Creating an environment where business invests and everyone who wants a job can access one			**277,567**	**1,856,000**	**42,150**	**0**
Education, training and skills enable people to fulfil their personal development						
Children's, Education & Customer Engagement	17	Home to school transport	1,338,094	1,045,861	941,977	941,977
	New	Home to school transport	250,000	250,000	250,000	250,000
	New	Pay changes within Children's Services	15,469	0	0	0
Economy, Environment & Communities	New	Pay changes within Economy, Environment & Communities	70,262	0	0	0
Total Education, training & skills enable people to fulfil their personal development			**1,673,825**	**1,295,861**	**1,191,977**	**1,191,977**
People live a good quality of life and feel they belong						
Adult Social Care, Public Health & Hub	1	Additional Social Care demand / cost pressures	2,298,741	3,097,176	3,444,590	3,444,590
	2	Better Care Funding iBCF2 fall out of grant	0	0	0	2,023,652
	New	Additional Social Care demand / cost pressures	8,090,761	(1,982,354)	(2,210,905)	(1,666,381)
	New	Additional Social Care demand / cost pressures (Covid-19)	1,486,892	0	0	0
	New	Direct Payments refund reducing	228,000	153,000	0	0
	New	Single handed review	274,000	0	(137,000)	(137,000)
	New	Payment on plan domiciliary care capacity issues	1,660,188	23,851	0	0
	New	Market sustainability and fair cost of care fund	966,482	7,920,000	3,960,000	0
	New	Adult Social Care contractual inflation	227,976	233,676	239,518	245,506
	New	Pay changes within Adult Social Care	359,806	0	0	0
Children's, Education & Customer Engagement	38	Crisis support	0	500,000	0	0
	New	Housing First rough sleepers	0	356,000	0	(356,000)
	New	Pay changes within Customer Engagement	57,427	0	0	0
Economy, Environment & Communities	20 part	Economy and Environment contractual inflation	12,600	12,600	12,600	12,600
	New	Coroners	50,000	0	0	0
	New	Pay changes within Economy, Environment & Communities	58,427	0	0	0
Total People live a good quality of life and feel they belong			**15,771,300**	**10,313,949**	**5,308,803**	**3,566,967**

Directorate	Ref	Details of Growth by outcome	2022/23 £	2023/24 £	2024/25 £	2025/26 £
People know what makes them healthy and are encouraged to get support when they need it						
Economy, Environment & Communities	20 part	Economy and Environment contractual inflation	36,406	36,400	36,400	36,400
	New	Leisure Shortfall in income	412,703	(412,703)	0	0
	New	Pay changes within Economy, Environment & Communities	82,187	0	0	0
Total People know what makes them healthy and are encouraged to get support when they need it			**531,296**	**(376,303)**	**36,400**	**36,400**
Internal Services deliver quality and adapt to meet the needs of customer facing services						
Resources & Transformation	51	Integrated Facilities Management – centralised maintenance	250,000	0	0	0
	52	Webcasting and hybrid council meetings	15,000	0	0	0
	54	Additional staffing for IT operating model	94,000	0	0	0
	56	Finance - review and reduction in transactional activity within finance following implementation of One Source – linked to saving OP44	207,045	0	0	0
	58	Cloud / Microsoft licences	300,000	874,000	55,000	78,000
	New	Pay changes within Resources & Transformation	872,669	0	0	0
Adult Social Care, Public Health & Hub	New	Pay changes within Adult Social Care	7,614	0	0	0
Central / Capital Financing	27	Capital financing / MRP review	437,000	2,502,870	1,202,650	(133,042)
	28	Revenue implications of capital programme	500,000	500,000	500,000	500,000
	New	Continuation of income losses arising from impact of Covid-19	1,000,000	(1,000,000)	0	0
	New	Connected working	0	246,000	0	0
	New	Hub investment linked to work stream activity	133,000	167,000	0	0
	New	Transformation one off funding	2,000,000	(2,000,000)	0	0
	New	Transport Levy	225,000	0	0	0
	New	Energy	1,600,000	(1,000,000)	0	0
	New	Pay / Pension provision	0	4,857,515	5,138,322	5,228,505
Total Internal Services deliver quality and adapt to meet the needs of customer facing services			**7,641,328**	**5,147,385**	**6,895,972**	**5,673,463**
Children thrive emotionally, physically, mentally and feel they are achieving their potential						
Children's, Education & Customer Engagement	New	Increases in EHP assessment team	303,000	0	0	0
	New	Pay changes within Children's Services	20,494	0	0	0
Total Children thrive emotionally, physically, mentally and feel they are achieving their potential			**323,494**	**0**	**0**	**0**
Children grow up in connected communities and feel safe everywhere						
Children's, Education & Customer Engagement	10	Looked after Children demand / cost pressures	3,454,000	2,559,000	2,559,000	2,559,000
	New	Additional Looked after Children demand / cost pressures	344,203	142,172	267,179	223,050
	New	Additional Looked after Children demand / cost pressures (Covid-19)	792,718	(79,682)	(365,843)	(198,299)
	11	Troubled Families	0	1,000,000	0	0
	15	Foster care inflation	66,441	66,602	66,800	66,800
	New	Increase in social workers pay	212,000	131,000	12,000	0
	New	CAFCASS	300,000	0	0	0
	41	Family drugs and alcohol court – linked to saving OP10	94,910	0		0

Directorate	Ref	Details of Growth by outcome	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Children's, Education & Customer Engagement	43	Mocking Bird – Increase in number of social workers	20,790	0		0
	45	Grandparents plus - build in for future years – linked to saving OP13	50,000	0		0
	New	Pay changes within Children's Services	691,083	0	0	0
Total Children grow up in connected communities and feel safe everywhere			**6,026,145**	**3,819,092**	**2,539,136**	**2,650,551**
Housing meets all people's needs, is affordable, safe and warm						
Children's, Education & Customer Engagement	New	Pay changes within Customer Engagement	59,007	0	0	0
Total Housing meets all people's needs, is affordable, safe and warm			**59,007**	**0**	**0**	**0**
People are proud of their vibrant town, districts and communities						
Economy, Environment & Communities	20 part	Economy and Environment contractual inflation	290,307	291,000	291,000	291,000
	New	Increase cost of waste tonnage (Covid-19)	535,000	(250,000)	(285,000)	0
	New	Penalties for co-mingled waste (Covid-19)	70,000	(35,000)	(35,000)	0
	New	Car parks income shortfall (Covid-19)	380,000	(162,000)	0	0
	New	APCOA contract	100,000	0	0	0
	New	Street Cleansing / Parks / Fly tipping enforcement	512,000	0	0	0
	New	Capital income shortfall	25,000	0	0	0
	New	Pay changes within Economy, Environment & Communities	506,888	0	0	0
Resources & Transformation	New	Shortfall in box office income	6,080	(6,080)	0	0
	New	Pay changes within Resources & Transformation	1,270	0	0	0
Total People are proud of their vibrant town, districts and communities			**2,426,545**	**(162,080)**	**(29,000)**	**291,000**
Total Growth and investment			**34,730,507**	**21,893,904**	**15,985,438**	**13,410,358**

Directorate	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Adult Social Care, Public Health and Hub	15,600,460	9,445,349	5,296,203	3,910,367
Children's, Education and Customer Engagement: - Children's Services - Customer Engagement	 7,953,202 116,434	 5,114,953 856,000	 3,731,113 0	 3,842,528 (356,000)
Economy, Environment and Communities	3,157,057	493,297	20,000	340,000
Resources and Transformation	2,008,354	1,710,920	97,150	78,000
Central / Capital Financing	5,895,000	4,273,385	6,840,972	5,595,463
Total	**34,730,507**	**21,893,904**	**15,985,438**	**13,410,358**

Part 1 Annex 6: Walsall Proud Work Streams and Activity

1. Commissioning, Procurement and Contract Management (Third Party Spend)

This work stream focuses on identifying opportunities that will enable us to financially support our current and future services, especially those developed by Walsall Proud. It will do this by reviewing and reducing third party spend and improving the ‘Procure to Pay’ process and systems.

The Third Party Spend Board has been created to support and challenge services through the gateways of the commissioning and procurement process, with the ultimate aim of achieving best value for money. The work stream has also achieved “Efficient Council” benefits through reduction in demand in areas including printing, postage and fleet.

2. Enabling Communications and Culture

All organisations, services and staff have cultures and behaviours, good and bad. This work stream looks at how individuals make decisions, initially in the context of staff undertaking and supporting Walsall Proud. It will then implement approaches and processes that will encourage and boost the good, and challenge and change the bad.

Activity includes accelerating ambition, creativity and innovation; support to establish the ‘creativity’ function; workforce development/training to embed the innovation mind set; specific suppliers to implement new innovations or projects. Leadership coaching and training; workforce development and training; cultural and behavioural analysis and custom-design support.

3. Customer Access and Management

This will address the mechanisms available to us to manage a single view of the customer, improve their experience and introduce efficiencies in our ways of interacting with them. Activity includes customer journey mapping; redesign of end to end processes; functional and technical support for implementing the new customer management model; staff training.

Following a competitive tender process, Walsall Council awarded Agilisys as its partner, to help deliver the core enabling digital platforms that sit at the heart of this programme.

Improving customer experience is at the heart of Proud, and as such, the council is developing ways of working that will meet service user expectations now and for the future. Working together, the partnership aims to:

- Improve customer experience of interacting with the council
- Reduce unnecessary/failure demand, so employees can focus efforts on service delivery and support our most vulnerable customers
- Increase accessibility, including through the use of digital channels, to make it quicker and more convenient for customers to interact with the council
- Help release staff capacity and financial benefits, by automating more processes and encouraging more customers to utilise digital contact channels
- Improve customer engagement by offering greater personalisation of digital solutions based on customer needs and preferences.

A Customer Experience Centre has been created to improve the effectiveness of customer contact by phone with customer contact for more services transferring to this function in the coming year.

Improvements in the way that customers can contact the Council via our website are continuing with initial focus on the Clean & Green service. Creation of the new “My Account” self-serve portal will allow for further digitisation of processes to be added, increasing customer functionality.

4. Designing the Ways of Working – Hub and Enabling Support Services

Hub

This will consider how our ‘hubs’, including ‘Communications, Marketing and Engagement’ (CME), ‘Business Intelligence’ and ‘Commissioning, Procurement and Contract Management’ (CPCM), work to support service providers. The detailed design it will produce will change these hubs’ ‘Ways of Working’ to make them more effective. Activity will include, business intelligence - support to implement new insight/strategy/policy model; staff training to embed new ways of working; setup of bespoke dashboards/visualisations; communications and marketing support.

Blueprints have been developed and preparation for transition and implementation has begun for CME, Policy & Strategy, and Business Intelligence, with CPCM expected to follow in 2022/23.

Enabling & Support Services

Enabling & Support Services support the ‘internal customer’ of the Council and facilitate the activities that allow Walsall Council to operate on a day to day basis. Ensuring these services are efficient and high-performing will transform the way Walsall Council delivers services to its residents.

Creation of a centralised Administration and Business Support function has been completed, design of Phase 2 covering wider Enabling & Support Services is currently in progress.

5. Enabling Technology

This will underpin and enable technology benefits envisaged throughout Walsall Proud, as well as the overall technology and digital offer for our customers. We are producing a roadmap for our future technology, translating our business strategy into a technological strategy. We are building and testing, and will roll out the initial processes for the customer relationship management platform. The telephony platform specification has been produced. The dashboard is being built in the business intelligence platform.

Activity includes tech support for possible configuration of online procurement processing; adoption and innovation of emerging technology i.e. Artificial intelligence; Support to define the CAM technology architecture, define and procure core platform; Implement the digital first technology platform to support triage and customer query workflow, and single customer record fully integrated with back office systems; configuration of the platform; delivery of an environment that allows for continued service and application build out via capacity building; Support to pilot and deliver robotic processes automation in back office and support services; Hubs - configuration and integration of technology stack to pull data from multiple sources and make accessible dash-boarding visualisations; Support to put in place platforms/workflow that supports performance improvement.

6. Income generation and Cost Recovery

This is focusing on finding ways of boosting our income through the recovery of expenditure across services. Doing this will lead to a greater and more sustainable income for these services and the organisation. Cabinet in September 2020 approved the council's income and commercial policy and corporate debt policy; and approved consultation on a number of new income generating proposals. A revised fees and charges register has been implemented, and a number of business cases are being implemented to support future sustainability of services, such as traded services, adult social care benefits maximisation and charging.

Activity includes review of income generation and cost recovery options, options analysis, and commercialisation. The work stream focus in the coming year will be maximising income through more effective service promotion and advertising, as well as longer term strategic income generation opportunities for the Council.

7. Connected Working

This is looking at how we work, as teams and as individuals. Building on pre Covid-19 Connected Working deployments in Money Home Job, and Adult Social Care, the Council is setting up the Connected Working Academy for sustainable future roll out. This people-centred approach uses one-on-one coaching of managers and team leaders and the introduction of new workplace tools and techniques to make sure employees have the skills, support and resources needed to deliver against aspirations.

Activity includes performance improvement support; implementing service delivery models to improve quality and reduce failure demand.

8. Corporate Landlord

Activity includes optimising assets based on new ways of working practices and cleansing and enhancing property data and dash boarding. Work stream activity includes carrying out the Built and Fixed Assets Condition Survey, and completion of the Strategic Asset Plan setting out the council's estates strategy, which has now been approved by Cabinet.

Part 1 Annex 7 : Benefits Realisation (Savings) for Proud Change activity by Outcome 2022/23 to 2025/26

A: Summary of Policy Proposals by Outcome 2022/23 to 2023/24

Directorate	Ref No	Detail of Policy Proposals by Outcome	2022/23 £	2023/24 £	Total £
Internal Services deliver quality and adapt to meet the needs of customer facing services					
Resources & Transformation	**P2**	Finance - Adult Social Care Client Care Team - introduce charge for appointeeship management / support	(72,800)	0	(72,800)
	P3	Finance - Adult Social Care Client Care Team - introduce charging for administration of deaths for appointees	(6,000)	0	(6,000)
	P4	Organisational redesign to deliver Intelligent Client Model across Asset Management, Capital Projects and Facilities Management (Full year effect of 2021/22 saving)	(42,726)	0	(42,726)
	P5	Redesign of Occupational Health contract (Full year effect of 2021/22 saving)	(7,500)	0	(7,500)
Total Internal Services deliver quality and adapt to meet the needs of customer facing services			**(129,026)**	**0**	**(129,026)**
Children grow up in connected communities and feel safe everywhere					
Children's, Education & Customer Engagement	**P1**	Change, Grow, Live Contract - bring service back in house (Full year effect of 2021/22 saving)	(122,714)	0	(122,714)
Total Children grow up in connected communities and feel safe everywhere			**(122,714)**	**0**	**(122,714)**
People are proud of their vibrant town, districts and communities					
Economy, Environment & Communities	**P9**	Charge developers for travel plans – alternate savings to be identified	0	(30,000)	(30,000)
Total People are proud of their vibrant town, districts and communities			**0**	**(30,000)**	**(30,000)**
Total Policy Proposals			**(251,740)**	**(30,000)**	**(281,740)**

B: Summary of Operational Proposals by Outcome 2022/23 to 2023/24

Directorate	Ref No	Detail of Operational Proposals by Outcome	2022/23 £	2023/24 £	Total £
Creating an environment where business invests and everyone who wants a job can access one					
Economy, Environment & Communities	**OP21**	Capitalisation of posts - maximise external funding	(25,000)	0	(25,000)
	OP109/ 113 part	Regeneration & Economy holding of vacancies and one off efficiencies	(168,821)	168,821	0
		Regeneration & Economy team review	0	(168,821)	(168,821)
Creating an environment where business invests and everyone who wants a job can access one			**(193,821)**	**0**	**(193,821)**
Education, training and skills enable people to fulfil their personal development					
Children's, Education & Customer Engagement	**OP17 part**	Reduction in use of agency and temporary staff	(71,204)	0	(71,204)
	OP25	Increase traded services to schools	(55,000)	0	(55,000)
	OP26	High needs funding review and provide specialist support to children with additional needs via use of DSG grant	(250,000)	0	(250,000)
	OP28	Review and streamline the provision of specialist inclusion services and support	(41,283)	0	(41,283)
Economy, Environment & Communities	**OP109/ 113 part**	Regeneration & Economy holding of vacancies and one off efficiencies	(91,372)	91,372	0
		Regeneration & Economy team review	0	(91,372)	(91,372)
		Review of Libraries management	(60,679)	0	(60,679)
Total Education, training and skills enable people to fulfil their personal development			**(569,538)**	**0**	**(569,538)**
People live a good quality of life and feel they belong					
Adult Social Care, Public Health & Hub	**OP83/9 2/109 part**	Efficiencies attributed to implementation of All Age Disability approach and development of new Target Operating Model	(745,276)	0	(745,276)
	OP84	Staffing impact following the implementation of Bettercare Finance System	(37,663)	0	(37,663)
	OP89	Reduction in new clients achieved through strength based working practices and development of resilient communities framework	(1,178,407)	0	(1,178,407)
	OP90 part	Efficiencies attributed to the review of existing Older People clients through strength based practice and development of new Target Operating Model	(3,304,874)	0	(3,304,874)
	OP90 part	Efficiencies attributed to the review of existing Learning Disability and Mental Health clients through strength based practice and development of new Target Operating Model	(1,096,054)	0	(1,096,054)
	OP91	Efficiencies attributed to the review of day care provision through strength based practice and development of new Target Operating Model	(356,471)	0	(356,471)
	OP94	Review of funding streams to support demand management	(297,245)	0	(297,245)
	OP97	Review of Resources including Goscote Centre and development of new Target Operating Model	(500,000)	0	(500,000)
	OP113 part	Efficiencies attributed to the implementation of Bettercare Finance System	(657,504)	0	(657,504)
Children's Education & Customer Engagement	**OP98A part**	Restructure within Money Home Job	(103,426)	0	(103,426)
	OP113 part	Efficiencies relating to Customer Access Management - Children's Services	0	(983,952)	(983,952)
Central	**OP113**	Cross Council efficiencies relating to Customer Access Management	0	(4,470,000)	(4,470,000)

Directorate	Ref No	Detail of Operational Proposals by Outcome	2022/23 £	2023/24 £	Total £
Economy, Environment & Communities	OP62/ OP65 part	Clean, Green & Leisure restructure and delivery model review	(67,178)	0	(67,178)
	OP103	Review of existing fees and charges within Place & Environment	(30,000)	0	(30,000)
	OP103/ 104	Reduction in operational costs within resilient communities	(21,665)	0	(21,665)
	OP113	Efficiencies relating to Customer Access Management - Resilient Communities	(83,766)	0	(83,766)
	OP109/ 113 part	2% increase in bereavement fees and charges	(63,677)	0	(63,677)
Total People live a good quality of life and feel they belong			**(8,543,206)**	**(5,453,952)**	**(13,997,158)**
People know what makes them healthy and they are encouraged to get support when they need it					
Adult Social Care, Public Health & Hub	OP112	Public Health - contract efficiency savings of £500k and £300k from a review of the usage of the Public Health transformation fund. As the service is key to the councils response to Covid-19, a delay in implementation will mean this saving will not be achieved until 2023/24, and the service plan to mitigate by the one off use of Public Health Grant Reserve.	(800,000)	0	(800,000)
Economy, Environment & Communities	OP62/ OP65 part	Clean, Green & Leisure restructure and delivery model review	(86,470)	0	(86,470)
	OP78	Cost effective procurement of new fitness equipment	(34,646)	0	(34,646)
	OP79	Bloxwich Active Living Centre landing development	(80,820)	0	(80,820)
	New	Bookable Gyms	(30,000)	0	(30,000)
Total People know what makes them healthy and they are encouraged to get support when they need it			**(1,031,936)**	**0**	**(1,031,936)**
Internal Services deliver quality and adapt to meet the needs of customer facing services					
Adult Social Care, Public Health & Hub	OP32	Paperless council meetings - savings to be made from eliminating paper agendas completely	(9,276)	0	(9,276)
	New	Increased income from Print & Design service to external bodies	(30,000)	0	(30,000)
Resources & Transformation	OP34	The modernisation of an electronic enrolment and canvassing system	(5,000)	0	(5,000)
	OP35	Efficiencies savings with legal services - linked to review of Enabling Support Services	(33,334)	0	(33,334)
	OP38	Efficiencies in relation to the purchase of law library books	(10,000)	0	(10,000)
	OP39	Restructure of Finance Function to strengthen strategic financial planning, financial system teams and phased review of accountancy team management posts and review of external funding opportunities; and general efficiencies	(20,000)	0	(20,000)
	OP40	Review of treasury / debt management costs recharge against investment returns delivered	(1,203)	0	(1,203)
	OP41	Accounts Payable - Use of automated invoice validation process within One Source	(48,311)	0	(48,311)
	OP42	Finance - Adult Social Care Charging & Payments and Client Care Teams - Impact of connected working on financial transactions	(21,667)	0	(21,667)
	OP43	Insurance Team - Review of insurance team to deliver focus on reducing claim costs and reduction in insurance fund charges	(1,287)	0	(1,287)
	OP44	Finance - review and reduction in transactional activity following implementation of One Source	(123,423)	0	(123,423)

Directorate	Ref No	Detail of Operational Proposals by Outcome	2022/23 £	2023/24 £	Total £
Resources & Transformation	OP45	Finance - Schools Traded Service team cost recovery review	(19,449)	0	(19,449)
	OP46	Finance - Implementation of Walsall Supplier Early Payment Scheme	(92,000)	0	(92,000)
	OP49	Centralise all IT related expenditure across the council in order to identify and generate efficiencies and consolidate shadow IT capability and general programme efficiencies	(271,000)	0	(271,000)
	OP50	Sell some IT services to other councils and organisations - Linked to review of Enabling Support Services	(21,000)	0	(21,000)
	OP52	Facilities management - school catering and caretaking traded services review	(15,200)	0	(15,200)
	OP53	Facilities management - review of prices and service standards across all internal and traded units and review ways of working for relief caretakers	(58,344)	0	(58,344)
	OP54	Facilities management - review structure & ways of working in the post room and centralisation and rationalisation of postage costs	(13,000)	0	(13,000)
	OP57	CPM - review structure and ways of working	(25,791)	0	(25,791)
	OP59	HR restructure linked to review of Enabling Support Services	(50,000)	0	(50,000)
	OP60	Consider ceasing of physio contract	(12,000)	0	(12,000)
	OP108	Review of mobile phones contract	(31,000)	0	(31,000)
	OP109/ 113 part	Review of Enabling & Support Services	(784,181)	0	(784,181)
	New	Solar panels on our buildings	(30,000)	0	(30,000)
Children's, Education & Customer Engagement	OP109 part	Efficiencies relating to administration and business support - Children's Services	0	(712,763)	(712,763)
Total Internal Services deliver quality and adapt to meet the needs of customer facing services			**(1,726,466)**	**(712,763)**	**(2,439,229)**
Children thrive emotionally, physically, mentally and feel they are achieving their potential					
Children's Education & Customer Engagement	OP5	Home to school transport - route optimisation	(216,204)	0	(216,204)
	OP17 part	Reduction in use of agency and temporary staff	(48,796)	0	(48,796)
Total Children thrive emotionally, physically, mentally and feel they are achieving their potential			**(265,000)**	**0**	**(265,000)**
Children grow up in connected communities and feel safe everywhere					
Children's, Education & Customer Engagement	OP3	Development of locality partnership offer in Early Help and restructure of 'change grow live' following contract bought in house (implementation of restructure). Currently under review.	(99,760)	0	(99,760)
	OP6	Review of current establishment and reduction in the use of agency staff, following recruitment of permanent staff	(747,820)	0	(747,820)
	OP7	Mother & Baby - Daisy Project	(443,988)	0	(443,988)
	OP8	Strengthening families, protecting children	(338,711)	0	(338,711)
	OP9	Adolescent service - Turning Point - reduce number of adolescents coming into care	(759,933)	0	(759,933)
	OP10	Family drugs and alcohol court	(136,916)	0	(136,916)
	OP11	Foster carer support - placement disruption	(1,554,022)	0	(1,554,022)
	OP12	Placement sufficiency - recruitment & retention	(107,712)	0	(107,712)
	OP13	Grandparents plus - build in for future years	(67,236)	0	(67,236)

Directorate	Ref No	Detail of Operational Proposals by Outcome	2022/23 £	2023/24 £	Total £
Children's, Education & Customer Engagement	OP29	Children's - To develop Power BI reports to create efficiencies	(119,961)	0	(119,961)
	OP107	Independent Living	(250,000)	0	(250,000)
Total Children grow up in connected communities and feel safe everywhere			**(4,626,059)**	**0**	**(4,626,059)**
Housing meets all people's needs, is affordable, safe and warm					
Children's, Education & Customer Engagement	OP98A part	Restructure within Money Home Job	(63,319)	0	(63,319)
	OP100	Capitalisation of staff costs within Housing Services - Bespoke webpage and web data entry form allowing customers to submit and manage their information in relation to additional licensing for HMOs and securing additional income for delivery of capital schemes	(18,000)	0	(18,000)
	OP109/ 113 part	Review of use of Homelessness Grant funding	(434,516)	0	(434,516)
Total Housing meets all people's needs, is affordable, safe and warm			**(515,835)**	**0**	**(515,835)**
People are proud of their vibrant town, districts and communities					
Economy, Environment & Communities	OP62/ OP65 part	Clean, Green & Leisure restructure and delivery model review	(448,080)	0	(448,080)
	OP66	Covid-19 reset of the street cleansing service	(49,320)	0	(49,320)
	OP74	Heritage and culture / Arts and events - increase fees and charges	(9,351)	0	(9,351)
	New	One off use of Section 38 income	(30,000)	30,000	0
	New	Street lighting savings	0	(728,000)	(728,000)
	New	Offer residential gardening service	(30,000)		(30,000)
	OP109/ 113 part	Premium bulky waste collection service	(15,000)	0	(15,000)
		Capitalisation of staff working on waste contracts	(86,287)	0	(86,287)
		Reallocation of highways and transport capital grant to capitalise street furniture and car park resurfacing costs	(197,000)	0	(197,000)
		Use of unallocated bus lane and parking income reserve	(55,086)	55,086	0
		Holding of posts - Resilience Unit	(20,000)	20,000	0
		Additional vacancy management to freeze non-essential post involved in restructure (OP62 & OP65) and build in 3 month recruitment lag to posts outside restructure.	(20,952)	20,952	0
		Capitalisation of wheeled bin stock	(180,000)	0	(180,000)
		Further efficiencies relating to Customer Access Management	0	(96,038)	(96,038)
Total People are proud of their vibrant town, districts and communities			**(1,141,076)**	**(698,000)**	**(1,839,076)**
Total Operational Proposals			**(18,612,937)**	**(6,864,715)**	**(25,477,652)**

Total Savings	2022/23 £	2023/24 £	Total £
A - Policy Savings	(251,740)	(30,000)	(281,740)
B - Operational Savings	(18,612,937)	(6,864,715)	(25,477,652)
Total Savings	**(18,864,677)**	**(6,894,715)**	**(25,759,392)**

Further savings of £1.15m are identified in 2024/25 (£263k Street Lighting and £888k restructure of Early Help).

There is also a further £5.35m of savings in 2023/24, £10.38m in 2024/25 and £10.94m in 2025/26 for which delivery plans are being developed – as set out in Section 4 - Medium term financial framework – 2023/24 plus.

Directorate	2022/23 £	2023/24 £	Total £
Adult Social Care, Public Health and Hub	(9,012,770)	0	(9,012,770)
Children's, Education and Customer Engagement: - Children's Services - Customer Engagement	 (5,431,260) (619,261)	 (1,696,715) 0	 (7,127,975) (619,261)
Economy, Environment and Communities	(1,985,170)	(728,000)	(2,713,170)
Resources and Transformation	(1,816,216)	0	(1,816,216)
Central - Customer	0	(4,470,000)	(4,470,000)
Total	**(18,864,677)**	**(6,894,715)**	**(25,759,392)**

Part 1 Annex 8 – Capital & Investment Strategy

1. INTRODUCTION

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a Capital Strategy (the "Strategy") to demonstrate how capital expenditure, capital financing and treasury management activity contribute to the provision of desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.

1.2 The Strategy forms part of the framework for financial planning and is integral to both the Medium Term Financial Framework (MTFF) and the Treasury Management and Investment Strategy (shown at section B, part 2 of the Corporate Budget Plan) and considers the funding implications of the capital programme and where borrowing is required. It sets out how capital investment will play its part in delivering the ambitious long term strategic objectives of the council, how associated risk is managed and the implications for future financial sustainability. The Strategy is also in line with the Ministry of Housing, Communities and Local Government's (MHCLG) (now Department for Levelling Up, Housing & Communities (DLUHC)) 2018 statutory guidance on local government investments.

2. AIM AND OBJECTIVES

2.1 The Capital Strategy forms a key part of the council's overall corporate planning framework within which capital and investment decisions will be made with a focus on protecting the council's assets and delivering the council's corporate objectives. The overarching aim of the 2022/23 to 2025/26 Capital Strategy is to provide a framework within which the council's capital investment and financing decisions can be aligned with the council's corporate priorities and objectives over the medium term. The Strategy recognises uncertainties, especially in relation to funding in later years.

2.2 In order to reflect the council's corporate priorities the Strategy is driven by the Council Plan 2022-2025 which sets out the council's Vision, Purpose, Guiding Principles and Strategic Priorities.

The main sections of the Capital Strategy link to the Council Plan in the following key areas:

- **Asset Management Planning** – is aligned to the Council Plan by reviewing service needs to ensure that quality services are delivered, and to further protect the Council's assets.
- **School Estate Planning** – is aligned to the Council Plan by investing in Schools to providing the best start in life for the boroughs children.
- **Investment in Regeneration** – is aligned to the Council Plan by a focus on economic growth by supporting key strategic projects that will deliver business growth and jobs across the borough.
- **Investment in ICT and Digital Services -** is aligned to the Council Plan by enabling services to meet the needs of the customer, to be efficient and deliver value for money.
- **Capital Investment for Revenue Benefits** – is aligned to the Council Plan by investing in relevant services to reduce expenditure or create or increase revenue, impacting better value for money.

3. Capital Expenditure

3.1 Setting the Capital Programme

3.1.1 The council's Capital Programme covering the period 2022/23 to 2025/26 is set out within **Annex 9** of this Corporate Budget Plan.

3.1.2 The basis of the Capital Programme is driven by the budget and service planning process. This process begins during the summer. 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.

3.1.3 As part of the budget and service planning process, services are required to review capital needs locally, and to align with service priorities. Where directorate capital and asset groups agree these requirements, then a formal 'business case' form is required to be completed for each proposal.

3.1.4 All business cases (subject to a defined value) feed through the newly operating Strategic Investment Board (SIB) for initial scrutiny. Supported projects are summarised for initial review and prioritisation by ASG against available resources, and reported to Corporate Management Team (CMT) who then recommend a draft Capital Programme for consideration by Cabinet.

3.1.5 SIB has also enhanced the process of collating and understanding the likely pipeline of schemes coming from all areas of the council to plan for and be able to afford to fund priority schemes not ready for the initial capital programme deadlines but which will be coming forward during the next financial year and beyond. A pipeline investment marker has been included in the Capital Programme for such schemes which will then be put forward for inclusion in the Capital Programme as individual schemes subject to a robust business case and approval by Cabinet.

3.1.6 Business cases, where requested to be completed, will be subject to formal review and assessment. A business case will include more detailed information on the proposed scheme, along with options where applicable, in line with the Government's 5 case model for developing business cases and would expect to include the following:

- Strategic Case - Why the project is proposed?
- Financial Case - Options appraisal, preferred option and financial information
- Economic Case - Outcomes – savings and benefits both financial and non-financial
- Assumptions and dependencies
- Review of risks
- Key milestones
- Commercial Case
- Management Case - Governance and project management

3.1.7 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 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.

3.1.8 The council's policy is to agree the Capital Programme on an annual basis at the Council meeting in February, in line with statute. Once approved, the budget report is made available on the council's website, and published on the finance pages of the council's intranet.

3.2 Managing the Capital Programme

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

3.2.2 Regular monthly monitoring reports are submitted to directorate management teams and then to Corporate Management Team, and to SIB, 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.

3.2.3 To support in year opportunities and commitments the authority will hold a central capital contingency, which is administered by corporate finance. The protocol around funding unforeseen and pipeline projects and use of contingency is outlined in section 6 (L) of the MTFS.

3.2.4 The potential use of contingency and reserves for specific projects will be reported to SIB, ASG and Cabinet. 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.

3.3 Restriction on Borrowing and Use of Capital Receipts

3.3.1 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.

3.3.2 There is no restriction on the level of borrowing that the council can undertake, subject to compliance with the Treasury Management Code of Practice and affordability of the revenue costs. However subject to this compliance, borrowing is required to be funded from the council's own resources - generated through savings, and/or paid for via council tax (this is also commonly known as unsupported or Prudential borrowing). This links to the council's Operational Boundary and Authorised Limit set within the Treasury Management & Investment Strategy based on forecast capital programme and pipeline requirements with affordable headroom built in. Any excess borrowing required over the Authorised Limit would require further Council approval and a full assessment of affordability.

3.3.3 Capital receipt projections for 2022/23 are in the range of £2m - £2.6m and are based on professional estimates of property colleagues and subject to change dependent on the implementation of the Strategic Asset Plan and the outcome of the Faithful and Gould review affecting our Accommodation Strategy moving forward. Any additional receipts received in year (excluding those earmarked for specific schemes) will be used to fund any shortfalls in previous year's receipts projections or transformation projects in line with the Flexible Use of Capital Receipts Strategy (shown within section B, part 1 of the Corporate Budget Plan.

3.4 Asset Management Planning

3.4.1 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 will manage its portfolio under the guidance of its newly approved Strategic Asset Plan (SAP) 2022-27. In recent years, the council has embarked on a transformation agenda (Walsall Proud) to support the delivery of the Council Plan. On top of this, the council has reacted, operated and delivered services during the ongoing Covid period and needs to understand the longer term impacts moving forward.

3.4.2 The preparation and adoption of the Strategic Asset Plan is a major part of the transformation of the council's property teams – originally the Transformation Programme theme of "Our Assets". Another significant part of the transformation is the adoption of a Corporate Landlord model for the management of the council's land and property assets which seeks to centralise the responsibilities and management of all property assets within the Corporate Landlord team which enables more effective and efficient strategic management of the portfolio.

3.4.3 A significant aim of the Strategic Asset Plan is to undertake an ongoing review of the buildings within the portfolio in order to maximise utilisation of the council's properties. This process is particularly pertinent as the council modifies its ways of working following the Covid-19 pandemic and the council have appointed Faithful and Gould to conduct a thorough review of the use of our corporate assets during Covid-19 and future customer, employee and member requirements and expectations, alongside an internal review of the condition of our corporate estate to inform our options and asset investment, acquisitions and disposals to meet this in the most effective way. In addition, an asset challenge process which seeks to identify the worst performing assets and assesses the options for those buildings being investment to improve, alterations to improve performance and suitability or disposal.

3.4.4 The new SIB and corporate landlord board governance process is already contributing to more joined-up decision making regarding the use of its land and property, and is enabling strategic decisions such as the adoption of a planned preventative maintenance programme and land assembly to support regeneration activity, to be made in consideration of wider corporate objectives and bearing in mind cross council service needs.

3.4.5 The Disposals Strategy provides a framework for the decision-making process for the retention or disposal of surplus assets and the prioritisation of the disposal programme. The adoption of the Disposals Strategy will enable better planning for and forecasting of capital receipts generated through the disposal of surplus assets which contribute towards funding the capital programme.

3.4.6 Outcomes of the above will be brought through the SIB, ASG and Cabinet process once reviewed and agreed and will be updated within the Capital Programme accordingly.

3.4.7 Additionally the Highway Asset Management Plan sets out how the Council Plan links to the way the council develops and maintains the highways which are the single most valuable asset the council is responsible for. The way the highways are maintained and managed has a direct impact on the borough's residents, businesses and visitors and further investment will sustain and encourage economic growth.

3.5 School Estate Planning

3.5.1 The council has a duty to ensure there are sufficient school places for resident children who require a mainstream or Special Education Needs & Disabilities (SEND) school place. Basic Need Capital funding and High Needs Capital Funding are 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. Inclusive of Basic Need and High Needs Capital Funding carry forwards and confirmed allocations until 2021/22, a funding envelope of circa £31m will be utilised to deliver the required anticipated places. As there is no further identified need for mainstream places in 2022/23 & 2023/24, the Education & Skills Funding Agency (ESFA) have confirmed a nil allocation from the Basic Need Capital Funding for these years.

3.5.2 The expansion programmes currently underway have a significant impact on the Council's educational estate, providing enhancements to the operational benefit of schools. The programme entails extensive works to extend, construct, alter and remodel the portfolio. In accordance with any well-planned construction programme pre-construction feasibility activity and site surveys to inform all necessary consents, as well as construction costs, and future maintenance responsibilities are undertaken. Such consents include planning and building regulations in addition to any specific requirements of other statutory bodies/ undertakers.

3.6 Investment in Regeneration

3.6.1 In support of the objectives set out within the Council Plan 2022-2025, 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. This activity becomes even more important as part of the council's 'Ways of Working' agenda following Covid-19, and can underpin the overall borough's economic recovery approach.

3.6.2 Additionally the authority, like many other councils, continues to explore alternative models for intervening in the market to aid our regeneration opportunities, and in ways that may also secure longer term revenue income as well as create additional business rate and council tax income. These opportunities will be modelled to provide assurance that sufficient investment returns over the life of the project are consistent with long term treasury investment returns adjusted for risk.

3.6.3 Building upon the economic growth aspirations of key documents including the West Midlands and Black Country Strategic Economic Plans, local planning policy including the Walsall Site Allocation Document and Town Centre Area Action Plan, and the Walsall Town Centre Masterplan, 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). Consideration is being given to future acquisitions to support the delivery of other projects.

3.6.4 Walsall has an extensive prioritised development pipeline which comprises schemes that can support the delivery of:

- 115 hectares of land remediated/ redeveloped
- 6,900 new or sustained jobs within Walsall
- 2,400 new homes
- 280,000 square meters of employment / commercial floors space

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

3.6.6 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.

3.6.7 The council is currently working with the West Midlands Combined Authority, Black Country Local Enterprise Partnership, and private sector investors to prepare funding propositions for the delivery of development and infrastructure projects.

3.6.8 In July 2019 the council completed the 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; such opportunities have identified the need for public funding in the region of £116m with some of this achieved through investment propositions and co funding mechanism.

3.6.9 The council has been successful in its £11.4m bid to the Government's Future High Street Fund for a multi-million pound project to transform the connectivity of the town centre's rail and bus stations. In addition the council has also been successful in being awarded £21.3m out of the £25m bids for each of the eligible Bloxwich and Walsall town areas from the Government's Towns Funds and are currently working through the business cases with partners to start delivery of the projects from 2022/23 onwards.

3.6.10 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 in the borough including Walsall and Willenhall Town Centres, the BCEZ, and significant brownfield housing development sites.

3.6.11 Delivery of the BCEZ can utilise Public Works Loan Board funding for upfront enabling works where this will be repaid in full through future business rate uplift. The delivery of new homes in the Walsall to Wolverhampton (W2W) Corridor can be assisted by the West Midlands Land Fund, but other sources of financing will also be required to unlock the 8500 new homes envisaged across Walsall and Wolverhampton.

3.6.12 In this context it should be noted that Government has recently made announcements in relation to additional funding being provided to WMCA which may be able to support project delivery in the borough.

4. DEBT & BORROWING AND TREASURY MANAGEMENT

4.1 A projection of external debt and use of internal borrowing to support capital expenditure, the council's authorised borrowing limit and operational boundary along with the Capital Financing Requirement are set out within the Treasury Management & Investment Strategy (section B, part 2 of the Corporate Budget Plan).

4.2 The Treasury Management & Investment Strategy also sets out the council's Minimum Revenue Provision (MRP) 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

4.3 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.

4.4 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."

4.5 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.

4.6 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.

4.7 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.

4.8 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 & Investment Strategy. In addition, the risk appetite will be considered annually and monitored on an ongoing basis by the Treasury Management Panel and external advisors.

Relationship to Other Aspects of Risk Management

4.9 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.

4.10 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

4.11 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.

4.12 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).

4.13 Managing the council's treasury management risks is an area of significant focus for the Treasury Management Panel (TMP) and the council adopts an integrated view to the management and qualitative assessment of risk. 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.

4.14 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.

5. COMMERCIAL ACTIVITY

5.1 If commercial opportunities do arise the council will review these to understand if there is a potential for a financial or community based (regeneration / creating or securing jobs etc) contribution from the scheme.

5.2 In support of reviewing these options and informing decision making the council has a strong governance framework that goes beyond the regulatory codes. This includes the Audit Committee and reporting to Cabinet and Council.

5.2 Due diligence is of paramount importance. All of the council's 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.

5.3 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 through Asset Strategy Group.

5.4 The council also seeks to ensure that all commercial schemes it considers and undertakes are fully aligned with priority outcomes set out within the Council Plan and are in line with the DLUHC guidance making it clear local authorities are no longer allowed to borrow to invest purely for commercial yield.

5.5 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 & Investment Strategy.

5.6 Following consultation during 2020, HM Treasury have now revised access requirements for local authorities seeking to access borrowing from the Public Works and Loans Board (PWLB). These revisions mean that local authorities will not be able to access PWLB borrowing to buy investment property with the primary aim of generating yield, and specifically to access PWLB funding authorities will need to submit three year capital plans to PWLB, with the S151 officer confirming that there is no intention to buy investment properties primarily for yield at any point within those three years.

5.7 If there are any intentions by the authority to buy investment properties primarily for yield within the three year capital programme then PWLB will not be able to lend to the authority for the period of that programme. HM Treasury have also confirmed that where local authorities do seek to pursue debt-for-yield projects which they finance in other ways, such as through the use of internal cash balances or borrowing from other financial institutions, they would then not be able to access PWLB borrowing to refinance this element of debt going forward.

5.8 As interest rates on PWLB borrowing are normally more favourable than other forms of borrowing, being unable to access PWLB and having to seek borrowing from other financial institutions is therefore likely to increase the overall revenue costs required to fund the elements of the council's capital programme which are funded from borrowing – for example every 1% increase in interest costs on a three year capital programme including circa £120m of capital spending funded from borrowing (similar to the level included within this report) would add £1.2m of additional ongoing revenue costs per year by the end of the three year period.

6. OTHER LONG TERM LIABILITIES

Pension Guarantees

6.1 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.

6.2 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

6.3 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.

6.4 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 netted off within the capital financing requirement.

7. KNOWLEDGE AND SKILLS

7.1 The Capital Programme and Treasury Management & Investment 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.

7.2 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.

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 capital 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.

Part 1 Annex 9 : Capital Programme 2022/23 to 2025/26

A. Draft Capital Programme 2022/23 to 2025/26 – Council Funded Schemes

Directorate	Capital Scheme	Detail of Capital investment	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Rolling Programme Schemes						
Economy, Environment & Communities	Memorial Safety Management in Cemeteries	The continued inspection and making safe of memorials in Walsall cemeteries and to discharge the council's duty of care within the cemeteries. Increased safety of memorials benefits the residents of Walsall by delivering a safer environment within Walsall cemeteries.	20,000	20,000	20,000	20,000
	Highways Maintenance Programme	As Highway Authority the council has a legal responsibility to maintain the highway network. Failure to do so inevitably leads to a deterioration of our roads, increasing the likelihood of accidents and would ultimately expose the council to increased risk of third party claims.	2,800,000	2,800,000	2,800,000	2,800,000
Children's, Education & Customer Engagement	Aids and Adaptations / Preventative Adaptations/ Supporting Independence	This project directly supports the council's: 1. Statutory requirement to provide disabled facility grants (DFGs) this includes enabling the council to provide a continuous service rather than as some councils do in terms of stock-piling enquiries till new grant allocations are made to them. 2. Provision of maintenance of lifts and hoists. 3. Minor adaptation works. 4. Domestic electrical safety.	1,012,000	412,000	412,000	412,000
	Health Through Warmth - Tackling Fuel Poverty	To help provide a safety net for those who cannot access other funding sources and is available as a loan charged on the individuals' property that is repaid upon sale or relevant transfer of their home. For this sum per year, it could offer 28 new boiler systems and 25 boiler repairs. Also helps secure continued investment from external agencies in tackling fuel poverty and excess winter deaths in the borough.	135,000	75,000	75,000	75,000
Council Wide	Funding to support essential works including health and safety, and other projects that cannot be programmed at start of year	1: Asbestos removal - the authority is required by legislation to manage asbestos within its properties and to remove to comply with health & safety legislation. 2: Statutory testing of gas and electrical systems in buildings. 3: Control of Legionella - statutory requirement to test all water systems and undertake upgrades and improvements as required. 4: Fire Risk Assessment - statutory requirement to ensure compliance with health & safety. 5: Demolition of redundant buildings to provide saleable assets and increase market value of sites. 6: General repair & maintenance of buildings, historic buildings, aiding relocations. 7: Self-insured property damage – insurance excess. 8: Risk Management - unforeseeable events.	1,000,000	1,000,000	1,000,000	1,000,000
Total Rolling Programme Schemes			**4,967,000**	**4,307,000**	**4,307,000**	**4,307,000**

Directorate	Capital Scheme	Detail of Capital investment	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Prior Year Approvals						
Economy, Environment & Communities	Traffic Signals Infrastructure	The council has a statutory duty to maintain all its traffic signal infrastructure. This programme of planned pedestrian crossing replacements will ensure the safe and efficient movement of pedestrians across the borough (Traffic Mgt Act 2004). Also supports delivery of the council's carbon reduction targets. Includes £80k carry forward from 2021/22.	280,000	200,000	200,000	200,000
	Provision of Community Dropped Crossings	These are dropped kerbs at strategic points along footways which permit access for wheelchairs, pushchairs, mobility scooters etc. to cross roads. The investment will allow the council to provide a rolling programme of community crossing points.	20,000	20,000	20,000	20,000
	Promotion of Community Health and Safety	Ongoing funding of road safety schemes, to address local community concerns, which fail to achieve the strategic priorities associated with the Local Transport Plan funding in terms of casualty reduction. In supporting the delivery of these local schemes it is possible to improve local quality of life and safety creating safer communities. Includes £113k carry forward from 2021/22.	233,338	120,000	120,000	120,000
	M6 Junction 10 - Widening of Bridges	Walsall Council is working in partnership with Highways England to improve Junction 10 of the M6 motorway. The scheme will include the widening of the existing bridges over the motorway to improve traffic flow and reduce congestion. In addition improvements will be made to the junction of A454 Wolverhampton Road/Bloxwich Lane/Tempus Drive and the A454 Black Country Route.	650,000	0	0	0
	Yorks Bridge (Top Up)	Yorks Bridge has suffered over recent decades and the bridge is currently the subject of a 7.5 tonne weight limit. Replacement scheme funded using council capital funding and the Department for Transport Maintenance Block.	750,000	750,000	0	0
	Regional Materials Recycling Facility Project	Cabinet on 4 September 2019 approved for the council to enter into a Joint Working Arrangement with 5 partner councils in order to facilitate the delivery stage of a local authority owned Materials Recycling Facility. (£7.01m approved in 2021/22 of which £2.3m carried forward).	5,026,151	0	0	0
	Enterprise Zones	Required for the council to manage borrowing costs associated with capital investment into the Enterprise Zone. Financial modelling forecasts that these costs are expected to be recovered from future business rates generated from within the zone, although the Black Country LEP are the decision making body in relation to where business rates within the zone are invested. Therefore on the basis that the BCLEP approve that costs on Walsall sites can be recovered through the business rates mechanism, then the council will only be required to cash-flow these costs. (£6.82m approved in 2021/22 of which £5.68m to be carried forward to fund future years reprofiling).	2,587,131	387,213	6,897,852	2,435,472

Directorate	Capital Scheme	Detail of Capital investment	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Economy, Environment & Communities	Waste Management Strategy	Strategic acquisition of property to support the future delivery of the council's waste management strategies. (£10.83m approved in 2021/22 of which £9.50m to be carried forward to fund future years reprofiling).	10,433,396	2,069,970	0	0
	Bloxwich Active Living Centre landing development	Development of landing and office space to extend fitness suite, create bespoke indoor cycle studio, and install virtual instructor will deliver c£90k per annum additional income. Proud investment.	170,000	0	0	0
	High Streets Fund	To invest in Walsall to deliver a much-needed boost to our high street at this challenging time, match funding to external funding announced by MHCLG (now DLUHC – Dept for Levelling Up, Housing & Communities) on 26 December 2020. Includes £600k carry forward from 2021/22.	1,415,852	7,517,372	11,186,776	0
	Other schemes carried forward from previous years requiring completion	New Homes Bonus.	76,999	0	0	0
		Regenerating Walsall.	223,206	0	0	0
		Town and District Centres Public Realm.	520,500	0	0	0
		Walsall Market.	40,516	0	0	0
		St Peters Church repairs to surrounding wall.	32,784	0	0	0
		Workshop breakdown vehicle.	66,991	0	0	0
		Allotment boundary improvement works.	156,000	0	0	0
		Walsall Arboretum Extension and County Park - Infrastructure Improvements.	190,000	0	0	0
		Replacement cemeteries administration system.	75,000	0	0	0
		Hatherton Road car park.	61,456	0	0	0
		Hatherton Road multi-storey car park structural maintenance.	200,000	0	0	0
		Walsall Town Centre public realm improvements.	362,081	0	0	0
		Replacement computer technology.	34,000	0	0	0
		Radio Frequency Identification (RFID) – Libraries self issue.	93,000	0	0	0
Children's , Education & Customer Engagement	School Estate Condition Survey	Ongoing provision to cover school conditions.	250,000	250,000	250,000	250,000
	School Temporary Classrooms	Ongoing provision for improving / replacing permanent mobile classrooms when they reach a state of disrepair. This has been held corporately to fund emergency costs arising.	250,000	250,000	250,000	250,000
	Other schemes carried forward from previous	2 Year olds education support.	228,540	0	0	0

	years requiring completion					
Directorate	**Capital Scheme**	**Detail of Capital investment**	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**
Resources & Transformation	Council House Roof Repairs	Replace roof as it is at the end of its life, plus timber repairs. (£750k approved in 2021/22 of which £700k carried forward).	1,450,000	0	0	0
	Replacement of 'tablet' technology	A 'tablet rollout' programme was completed during 2019 enabling agile working and the adoption of Office 365, with replacement starting in 2022.	2,250,000	2,250,000	0	0
	Smartphones	Current mobile phone devices will require replacement. Out of life devices will not receive security patches nor upgrades to the android operating system - will result in 'apps' not being updated, including 'outlook app' used to receive email. (£200k approved in 2021/22 of which £100k carried forward).	300,000	0	0	0
	Card payments, digital website etc)	To ensure the council remains PCI compliant and allows for citizens to pay for services on line. (£750k approved in 2021/22).	250,000	100,000	100,000	0
	Telephony - cloud based system	Transfer all of our incoming phone lines to new technology, potentially replace desk phones with headsets and implement microsoft telephony. Includes £120k carry forward from 2021/22.	270,178	150,000	0	0
	Maintaining a safe and secure environment	Hardware & software upgrades to maintain compliance for current standards e.g. BACS software & open banking compliance. (£2.56m approved in 2021/22 of which £1.1m carried forward).	1,300,000	200,000	0	0
	Computer Aided Facilities management system	To provide a comprehensive computer based integrated system to manage repairs, minor and major works, stock condition, financial modelling, asset and new build evaluation, contract management, DLO module for staff allocation such as direct labour and soft FM caretaking and cleaning, asset management property records, valuation toll, GIS integration, finance loading of invoicing, statutory compliance, asbestos etc. (£250k approved in 2021/22 which is carried forward).	350,000	0	0	0
	Other schemes carried forward from previous years requiring completion	Civic Centre heating.	1,146,646	0	0	0
		Council House smoke and heat detection fire alarm.	326,920	0	0	0
		Council House general heating.	2,173,560	0	0	0
		Walsall Council House modern secure reception.	24,228	0	0	0
		Council House Internal Decoration.	30,251	0	0	0
		Willenhall Lane travellers site pumping station.	24,000	0	0	0
		Security arrangements for corporate buildings.	105,000	0	0	0
		Civic Centre Plumbing - non heating related.	66,600	0	0	0
		Council House windows.	1,307,025	0	0	0
		Saddlers Centre shopping centre.	335,194	0	0	0
		Challenge Block.	33,214	0	0	0

Directorate	Capital Scheme	Detail of Capital investment	2022/23 £	2023/24 £	2024/25 £	2025/26 £
		Town Centre Strategic Acquisition for Third Sector Hub and operational accommodation.	2,557,716	0	0	0
		Council chamber refurbishment.	149,892	0	0	0
Resources & Transformation	Other schemes carried forward from previous years requiring completion	MYCMIS Asset Management tracking system.	15,823	0	0	0
		Webcasting and hybrid council meetings.	20,000	0	0	0
		Essential microsoft upgrades and foundation for Office 365.	41,621	0	0	0
		Proud ICT.	22,974	0	0	0
		Enabling Technology.	6,937,711	0	0	0
Total Prior Year Approvals			**45,915,494**	**14,264,555**	**19,024,628**	**3,275,472**
Pipeline investment						
Council Wide	Pipeline investment	Funding for pipeline investment opportunities. This to include additional match funding costs if required to support projects in planning / development, subject to approval of a full business case by Cabinet to access these funds. (£28m approved in 2021/22 of which £25.41m to be carried forward to fund future years reprofiling).	14,477,467	10,219,907	6,122,829	8,932,524
Economy, Environment and Communities	Regional Materials Recycling Facility	Contribution towards the scheme approved by Cabinet on 4 September 2019 - Joint Working Arrangement with 5 partner councils in order to facilitate the delivery stage of a local authority owned Materials Recycling Facility. Approved contribution by Cabinet 17 March 2021.	650,947	929,054	0	0
	High Streets Fund - further match funding	Approved by Cabinet 21 April 2021 - To part match fund external/council funds to invest in Walsall to deliver a much-needed boost to our high street.	315,353	0	3,727,171	1,067,476
	Street Lighting	Approved contribution by Cabinet 16 June 2021 - To deliver a modern, energy efficient street lighting solution that provides the ability to finely control light output whilst significantly reducing energy consumption and contributing to the Council becoming carbon neutral by 2050. The project will convert 23000, old technology street lights to light emitting diode (LED) technology over a 24 month core investment period resulting in reductions in energy consumption of approx. 74%.	7,041,362	4,280,112	0	0
	Streetly Cemetery	Extension project to create extra grave plots at Streetly Cemetery	430,293			
	Willenhall Masterplan	Willenhall Garden City Phase 1 is part of a housing-led regeneration programme with public sector intervention in land assembly and gap funding required to support private sector delivery of new homes.	2,675,468	6,420,927	0	0
Children's, Education & Customer Engagement	Children's Residential	Approved contribution by Cabinet 16 June 2021 - Investment to create 2 x three bedded Children's Homes on a phased basis to provide care for those more complex, hard to place and therefore more costly children, and those who are in the process of being able to return home or step down to foster care.	100,000	0	0	0

Directorate	Capital Scheme	Detail of Capital investment	2022/23 £	2023/24 £	2024/25 £	2025/26 £
	Looked After Children Foster Care refurbishment programme	This funding is provided to enable foster carers and special guardians for children looked after by Walsall to enlarge their homes or in some circumstances, to obtain an alternative larger home.	150,000	150,000	150,000	0
Total Pipeline investment			**25,840,890**	**22,000,000**	**10,000,000**	**10,000,000**
Directorate	**Capital Scheme**	**Detail of Capital investment**	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**
New Bids						
Children's, Education & Customer Engagement	Social Housing	Social Housing decarbonisation match funding to support bid to improve council owned housing stock - as approved by Cabinet 8 September 2021.	283,600	0	0	0
Resources and Transformation	Towns Deal	In 2021/22, Walsall and Bloxwich were successful in being awarded £21.3m from DLUHC for each town. Working with the Town Deal Board and Partners, a Project Confirmation Table has been submitted for each project, with an underwriting requirement from the Council of £5.48m as the Council's share of the shortfall compared to the awarded allocation. This is subject to confirmation following acceptance of the outline funding, and formal completion of a full business case for all of the projects to be completed during which other external funding and cost reductions/value re-engineering will be sought, full commitment of the additional match funding/underwriting required and start of delivery.	0	0	0	0
		Walsall Towns Deal - council contribution.	999,080	780,520	0	0
		Bloxwich Towns Deal - council contribution.	1,025,000	1,650,000	425,000	600,000
Economy, Environment and Communities	Children's Play Equipment	Installation of 6 new outdoor gyms and the improvement of 13 main play sites at a total cost of £1.644m to enhance the quality of play and fitness provision for young people and adults. This will be funded from S106 monies (£229k) and £1.07m council funded and seek to find the remaining fund externally.	490,000	580,000	0	0
	Capitalisation of wheeled bin stock	Linked to revenue savings option.	180,000	180,000	180,000	180,000
	New Art Gallery	Match funding requirement for refurbishment works at New Art Gallery - LED and audio recording equipment in 2022/23; solar panel installation, digital infrastructure, footfall monitoring, heating and ventilation works in 2023/24; further LED, toilet and library refurbishment in 2024/25.	0	22,500	22,500	0
Total New Bids			**2,977,680**	**3,213,020**	**627,500**	**780,000**
Total Draft Capital Programme – Council Funded Schemes			**79,701,064**	**43,784,575**	**33,959,128**	**18,362,472**

B: Draft Capital Programme 2022/23 to 2025/26 – Externally Funded Schemes

Directorate	Capital Scheme	Detail of Capital investment	2022/23 £	2023/24 £	2024/25 £	2025/26 £
Economy, Environment & Communities	LTP Highway Maintenance Programme	This capital funding, known as the maintenance block, is distributed by the Integrated Transport Authority (ITA). As the Highway Authority we have an extremely high profile duty to maintain our highway network. This money is provided by the Department for Transport via the ITA with the condition that it should be spent on the classified road network. Includes allocation for potholes and bridge strengthening. Includes £1.2m carry forward from 2021/22.	4,732,950	3,531,256	3,531,256	3,531,256
	Integrated Transport Block Funding	The Government provides each locality with grant funding to help implement the Local Transport Plan in their area. The grant is used for the implementation of small scale capital schemes; development of major capital schemes and to part fund major schemes implementation costs. The programme is designed to address road safety issues, progress the Council's major scheme aspirations; and resource the required 'local contributions' to approved major schemes. (Department for Transport / West Midlands ITA).	1,562,694	1,562,694	1,562,694	1,562,694
	High Streets Fund	To invest in Walsall to deliver a much-needed boost to our high street at this challenging time, as announced by MHCLG (now Dept for Levelling Up, Housing & Communities) on 26 December 2020. Includes £4.99m carry forward from 2021/22.	7,844,108	4,861,926	0	0
	Darlaston Baths	Replacement of boilers, installation of solar panels, LED lights and insulate pipework. Phase 3 of the funding is focussing on a 'whole building' approach triggered by a requirement to replace end of life fossil fuel heating systems with renewable energy.	2,660,000	0	0	0
	New Art Gallery	Refurbishment works at New Art Gallery - LED and audio recording equipment in 2022/23; solar panel installation, digital infrastructure, footfall monitoring, heating and ventilation works in 2023/24; further LED, toilet and library refurbishment in 2024/25.	49,825	178,646	236,604	0
	Black Country Blue Network	Highway improvements - carried forward scheme from 2021/22 - £27k funded from European Regional Development Fund and £13k funded from s106.	40,512	0	0	0
	M6 Junction 10	Highway improvements - carried forward scheme from 2021/22 (Department for Transport).	2,532,128	0	0	0
Children's, Education &	Disabled Facilities Grant	This project directly supports the council's statutory requirement to provide disabled facility grants (DFGs). It is based on the delivery of the ring fenced	3,314,771	3,314,771	3,314,771	3,314,771

		award of grant money from government. 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.				
Directorate	**Capital Scheme**	**Detail of Capital investment**	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**
Children's , Education & Customer Engagement	Social Housing	Social Housing decarbonisation bid to improve council owned housing stock - external funding bid as approved by Cabinet 8 September 2021	607,200	0	0	0
	Integrated Community Equipment Store (ICES)	Supplies equipment to people with both a social care and a health need on an assessed needs basis. This is a pooled budget between the CCG and the council, this capital funding will be used to purchase this equipment which will enable people to return home or continue to remain at home. This now forms part of the Better Care Fund (BCF) for which the council is host. (Department of Health).	888,000	888,000	888,000	888,000
	Basic Need	Paid to LAs to support the capital requirement for providing new pupil places by expanding existing maintained schools, free schools or academies, and establishing new schools. (Department for Education). Includes £18.55m carry forward from 2022/23.	19,865,004	1,319,871	1,319,871	1,319,871
	Devolved Formula Capital	Received by the LA then allocated out to individual schools as per allocations defined by the DfE. It is intended to provide schools with capital funding for improvement to buildings and other facilities, including ICT, or capital repairs / refurbishments and minor works. (Department for Education).	514,854	514,854	514,854	514,854
	Capital Maintenance	Allocated to the LA on an annual basis to improve and maintain the condition of the school estate (buildings and grounds). Investment is prioritised on keeping school buildings safe and in good working order by tackling poor building condition, building compliance, energy efficiency, and health and safety issues. (Department for Education). Includes £1.7m carry forward from 2021/22.	3,622,400	1,917,799	1,917,799	1,917,799
	Academies	School improvements - carried forward scheme from 2021/22 (Department for Education).	346,130	0	0	0
	High Needs Provision Capital Allocation	School improvements - carried forward scheme from 2021/22 (Department for Education).	1,321,195	0	0	0
	Local Authority Delivery Scheme (LADS3)	Provision of external wall insulation and solar PV panels and bringing EPC rating in line - works to on gas properties - main focus on Low income household - On gas grid, max avg subsidy £10k - part of £500m announced by Chancellor	5,305,012	0	0	0
	LADS 3 Midland Energy Hub	Provision of external wall insulation and solar PV panels and bringing EPC rating in line - works to on gas properties - main focus on Low income household - On gas grid. Funding from Midland Energy Hub (BEIS) funded initiative, managed by Nottingham City Council providing support to nine LEP areas. £10k avg cost per household.	1,180,000	0	0	0

	Home Upgrade Grant (HUG)	Provision of external wall insulation and solar PV panels - works to off-gas properties, again for low income household - part of £2.5bn manifesto. Only for households not on mains gas grid. Avg subsidy £10k-£25k- Low carbon heating.	290,000	0	0	0
	Off gas scheme	Energy improvements - carried forward scheme from 2021/22.	190,000	0	0	0
Directorate	**Capital Scheme**	**Detail of Capital investment**	**2022/23 £**	**2023/24 £**	**2024/25 £**	**2025/26 £**
Resources and Transformation	Growth Deal	The Black Country Growth Deal, 'Made in the Black Country, Sold around the World', was agreed with Government in July 2014. 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. To date the programme has committed c£148m and received claims c£77m. It has contracted 3,532 jobs excluding apprenticeships and over 6,000 including them (Dep't of Levelling Up, Housing & Communities). In January 2019 the Black Country Joint Committee appointed Walsall Council as its Single Accountable Body, as a result the balance of the Growing Places Fund (£5.4m) was transferred from Sandwell Council, with the funds to be used to over-programme Growth Deal.	5,439,498	0	0	0
	Towns Deal	In 2021/22, Walsall and Bloxwich were successful in being awarded £21.3m from DLUHC for each town. A grant offer has been received, which has been accepted by the signing of a Heads of Terms. Working with the Town Deal Board and Partners, a Project Confirmation Table has been submitted for each project, with an underwriting requirement from the Council of £5.48m as the Council's share of the shortfall compared to the awarded allocation. This is subject to confirmation following acceptance of the outline funding, and formal completion of a full business case for all of the projects to be completed during which other external funding and cost reductions/value re-engineering will be sought, full commitment of the additional match funding/underwriting required and start of delivery.	0	0	0	0
		Walsall Towns Deal - council contribution.	8,621,000	10,950,000	482,000	182,000
		Bloxwich Towns Deal - council contribution.	286,000	9,362,100	8,707,300	1,879,600
	Land & Property Investment Fund	Part of the Investment Programme of the West Midlands Combined Authority for Black Country brownfield sites - carried forward scheme from 2021/22. Walsall is Accountable Body for this scheme.	36,043,121	0	0	0
Total Draft Capital Programme - External Funded Schemes			**107,256,402**	**38,401,917**	**22,475,149**	**15,110,845**

Part 1 Annex 10 – 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.

Following that, in February 2021 as part of the local government settlement for 2021/22 the Secretary of State announced a further extension of these flexibilities for the for 3 years from 2022/23 – covering the period up to March 2025.

Councils can only use sale proceeds realised over that period (1 April 2016 to 31 March 2025), but 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.

Qualifying Expenditure

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

Summary of planned receipts

Capital receipts performance across the qualifying period has been reviewed. This has confirmed that up to £4m of Capital receipts which have been realised during this period have not yet been utilised within the capital programme undertaken over that time and are therefore currently available, without any increase to existing assumptions regarding borrowing required to support the capital programme.

Summary of Planned Use

From 2020/21 onwards the council set out a new approach by which the overall financial savings requirement is expected to be delivered via Proud work stream activity. Walsall Proud (WP) is an extensive and ambitious programme of change designed to modernise the way the council works, deliver improved services to customers whilst delivering financial savings through efficiencies. As such the full savings identified of £18.86m for 2022/23 and saving requirement of £12.24m for 2023/24 will align to Proud work streams and be delivered as part of the transformational activity of the council.

A number of these transformation savings have associated one off costs to enable delivery, and therefore is qualifying expenditure appropriate to the ‘Flexible Use of Capital Receipts’ (FUOCR) funding that is available to support them.

No use was made of the FUOCR funding during 2021/22.

A list of projects that plan to make use of the capital receipts flexibility is set out in the table below by area, with a narrative for each below detailing the associated savings. These are currently forecasts and as such, actual drawdown of FUOCRS funds may differ between proposed areas, but will not exceed the £4m available overall.

Proposed Area	Project Area / Work Stream	Qualifying Expenditure 2022/23 (£m)
Walsall Proud Transformation and Change and Project Management Support	CAM / All Proud Workstreams	0.87
One-Off Proud Workstream Investment to Deliver Proud Savings – See below	Older People and Front Door projects in Adult Social Care	0.11
	Adult Social Care – see below	1.25
Service restructuring and rationalisation (interim support to create additional capacity, redundancy, pension strain, etc) costs associated with organisation redesigns to deliver the changes in Proud ways of work	All Proud workstream projects	1.77
Total		**4.00**

<u>Additional Transformation and Change and Project Management Support</u>

The majority of this additional resource is to support the Customer Access & Management (CAM) work stream. This work stream addresses the mechanisms available to us to manage a single view of the customer, improve their experience and introduce efficiencies in our ways of interacting with them. c£6.43m of 2022/23 savings to be delivered are aligned to this work stream.

The remainder of the resource will provide support across multiple Proud work streams and as such support in the delivery of the overall 2022/23 saving of £18.86m.

One-Off Proud Workstream Investment to Deliver Proud Savings

The below table details one off investment required to directly support the delivery of specific budgeted Proud savings.

- Savings related to the Older People and Front Door projects in Adult Social Care, Public Health and Hub total £4.48m in 2022/23;
- Savings related to Strength Based Practice and Outcome Based Commissioning will support delivery of the ASC savings of £8.17m.

Project	**Saving Area**	**Qualifying Expenditure 2022/23 £m**
Single Handed Care Training	Older People Care Packages (Saving OP89 and Part of OP90)	0.11
Strength Based Practice and Outcome Based Commissioning: *People and Practice Project*: Development of Strength Based Practice and People Development, *Operations Project*: Case File Reviews, *Technology Project*: Community technology opportunities, Commissioning (care cubed and contract management system), Programme Governance Project: Development of the Target Operating Mode and Management support	OP83/92/109 - Efficiencies attributed to implementation of All Age Disability approach and development of a new Target Operating Model; OP84 - Staffing impact following the implementation of Bettercare Finance System; OP89 - Reduction in new clients achieved through strength based working practices and development of resilient communities framework; OP90 - Efficiencies attributed to the review of existing Older People, Learning Disability and Mental Health clients through strength based practice and development of new Target Operating Model; OP91 - Efficiencies attributed to the review of day care provision through strength based practice and development of new Target Operating Model; OP94 - Review of funding streams to support demand management; OP97 - Review of Resources including Goscote Centre and development of new Target Operating Model; OP113 part - Efficiencies attributed to the implementation of Bettercare Finance System.	1.25

Service restructuring and rationalisation

Of the £18.86m of savings proposed for 2022/23, approximately £8.93m align to staffing related work streams. Service restructuring and rationalisation costs will include costs of interim support to provide redesign capacity and capability, redundancy and pension costs, the latter of which will fluctuate dependant on the nature of the change, staffing situation within the service and pay and length of service. A 2022/23 forecast of c£1.77m is therefore expected for these costs linked to the delivery of Proud savings.

Impact on Prudential Indicators

The Strategy is also required to identify the prudential indicators that will be impacted by this investment. This impact is set out below:

- PrI1a. - Capital expenditure – Council Resources – increased by £4m.

No other prudential indicators are impacted.

The above impact on prudential indicators shows that this Strategy is affordable and will not impact on the council's operational and authorised borrowing limits. Further details on the council's Prudential Indicators can be found within the Treasury Management and Investment Strategy.

Monitoring

The Strategy will be monitored throughout the financial year and may be updated and replaced as proposals are developed and expenditure incurred.

Part 1 Annex 11 – Chief Finance Officer (S151 Officer) Section 25 Report on the Adequacy of Proposed Reserves and Robustness of the Budget Estimates

Context

In accordance with Section 25 of the Local Government Act 2003 (“the Act”) and to comply with CIPFA guidance on local authority reserves and balances, the Chief Finance 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 needed for meeting future expenditure requirements. The Chief Finance Officer (Under S151 of the Local government Act 1972) 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 Interim Executive Director for Resources and Transformation who holds the position of Chief Finance Officer/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).

Reserves

It is prudent for councils to maintain an adequate level of general reserves (or working balance). They provide a buffer and mitigate against risks, such as unavoidable and unknown demand and other service cost pressures which may arise in the year; cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing; and support the management of the impact of any unexpected events or emergencies. Earmarked reserves are also set to meet ‘known or predicted’ requirements, for example, self-insured liabilities, grant reserves, contingent and potential liabilities. Reserves allow the council to manage the impact of these and to manage change without the need for immediate reductions in services. In the current financial climate arising primarily from a global pandemic, but also in the context of the United Kingdom’s exit from the European Union, the importance of good financial management, including maintaining a prudent level of reserves and contingencies, cannot be over-estimated.

There is no overall formula for calculating what an appropriate level of reserves should be. Whilst the medium term financial framework (MTFF) sets out a guide as to what should be a minimum level, the actual level is based on best practice guidance, best professional judgement, the strategic, operational and financial risks facing the council, including an assessment of known and potential risks and an understanding of national and local factors.

A minimum level of reserves is specified in the Budget. The Council’s MTFF sets a range of between 1% of gross revenue expenditure for the year in question (£6.58m) and 2.5% (£16.45m). However, Section 25 of the Act requires the Chief Finance Officer (CFO) to report on the adequacy of proposed reserves and to determine the minimum level which the Council is required to have regard to in setting the overall budget envelope.

The MTFF 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 CFO, in consultation with the Portfolio Holder for Finance.

Adequacy of reserves

The CFO 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 (through regular meetings with the Chief Executive, other Statutory Officers and the Corporate Management Team);
- The annual refresh of the medium term financial framework (MTFF) and outlook (MTFO);
- Challenging the budget at various stages of construction, including the reasonableness of the key budget assumptions, such as estimates of financial pressures, the realism of income targets, the robustness of plans to deliver savings, and the extent to which known trends and liabilities are provided for;
- 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 potential pressures and issues;
- The use of professional experience and best professional judgement;
- The use of appropriate professional, technical guidance and local frameworks (CIPFA guidance, LAAP99, Local Government Act 73, Localism Act 2011);
- Knowledge and involvement of colleagues involved in the process, including Directors and budget holders, along with finance business partners;
- Consultation with Members as appropriate, including the Portfolio Holder for Finance;
- 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 national and local economic, market, legislative and financial conditions.

A risk assessed approach is used to determine the required level of reserves and contingencies. This includes external risks; including Covid-19, Brexit, national policy changes, legislation, national funding arrangements and levels of support available, changes in market, employment and economic conditions, service user behaviours (e.g. impact on income projections); and internal risks such as the ability to deliver planned savings. The MTFF is annually updated and approved by Cabinet to reflect the changing environment in which we work – the latest being approved by Cabinet on 20 October 2021. Reserves and contingencies are addressed within the Framework.

In the current climate, there continues to be significant uncertainties around funding, particularly in light of the global pandemic, the impact of lockdown arrangements on our communities and finances, post Brexit costs and supply, and proposed changes to central funding and business rates retention.

The continued need to make savings whilst driving improvements in customer and employee satisfaction over the medium term through the Proud transformation programme, and maintaining the organisational capacity to deliver this at the required scale and pace also creates risk. It is therefore prudent to consider contingency plans should in year reporting arrangements identify that planned savings may be delayed. Alongside the deferred national Fair Funding policy changes and any 'unknown' demographic and demand cost pressures, this increases organisational risk and therefore the need for adequate levels of reserves to be maintained in current and future years.

The level of opening balances for 2022/23 is partially dependent on the level of closing balances for 2021/22. The following details general reserves as at 31 March 2021, together with the proposed use of and transfer to reserves, and the resulting balance as at 1 April 2022, to secure the opening level of reserves recommended by the Chief Finance Officer.

Opening General Reserves	**£m**
Balance as at 1 April 2021	(17.69)
Potential transfer of in year forecast overspend (as at December 2021 monitoring position)	1.08
Estimated closing balance as at 31 March 2022	**16.61**
Transfers from earmarked reserves to meet forecast risks	0.00
Opening Balance as at 1 April 2022	**16.61**

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

- Uncertainty over the level of funding going forward, particularly in light of the continuing impact of the pandemic, post-Brexit and the fundamental changes being considered in relation to central funding and business rate retention;
- Operational, strategic and financial risks facing the authority, as set out in this statement;
- The council is not permitted to budget for a level of general reserves below that determined by the MTFF and the S151 officer;
- Balances are predicated on total savings of c£18.86m being achieved in 2022/23, plus a further c£5.5m of carried forward 2021/22 savings in relation to ASC. Whilst an assessment of plans has been undertaken, it is prudent to hold a contingency to manage any delay in delivery of savings or additional 'unknown' costs, particularly in light of the pandemic;
- Uncertainty around future demand led services, specifically within Adult and Children's Social Services.

The CFO has assessed the current year's financial performance and actions taken to address underlying pressures. In considering this, alongside the financial risk assessment, previous years' financial performance, and the potential risks and pressures facing the organisation, the CFO recommends that opening reserves are set at a minimum of £16.11m. This is based on the following assessed categorises of financial risk:

Financial Risk Assessment	**£m**
Funding risks – fall out of grant, council tax changes, etc	0.21
Cost / Demand Pressures including Covid-19, national, economic and legislative impact	9.10
Delivery of Proud Savings	3.22
Loss of Income / Investments	3.58
Assessed General Reserve Requirement	**16.11**

Earmarked Reserves

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, however the timing of which is not yet known, such as redundancies, legal costs, business rate appeals, insurance claims, pension costs. Once the timing and liability is known, the liability becomes a provision within the financial statements;
- 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;
- Covid-19 reserves such as the Local Tax Income Guarantee to be used to support the impact of Covid-19 on the collection fund;
- Treasury reserves - These reserves are to minimise the impact of interest rate changes and finance early redemption of loans to reduce the council's future exposure to interest rates;
- Demand - These reserves are primarily to provide short term additional funding for Children's and Adult Social Care where a spike in demand may create overspends, but the likelihood is still uncertain. 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 assessed as ceased.

The expected level of earmarked reserves as at 1 April 2022 is as follows and is considered reasonable and prudent -

Earmarked Reserves	**£m**
Balance as at 1 April 2021	(210.12)
Created in year – including Covid-19 collection fund reliefs and grants	(3.55)
Expected to be used in year	67.55
Replenishment in year	(42.16)
Released in year	0.00
Estimated closing balance as at 31 March 2022	**(188.28)**
Use of earmarked reserves in 2022/23 Budget	15.73
Estimated closing balance as at 1 April 2022	**(172.55)**

Central Contingency

As well as general and earmarked reserves, the council holds a small revenue contingency to manage unforeseen but recurring expenditure. The contingency is held centrally and is calculated between 0.1% and 0.15% of the year's gross revenue budget. For 2022/23 this is to be set at £987k (the higher level).

A prudent central capital contingency is also held, 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 is set by the CFO. 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 2022/23 this is to be set at £500k, which is considered adequate based on past requirements.

Schools Reserves

The CFO, 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. The council and Walsall Schools Forum 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. The council notes that the latest Academies handbook has removed the need for balance control for many academies.

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 the Schools Forum on medium term funding and more recently linking value for money and performance.

The adequacy of balances is reviewed annually by the CFO. For the current financial year, 3 schools are operating deficits, two of which are licensed. However, the first of these schools has reported a deficit for 2021/22 only, the second has already implemented actions required to return to a surplus from 2023/24. The remaining school is being provided with support by the authority to help it manage its financial pressures and return to surplus within the timescales required within the scheme for financing schools.

The overall levels of schools reserves is kept under regular review, along with any exceptional balances, and based on school monitoring submissions for 2021/22 the level of schools reserves are forecast to move from an opening balance of £12.99m to a closing balance of £9.78m, a planned reduction of £3.21m which is mainly linked to the three schools with deficits detailed above along with investment plans within individual schools. The council and Schools Forum has identified that the implementation of a new National Fair Funding Formula continues to pose a financial risk to individual schools, and options to manage this risk continue to be identified as part of the process to set the local schools funding formula each year.

Overall Assessment of Reserves

An opening level of general reserves of £16.11m is considered to be sufficient for most possible events, over the short-term i.e. for 2022/23. The council will continue to face real and present financial challenges beyond this. In the context of this funding environment, wherever possible reserves will be at least maintained during 2022/23 and beyond.

In recommending an adequate level of reserves, the CFO 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 this context, it is considered that a level of reserves set at £16.11m presents an optimum balance between risk management and opportunity cost. The CFO 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 concludes that general reserves, if set at £16.11m, will be at an appropriate level; as determined in accordance with the MTFF and the CFO's professional advice. The budget is predicated on delivery of £24.36m of cashable benefit (£18.86m of 2022/23 savings and c£5.5m of ASC carried forward savings from 2021/22). A savings tracker operates and at this point, whilst uncertainty remains about the ongoing impact of the pandemic, our current assessment is that the combination of known Covid-19 grants and our financial risk assessment of potential impact, should be sufficient, *based on our current knowledge,* to manage further short term impact. Any longer term impact is likely to require further actions, including identification of alternative actions to address any shortfalls and replenish any in year use of general reserves.

Robustness of the Estimates included within the Budget

The CFO has been involved throughout the entire budget process, including significant 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.

As stated, 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.

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. Areas of identified pressure within 2022/23 are planned to be covered by a combination of base budget alignments to recognise the agreed ongoing management of corrective action undertaken during 2021/22 or base budget adjustments, where growth/investment is included within the 2022/23 budget to cover the cost pressure (or income/grant shortfall). Fees and charges have been reviewed and changes are reflected in the overall budget. Contingency has been built in (inflationary / contractual) for uncertainty concerning the impact on supply and prices of the pandemic and post-Brexit.

Capital receipts and the 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 budget report and are considered appropriate.

Significant investment has been included to cover those areas of most demand and volatility, particularly in Adult and Children's Social Care.

Proud Savings

The Proud Programme has been created to change how we do things, as well as what we do, to improve customer and employee satisfaction, whilst achieving financial benefits in a more considered and sustainable way. The programme is organised as work streams and benefits are aligned to these – for example, Customer Access and Management improvement, Commissioning (third party spend), income generation and cost recovery, etc rather than on a more traditional (Directorate/Service) basis. Given this and the size and scale of the programme, this inevitably creates uncertainty. Work, however, has developed in 2021/22 to translate the work stream benefits into services via service transformation plans (STP's), allowing c£26.56m of savings to be incorporated into the 2022/23 to 2025/26 budget report. This is in addition to c£30m of savings already identified/delivered.

Finance, the joint programme management team, and Proud work stream leads, have reviewed the Proud work stream plans, benefits realisation and the anticipated level of cashable savings in relation to 2022/23. Actions to address gaps between planned activity and realisation of benefit have been discussed and agreed as appropriate with CMT and Proud Board. Provided all actions are taken within the agreed timescales then cashable savings identified for 2022/23 are deemed achievable. The financial risk assessment which has informed the CFO's recommendation on an adequate level of earmarked reserves and general reserves, does contain a contingency, to manage any ongoing impact of the current lockdown or any new restrictions.

Responsibility and accountability for delivery of Proud savings rests with the relevant CMT sponsor and work stream implementation leads for delivery of work stream capabilities and with Directors for delivery of service transformation plans, and progress will continue to be monitored and reported throughout the forthcoming year.

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 2021/22 outturn and the 2022/23 to 2025/26 budget.

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

- Covid-19 and uncertainty around future impact;
- Potential economic impact of Brexit, now we have left the EU;

- 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;
- Fair Funding and uncertainty around central funding of local authority services beyond 2022/23;
- Grant reductions not published or known about at the time the budget is set;
- Further 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), pressures from economic or employment changes;
- Delays in delivery of Proud savings, for example, arising from implementing organisational change, renegotiating or tendering for third party contracts.

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 higher end of the MTFF guidelines is appropriate.

The Budget in Context

The budget includes the allocation of financial resources to different services and projects, proposed reserves and contingency funds, 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 MTFF.

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 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 within 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, taking into account the information known at this time;

(a) the estimates made for the purposes of the calculation of the Council's budget requirement under Section 32 of the Local Government Finance Act 1992, contained in the budget report, are robust;

(b) the financial reserves available to the Council as a result of agreeing the proposals contained within the Budget report are adequate to enable the setting of a lawful budget for 2022/23.

Deborah Hindson
Interim Executive Director, Resources and Transformation,
Chief Finance Officer (S151 Officer)

Section B - Part 2 – Treasury Management

A: Treasury Management and Investment Strategy for 2022/23 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 – This 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. Further information can be found at Part 1 Annex 8 of the Budget Plan.

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

1.2 Treasury Management Strategy for 2022/23

The Strategy for 2022/23 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, Department of Levelling Up, Housing and Communities (DLUHC) MRP Guidance, the CIPFA Treasury Management Code and DLUHC 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 responsible for scrutiny. All members were invited to a virtural training event hosted by the council's Treasury Management Consultants Link Asset Services in March 2021 and further training will be arranged as required.

The training needs of treasury management officers are reviewed annually.

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 2022/23 – 2024/25

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.

A summary of the 2022/23 capital programme is outlined in section 3 of the budget plan at Section B Part 1 of this report. The summary of the draft capital programme over the plan period 2022/23 to 2025/26 is outlined at section 4, with full details by scheme at Annex 9. Capital Strategy attached at Annex 8 of the budget plan at Section B Part 1 of this report.

Table 1 : Current Capital Programme

	2020/21 Actual £m	2021/22 Forecast £m	2022/23 Estimated £m	2023/24 Estimated £m	2024/25 Estimated £m
Total Capital Expenditure	**74.58**	**87.90**	**82.01**	**56.27**	**34.34**
Resourced by:					
Capital receipts	1.50	1.50	1.50	1.50	1.50
Capital grants	46.71	32.33	38.40	22.48	15.11
Capital reserves	0.00	0.00	0.00	0.00	0.00
Revenue	0.02	0.02	0.02	0.02	0.02
Borrowing	26.35	54.04	42.09	32.27	17.71
Total resources available	**74.58**	**87.89**	**82.01**	**56.27**	**34.34**

Note - this excludes any impact of estimated carry forwards from 2021/22

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 the former prudential indicator 2 as this provides an indication of the impact of the capital investment plans on the council's overall finances. Council is recommended to approve the following indicator:

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					
	2020/21 Actual	**2021/22 Forecast**	**2022/23 Estimated**	**2023/24 Estimated**	**2024/25 Estimated**
Ratio	5.17%	8.72%	9.76%	7.50%	7.23%

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 £4.64m of such schemes within the CFR. Council is asked to approve the CFR projections in Table 3 which shows that the council's net borrowing need for the period 2022/23 to 2024/25 is estimated to see an increase of £80.99m. The council's Borrowing Strategy is set out in section 4.

Table 3: Analysis of CFR				
	2021/22 Forecast £m	**2022/23 Estimated £m**	**2023/24 Estimated £m**	**2024/25 Estimated £m**
Opening Capital Financing Requirement	**370.11**	**381.53**	**411.85**	**430.43**
Net financing need for the year				
Less MRP and other financing movements	(13.25)	(12.47)	(13.92)	(15.16)
Additional borrowing	24.67	42.79	32.50	35.83
Movement in CFR	**11.42**	**30.32**	**18.58**	**20.67**
Closing Capital Financing Requirement	**381.53**	**411.85**	**430.43**	**451.10**

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 that 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 in 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.

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 2021/22 with borrowing of over 1 year length of approximately £313m against an asset base of approximately £556m, and short term investments of approximately £194m. These will be proactively managed to minimise borrowing costs and maximise investment returns within a robust risk management environment. In 2022/23 estimated annual interest payments are £12.73m (£11.86m budget for 2021/22), with the increase due to planned borrowing included within the budget to take account of capital expenditure in line with capital plans set out in table 1 above. Net investment interest income for 2022/23 is estimated to be £2.10m (£1.82m budget for 2021/22), with the increase mainly due to slightly improved interest rates. The net budget for capital financing in 2022/23 is £25.06m (£23.67m in 2021/22).

The council's treasury portfolio position at 31st December 2021 is shown in Table 4; year end forward projections are summarised in Table 5. 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 4: Borrowing and Investments			
	Borrowing £m	**Investments £m**	**Net Borrowing £m**
31 March 2021	**347.36**	**(219.86)**	**127.50**
31 December 2021	**330.36**	**(274.29)**	**56.07**
Change in year	**(17.00)**	**(54.43)**	**(71.43)**

Table 5: Borrowing Forward Projections			
Borrowing profile	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
Under 12 Months	31.74	4.75	6.11
12 Months to within 24 Months	4.75	6.11	0.00
24 Months to within 5 Years	8.00	1.89	1.89
5 Years to within 10 Years	0.00	0.46	0.46
10 Years and Above	334.56	388.15	430.23
Total Borrowing	**379.05**	**401.36**	**438.69**
Operational Debt - Prudential Indicator 6	**431.25**	**430.41**	**441.43**
(Under) / Over Borrowed	**(52.20)**	**(29.05)**	**(2.74)**

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 2021/22 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 S151 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 6: Authorised Limit £m - Prudential Indicator 5				
	2021/22 Forecast £m	**2022/23 Estimated £m**	**2023/24 Estimated £m**	**2024/25 Estimated £m**
Total	**498.30**	**474.38**	**473.45**	**485.57**

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 other local authority debt (totalling £7.35m in 2021/22) from the capital financing requirement (CFR) and then adding any expected in year cash-flow borrowing requirements.

Table 7: Operational Boundary £m - Prudential Indicator 6				
	2021/22 Forecast £m	**2022/23 Estimated £m**	**2023/24 Estimated £m**	**2024/25 Estimated £m**
Total	**453.00**	**431.25**	**430.41**	**441.43**

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 Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Commentary from Link Asset Services as at December 2021

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts:

- **Mutations** of the coronavirus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.

- **The Monetary Policy Committee** acts too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.

- **The Government** acts too quickly to cut expenditure to balance the national budget.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.

- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the "moral hazard" risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

- **Geopolitical risks,** for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy:

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid-19 and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.

- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.

- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?

- Rising gas and electricity prices in October 2021 and April 2022 and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.

- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?

- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e. a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.

- We also recognise there could be further nasty surprises on the Covid-19 front beyond the Omicron mutation.

- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is.

It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the Covid-19 crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant upward risk exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields. Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Federal Reserve take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of Quantitive Easing purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Federal Reserve rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era for local authority investing – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Federal Reserve, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US, before consideration would be given to increasing rates.

- The Federal Reserve in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ before starting on raising Bank Rate and the ECB now has a similar policy.
- For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

- **Borrowing interest rates** fell to historically very low rates as a result of the Covid-19 crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -

    - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
    - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
    - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio. In addition, there are also some cheap alternative sources of long-term borrowing if an authority is seeking to avoid a "cost of carry" but also wishes to mitigate future re-financing risk.

- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

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 increase to **3.52%** - **Changed from 3.30% in view of planned borrowing**.

L6. Average interest rate for total debt (including other local authority debt) will be equal to or less than **3.62% - Changed from 3.46% 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 2022/23 treasury operations. The Deputy Head of Finance - Corporate 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 2021/22):

Table 8: Borrowing Limits	2021/22	2022/23	2023/24
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	0%	0%	0%
12 months and within 24 months	0%	0%	0%
24 months and within 5 years	0%	0%	0%
5 years and within 10 years	5%	5%	5%
Upper limits for the maturity structure of borrowings*:*			
Under 12 Months	25%	25%	25%
12 months and within 24 months	25%	25%	25%
24 months and within 5 years	40%	40%	40%
5 years and within 10 years	50%	50%	50%
10 years and above	85%	85%	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.

Rescheduling of debt would normally be undertaken where there is an opportunity to deliver ongoing interest rate savings to the council. However rescheduling of debt does normally incur a premium cost (i.e. upfront break cost to end the borrowing agreement early). A reserve is therefore held by the authority to support any potential opportunities, and the current position of that reserve along with the forecast over the MTFO period is set out below.

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Opening Balance	16.21	22.18	23.98	25.43
Transfer to Reserves	5.97	1.79	1.45	0.60
Closing Balance	22.18	23.97	25.43	26.03

Analysis of previous rescheduling indicates that the cost of any premium may be up to £15m. Additionally this reserve is also used to help mitigate the risk of interest rate rises on planned borrowing across the MTFO period, which is important at present where this is a positive outlook for interest rates but uncertainty around exact timing of these and associated impact on borrowing rates.

5. ANNUAL INVESTMENT STRATEGY

5.1 Investment Policy

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy (see Part 1 Annex 8 of the Budget Plan)

The council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

The council's investment priorities will be security first, portfolio liquidity second and then yield, (return). ThecCouncil will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the council's risk appetite.

In accordance with the above guidance from the DLUHC 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 S151 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.

5.2 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.

5.3 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 Deputy Head of Finance - Corporate and / or Finance Manager – Technical Accounting, Treasury Management & Education, and if required new counterparties which meet the criteria will be added to the list.

5.4 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 are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	Now
2022/23	0.50%
2023/24	0.75%
2024/25	1.00%
2025/26	1.25%
Long term later years	2.00%

5.5 Specific Investment Objectives

Specific investment objectives are set out below:

L8. Difference between average interest rate received on short-term interest (STI) versus at call interest rate on main bank account – comparing investment performance of proactively managing cash balances against doing nothing – 50% - **no change**

L9. Average interest rate received on:
At call investments – 0.10% - **a change from 0.05%**
Short-term investments – 0.50% - **a change from 0.25%**
Long-term investments – 0.80%% - **a change from 0.80%**
Property Funds – 3.34% - **a change from 3.20%**

L10 Average rate on at call and short-term investments will be equal to or greater than 0.45% - **a change from 0.24%**

L11 Average interest rate received on all investments:
Including Property Funds – 0.91% - **a change from 0.68%**
Excluding Property Funds – 0.48% - **a change from 0.27%**

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	**2021/22**	**2022/23**	**2023/24**
Principal sums invested > 365 days	£25m	£35m	£35m
Property Funds	£30m	£30m	£30m

To take account of the increased cash balances the council is currently holding, this PI has been amended from 2022/23 to provide further flexibility to make longer term investments. This PI will continue to be reviewed and adjusted accordingly in line with forecast available cash balances.

5.6 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.

5.7 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.

Annex 1 (TM)

IN YEAR TREASURY MANAGEMENT INDICATORS TO BE MONITORED

No.	Indicator	2021/22 Forecast	2022/23 Estimated	2023/24 Estimated	2024/25 Estimated
PRL 1	a. Capital expenditure - Council Resources - £m	27.87	55.56	43.61	33.80
	b. Capital expenditure - External Resources - £m	46.71	32.33	38.40	22.48
Former PRL 2	Estimates of the ratio of financing costs to the net revenue stream	8.72%	9.76%	7.50%	7.23%
L. 3	a. Financing costs as % of Council Tax Requirement	7%	20%	20%	20%
	b. Financing costs as % of Tax Revenues	4.67%	12.50%	12.50%	12.50%
L. 4	Actual debt v operational debt within the following range	72.93%	85.00%	85.00%	85.00%
L. 5	Average interest rate of debt excluding other local authority debt	3.59%	3.52%	3.63%	3.58%
L. 6	Average interest rate of debt including other local authority debt	3.67%	3.62%	3.72%	3.64%
L. 9	Average interest rate received on:				
	a. At Call Investments	0.03%	0.10%	0.10%	0.35%
	b. Short Term Investments	0.33%	0.50%	0.50%	0.75%
	c. Long Term Investments	1.22%	0.80%	1.20%	1.65%
	d. Property Fund	3.46%	3.34%	3.34%	3.34%
L. 10	Average interest rate on all ST investments (ST and At Call)	0.24%	0.45%	0.45%	0.71%
L. 11	a. Average interest rate on all investments (excluding property fund)	0.35%	0.48%	0.50%	0.78%
	b. Average interest rate on all investments (including property fund)	0.73%	0.91%	0.94%	1.23%
L. 12	% daily bank balances within target range	99%	99%	99%	99%

Annex 2 (TM)

Under the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2018, local authorities have a duty to produce an annual statement on its policy for making a minimum revenue provision (MRP).

For the financial year **2021/22** (no change to the policy in 2020/21) the authority will be adopting the following policies in determining the MRP:

1. For all existing capital expenditure balances within the Capital Financing Requirement (CFR) held as at 1 April 2021 MRP will be applied on an annuity basis with the write down period determined by asset lives up to the maximum allowable by the regulations set out above.

2. For all capital expenditure incurred from 1 April 2021 MRP will be applied on an annuity basis with the write down period determined by asset lives up to the maximum allowable by the regulations set out above.

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. If determined by the S151 Officer the annual instalment may be calculated by the equal instalment method or other appropriate methods dependant upon the nature of the capital expenditure.

5. In all years, the CFR for the purposes of the MRP calculation will be adjusted for other local authority transferred debt, finance lease and Private Finance Initiative (PFI).

6. 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. The amount of MRP charged shall not be less than zero in any financial year.

Annex 3(TM)

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. Further investment opportunities may 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 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 undertaken solely for the purposes of supporting the council's revenue position. In line with the direction set out in the Capital Strategy attached at Annex 8 of the budget plan at Section B Part 1 of this report, the opportunity for the council to purchase a significant land interest in the middle of

Walsall Town Centre and adjacent to Walsall Rail Station was of 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 floor space delivered through the first phase of the scheme provided over 4,100 sq metres/44,000 sq ft of floor space for a new Primark store and over 900 sq metres/9,800 sq ft of floor space 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.

Indicator	Description	Ratio (2021/22 Forecast)	Ratio (2022/23 Estimate)
Debt to Net Service Expenditure (NSE) Ratio	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).	1.80:1	1.92:1
Commercial income to NSE Ratio	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).	0.004:1	0.004:1

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 (2020/21 Actual)	Ratio (2021/22 Forecast)
Operating costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.	£1.183m	£1.158m
Vacancy levels and Tenant exposures for non-financial investments	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.	9 Units	10 Units

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
A fair value assessment has been obtained within the past twelve months. This asset is now part of the Town Centre Master Plan.

ii. Investment Property – Primark / Co-Op Shopping Units Development
A fair value assessment has been obtained within the past twelve months. This shows 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, 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):

- Economic development, place making and regeneration activity in Walsall;
- Market and economic opportunity – the right asset at the right time;
- Financial gain to fund / support wider council services to local people.

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.

Following consultation during 2020, HM Treasury have now revised access requirements for local authorities seeking to access borrowing from the Public Works and Loans Board (PWLB). These revisions mean that local authorities will not be able to access PWLB borrowing to buy investment property with the primary aim of generating yield, and specifically to access PWLB funding authorities will need to submit three year capital plans to PWLB, with the S151 officer confirming that there is no intention to buy investment properties primarily for yield at any point within those three years.

If there are any intentions by the authority to buy investment properties primarily for yield within the three year capital programme then PWLB will not be able to lend to the authority for the period of that programme. HM Treasury have also confirmed that where local authorities do seek to pursue debt-for-yield projects which they finance in other ways, such as through the use of internal cash balances or borrowing from other financial institutions, they would then not be able to access PWLB borrowing to refinance this element of debt going forwards.

As interest rates on PWLB borrowing are normally more favourable than other forms of borrowing, being unable to access PWLB and having to seek borrowing from other financial institutions is therefore likely to increase the overall revenue costs required to fund the elements of the councils capital programme which are funded from borrowing – for example every 1% increase in interest costs on a three year capital programme including circa £120m of capital spending funded from borrowing (similar to the level included within this report) would add £1.20m of additional ongoing revenue costs per year by the end of the three year period.

Priorities and Risk Assessment in Property Investment

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) 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.

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 Council 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 commercial 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 2020/21 Statement of Accounts

Walsall Council 2022/23 Budget Plan with a summary of the 2022/23 capital programme outlined in section 3 of the budget plan at Section B Part 1 of this report. The summary of the draft capital programme over the plan period 2022/23 to 2025/26 is outlined at section 4, with full details by scheme at Annex 9.

Walsall Council 2022/23 Capital Strategy (see Part 1 Annex 8 of the Budget Plan)

Annex 4 (TM)

ECONOMIC BACKGROUND

This Economic Commentary is based upon information provided by our Treasury Management Advisors – Link Asset Services.

Covid-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November 2021, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations. There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope.

In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pandemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid-19. However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid-19 recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.

- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid-19 remains a major potential downside threat in all three years as we are likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under Quantitive Easing ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of Quantitive Easing.
- The Monetary Policy Committee (MPC) at its meeting on 16th December 2021 voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.

- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.

- On 10th December we learnt of the disappointing 0.1% m/m rise in GDP in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" Covid-19 restrictions could cause the economy to contract in December.

- On 14th December, the labour market statistics for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

- On 15th December we had the CPI inflation figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).

- Other elements of inflation are also transitory e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.

- Although it is possible that the Government could step in with some fiscal support for the economy, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!

- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a surprise increase in Bank Rate from 0.10% to 0.25%. What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".

- On the other hand, it did also comment that "the Omicron variant is likely to weigh on near-term activity". But it stressed that at the November meeting it had said it would raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation from Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)

- On top of that, there were no references this month to inflation being expected to be below the 2% target in two years' time, which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.

- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as the Bank retained its guidance that only a "modest tightening" in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed transitory, and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.

- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of Quantitive Easing, (gilts purchased by the Bank would not be replaced when they mature).

- The MPC's forward guidance on its intended monetary policy on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.

- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, CPI inflation hit a near 40-year record level of 6.8% but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Federal Reserve is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.

- Shortages of labour have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Federal Reserve's 2% central target.

- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the Federal Reserve's meeting of 15th December would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn Quantitive Easing purchases announced at its November 3rd meeting was doubled so that all purchases would now finish in February 2022. In addition, Federal Reserve officials had started discussions on running down the stock of Quantitive Easing held by the Federal Reserve. Federal Reserve officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy. The first increase could come as soon as March 2022 as the chairman of the Federal Reserve stated his view that the economy had made rapid progress to achieving the other goal of the Federal Reserve – "maximum employment". The Federal Reserve forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Federal Reserve dropped its description of the current level of inflation as being "transitory" and instead referred to "elevated levels" of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent "for some time". It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Federal Reserve officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

- **EU.** The slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid-19 size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

- November's inflation figures breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to persistently higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

- ECB tapering. The ECB has joined with the Federal Reserve by also announcing at its meeting on 16th December that it will be reducing its Quantitive Easing purchases - by half from October 2022, i.e., it will still be providing significant stimulus via Quantitive Easing purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing Quantitive Easing support.

- The ECB will now also need to consider the impact of Omicron on the economy, and it stated at its December meeting that it is prepared to provide further Quantitive Easing support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

- The EU has entered into a period of political uncertainty where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of 2020; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.

- However, the pace of economic growth has now fallen back in 2021 after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The People's Bank of China made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.

- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

- **JAPAN.** 2021 has been a patchy year in combating Covid-19. However, recent business surveys indicate that the economy has been rebounding rapidly in 2021 once the bulk of the population had been double vaccinated and new virus cases had plunged. However, Omicron could reverse this initial success in combating Covid-19.

- The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was actually negative in July. New Prime Minister Kishida, having won the November general election, brought in a supplementary budget to boost growth, but it is unlikely to have a major effect.

- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

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 institutions.
Dividends	Sum to be payable as interest on loan.
DLUHC	Department of Levelling Up, Housing and Communities (DLUHC)
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.
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.

TERM	DEFINITION
MPC	Monetary Policy Committee – group that sets the bank base rate for the Bank of England
OLA	Other Local Authorities
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 2021/22 & 2022/23 ONWARDS

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 and Investment Strategy;
- Cash flow management;
- Management of schools 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 Objectives

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 Objectives

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 Deputy Head of Finance - Corporate 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 Deputy Head of Finance - Corporate and Finance Manager – Technical Accounting, Treasury Management & Education, 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.

	Moody's		S&P		Fitch	
	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
Investment Grade	Aaa		AAA		AAA	
	Aa1		AA+		AA+	
	Aa2		AA		AA	
	Aa3		AA-		AA-	
	A1		A+	A-1+	A+	F1+
	A2		A		A	
	A3	P1	A-	A-1	A-	F1
	Baa1		BBB+		BBB+	
	Baa2	P2	BBB	A-2	BBB	
	Baa3	P3	BBB-	A-3	BBB-	F2, F3
Non-Investment Grade	Ba1		BB+		BB+	
	Ba2		BB		BB	
	Ba3		BB-	B	BB-	
	B1		B+		B+	
	B2		B		B	
	B3		B-		B-	B
	Caa		CCC		CCC	
	Ca		CC		CC	
	C	Not Prime	C	C	C	C
			D	D	D	D

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 Deputy Head of Finance - Corporate and the Finance Manager – Technical Accounting, Treasury Management & Education 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 Deputy Head of Finance - Corporate or Finance Manager – Technical Accounting, Treasury Management & Education.

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	Following an individual financial assessment must have a minimum Free Capital Ratio above that set out by Common Equity Tier 1 (CET1) and have at least one credit rating as defined above in paragraph d. Following an individual financial assessment must have a minimum Free Capital Ratio no lower than that set out by Common Equity Tier 1 (CET1)	£10m £7m	3 years 3 years
Challenger Banks	Following an individual financial 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	Subject to individual financial assessment of each fund to identify the underlying financial strength	£30m	Review every 5 years
Multi-Asset Investment Funds	Subject to individual financial assessment of each fund to identify the underlying financial strength	£20m	5 years

Organisation	Criteria	Max Amount	Max Period
Non UK Banks	Minimum Ratings as defined above in paragraph d.	£10m	1 year
Local Authorities	Subject to individual financial assessment of each fund to identify the underlying financial strength	£15m	3 years
Housing Associations	Subject to individual financial assessment of each fund to identify the underlying financial strength and credit ratings where available	£15m	3 years
Other	Subject to appropriate case by case review	£10m	N/A

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.
- Other i.e. non-specified investments may be undertaken on the approval of the S151 Officer e.g. loans to other organisations and bond issues by other public sector projects and will be supported with appropriate rationale and due diligence to support investment security considerations. 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 24 October 2012. It involved the council placing a matching five year deposit to the life of the indemnity. As of 31 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. Therefore any remaining risk should end by February 2023 allowing the scheme to be fully closed, and any reference removed from the Treasury Management Strategy.

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 the Director of Finance, Corporate Landlord and Performance.

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 maximum limit shall be £30 million and will be reviewed on 5 year intervals. 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	Director of Finance, Corporate Landlord and Performance / S151 Officer	Cabinet Council
Approval of Treasury Management Policies	Director of Finance, Corporate Landlord and Performance /S151 Officer	Cabinet Council
Amendments to authorised officers and officer limits set out within the treasury management practices	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting, Treasury Management & Education	S151 Officer
Review the debt portfolio and reschedule loans when considered appropriate	Finance Manager – Technical Accounting, Treasury Management & Education	S151 Officer

Activity	Prepared by	Delegation / Accountability
Updates to TM Practices	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting, Treasury Management & Education	S151 Officer
Undertake budget monitoring and initiate actions when necessary	Finance Manager – Technical Accounting, Treasury Management & Education	Deputy Head of Finance - Corporate
Authorisation of loan interest payments	Treasury Management Accountancy Assistant	Finance Business Partner - Treasury
Approval of overnight investments	Treasury Management Accountancy Assistant	Finance Business Partner - Treasury
Preparation of borrowings documentation	Treasury Management Accountancy Assistant	Finance Business Partner - 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, Treasury Management & Education	S151 Officer or Director of Finance, Corporate Landlord and Performance
Maintain Payment Releasers Register	Finance Business Partner – Treasury	S151 Officer or Director of Finance, Corporate Landlord and Performance
To arrange finance and operating leases as required in accordance with council's capital programme	Finance Manager – Technical Accounting, Treasury Management & Education	S151 Officer or Director of Finance, Corporate Landlord and Performance
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 Accountancy Assistant	Finance Business Partner - Treasury
To maintain a counter party list of approved organisations eligible to receive council investments, this involves;	Finance Business Partner – Treasury	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting, Treasury Management & Education or

Activity	Prepared by	Delegation / Accountability
- 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 undertaken as approved by the Treasury Management Panel		S151 Officer dependent on limits set by TMP on exit strategy
Daily cash flow forecast	Treasury Management Accountancy Assistant	Finance Business Partner - Treasury
Update loan records	Treasury Management Accountancy Assistant	Finance Business Partner - Treasury
Operational Cash Flow	Finance Business Partner – Treasury	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting, Treasury Management & Education / Finance Business Partner - Treasury
Audit and control review and improvements Recommendations implementations	Internal Audit / All	Finance Business Partner - Treasury
Annual MRP Policy review	Senior Accountancy Officer – Financial Reporting	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting, Treasury Management & Education / Finance Business Partner - Treasury
Maintain accurate up to date information on Treasury Management	Treasury Management Accountancy Assistant	Finance Business Partner - 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) and Treasury Management Policies	Annual	February/ March	Deputy Head of Finance - Corporate	Cabinet and Council
TMS – material changes	Immediately	As required	Deputy Head of Finance - Corporate / Finance Manager – Technical Accounting, Treasury Management & Education	Cabinet and Council
Treasury Management Annual Report	Annual	September	Deputy Head of Finance - Corporate	Cabinet and Council
Mid-Year Report	Annual	December	Deputy Head of Finance - Corporate	Cabinet and Council
TM budget monitoring	Quarterly Monthly	Jul, Oct, Jan, Apr	Finance Business Partner – Treasury (reviewed by Finance Manager – Technical Accounting, Treasury Management & Education)	S151 Officer, Treasury Management Panel, Director of Finance, Corporate Landlord and Performance 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	Jul, Oct, Jan, Apr	Finance Business Partner – Treasury (reviewed by Finance Manager – Technical Accounting, Treasury Management & Education)	S151 Officer, Treasury Management Panel, Director of Finance, Corporate Landlord and Performance for inclusion in overall corporate financial monitoring reports to CMT and Cabinet which are first reviewed by the S151 Officer

Report	Frequency	When	Prepared by	To
Cash flow summary	Monthly		Finance Business Partner – Treasury	Finance Manager – Technical Accounting, Treasury Management & Education
Borrowing transactions	Monthly		Finance Business Partner – Treasury	Finance Manager – Technical Accounting, Treasury Management & Education
Payment Releasers Register	Quarterly		Finance Business Partner – Treasury	S151 Officer, Director of Finance, Corporate Landlord and Performance
Operational Investment Strategy	Quarterly		Finance Business Partner – Treasury	Finance Manager – Technical Accounting, Treasury Management & Education
12 monthly cash flow	Quarterly		Finance Business Partner – Treasury	Finance Manager – Technical Accounting, Treasury Management & Education
Government statistical returns	Monthly		Finance Manager – Technical Accounting, Treasury Management & Education / Finance Business Partner – Treasury	Department for Levelling Up, Housing and Communities
Daily cash balance forecast	Daily		Treasury Management Accountancy Assistant	Finance Business Partner – 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.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000.

TMP 10 – MONEY LAUNDERING

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 the absence of the S151 Officer) the Director of Finance, Corporate Landlord and Performance (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.