

## **Cabinet – 9 February 2011**

### **Corporate Budget Plan and Treasury Management and Investment Strategy 2011/12**

**Portfolio:** Councillor C. Towe – Finance & Personnel

**Service:** Finance – council wide

**Wards:** All

**Key decision:** Yes

**Forward plan:** Yes

#### **1. Summary of report**

- 1.1. This report presents the final draft revenue and capital budget plan for 2011/12 following consideration of the draft budget proposals by scrutiny panels and public consultation, and for recommendation to full Council, along with draft precepts.
- 1.2. This report also sets out the treasury management and investment strategy as required by the CIPFA Code of Practice. 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.

#### **2. Recommendations**

- 2.1 To note and approve:

##### **Revenue**

- a) That at the time of despatch of this report, the precepting authorities (fire and police) had not formally notified the authority of their final council tax levels. (We have been advised that they will both be approved following meetings scheduled for 14<sup>th</sup> and 17<sup>th</sup> February respectively, so we will provide final figures at the Council meeting of 24<sup>th</sup> February 2011). Current estimates have been used within this report based on informal communication from each precepting authority.
- b) That at the time of despatch of this report, the levy authorities (Environment Agency and Centro) had not formally notified the authority of their final demand. Current estimates have been used within this report based on informal communication from each authority. (The final levy for Centro is expected to be approved on 7<sup>th</sup> February, so we will provide an update at the Cabinet meeting on 9<sup>th</sup> February, with the final Environment Levy to be included within the final papers to Council).

- c) The Walsall council draft net revenue budget requirement for 2011/12 of £246.089m, and a council tax freeze - resulting in no change to the council's own band D council tax of £1,384.64.
- d) On the basis of (a), (b) and (c) above, the provisional (i.e.: subject to formal confirmation of precepts) overall council tax level is expected to be frozen, resulting in no change to the total band D council tax of £1,532.61.
- e) Subject to Council approving the budget in the same form as set out herein, that Cabinet approves the budget plan and all the recommendations, proposals and changes to policies and procedures set out in the plan, and further delegates authority to the relevant executive directors to implement the same.
- f) That delegated authority be given to the Chief Finance Officer to make any necessary amendments, in consultation with the portfolio holder for finance and personnel and the Leader, to take account of the final levies and precepts which have not yet been notified, and to make any necessary amendments to the statutory determinations to take account of those changes and the resulting final analysis of the budget for 2011/12 and for amendments to those to be submitted to Council at its meeting of 24<sup>th</sup> February 2011.

### **Capital**

- g) The capital programme for 2011/12 of **£55.448m**, comprising mainstream capital £11.421m and externally funded schemes £44.027m. The leasing programme is £16.108m which includes £5.424m of new starts in 2011/12.

### **Treasury Management**

- h) The 2011/12 treasury management and investment strategy document set out in **Section 2** and the adoption of the Prudential Indicators set out in **Annex 16**.

## 2.2 **To note:**

### **Pensions**

- i) That a further recommendation will be tabled at Cabinet on 9<sup>th</sup> February in respect of the transfer of added sums funding from annual revenue to the pensions valuation, as specific policy wording is required to approve the transfer, which we are currently waiting for.

## 2.3 **To note, endorse and recommend to Council:**

### 2.3.1 **Revenue**

- a) The recommendations of the Chief Financial Officer (CFO) in respect of the robustness of the estimates made for the purposes of the budget calculations and the adequacy of reserves as set out in **Annex 7**.
- b) That the net draft levies below for outside bodies **be noted**. At the time of despatch of this report, we had not been formally notified by the authorities of their final levy. (The final levy for Centro is expected to be approved on 7<sup>th</sup> February, so we will provide an update at the Cabinet meeting on 9<sup>th</sup>

February, with the final Environment Levy to be reflected in a revised resolution to be provided to the Council meeting of 24<sup>th</sup> February 2011. An estimate has been used within this report based on informal notification from the authorities).

DRAFT LEVY	AMOUNT (£)
West Midlands Passenger Transport Authority	14,547,000
Environment agency	80,626

- c) That approval be given to an opening working balance for 2011/12 set at a prudent level in line with the council's medium term financial strategy.
- d) That the following statutory determinations **be noted** (references are to the Local Government Finance Act, 1992):
- I. **£710,813,698** being the aggregate gross expenditure, which the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act.
  - II. **£464,725,149** being the aggregate income which the Council estimates for the items set out in Section 32 (3) (a) to (c) of the Act.
  - III. **£246,088,549** being the amount, by which the aggregate at (I) above exceeds the aggregate at (II), calculated by the Council in accordance with Section 32 (4) as its budget requirement for the year.
  - IV. **£137,106,595** being the aggregate of the sums which the council estimates will be payable for the year into its General Fund in respect of redistributed Non-Domestic Rates (**£104,733,246**); Revenue Support Grant (**£32,373,349**); with the Collection Fund expected to break even.
  - V. **£1,384.64** being the amount at (d III) above, less the amount at (d IV) above, equal to **£108,981,954**, divided by the Council Tax Base of **78,707.79**, calculated by the Council in accordance with Section 33 (1) of the Act as the basic amount of its Council Tax for the year (average council tax at band D)
  - VI. Valuation bands

Being amounts given by multiplying the amount at (v) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in valuation band D, calculated by the Council in accordance with Section 36 (1) 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
£923.09	£1,076.94	£1,230.79	£1,384.64
E	F	G	H
£1,692.34	£2,000.04	£2,307.73	£2,769.28

- e) That the **estimated** precept from the Fire & Civil Defence Authority and the **estimated** precept for the Police Authority, 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 **be noted** and that the final

figures **be substituted** for these provisional ones once they are available at the Council meeting on 24 February 2011.

PRECEPTING AUTHORITY	VALUATION BANDS			
	Police	A	B	C
£66.30		£77.35	£88.40	£99.45
E		F	G	H
Fire & Civil Defence	£121.55	£143.65	£165.75	£198.90
	A	B	C	D
	£31.89	£37.20	£42.52	£47.83
Fire & Civil Defence	E	F	G	H
	£58.46	£69.09	£79.72	£95.66

- f) That having calculated the aggregate in each case of the amounts at (d) (v) and (e) above, the Council, in accordance with Section 30 (2) of the Local Government Finance Act 1992, hereby sets the amounts of council tax for 2011/12 for each of the categories of dwellings shown below. This represents no change in council tax levels approved in 2010/11.

A	B	C	D
£1,021.28	£1,191.49	£1,361.71	£1,531.92
E	F	G	H
£1,872.35	£2,212.78	£2,553.20	£3,063.84

- g) That notice **be given** of the council tax within twenty one days of it being set by publishing details of the same in the "Walsall Advertiser" newspaper circulating in the Authority's area.
- h) That the chief financial officer **be instructed** to take all necessary action in relation to council tax, community charge and national non-domestic rates, including, where appropriate, the signing of all documents, the giving of notices and the taking of necessary steps to ensure collection thereof.
- i) **Approve** the budget plan, including the opening cash limits, savings and investment proposals set out in the annexes.

### 2.3.2 Capital

- a) That the draft capital programme set out in the following tables be approved bearing in mind the principle that unless affordable from within current resources, specific projects funded by unsupported borrowing will not be commenced until a payback agreement is in place.

DRAFT CAPITAL PROGRAMME 2011/12	
MAINSTREAM SCHEMES	ESTIMATED VALUE £
Project reserve / asset investment reserve	517,544
Council wide IT planned rolling replacement and upgrade	1,629,206
Release of leased accommodation	200,000

<b>MAINSTREAM SCHEMES</b>	<b>ESTIMATED VALUE £</b>
Barcroft Primary	225,000
Memorial safety	100,000
Shop maintenance	120,000
Aids and adaptations	1,500,000
General planned property maintenance	500,000
Demolition of redundant buildings to save on rates	200,000
Highways maintenance	950,000
Dilapidations at Bryntysilio	400,000
Fire risk assessment	200,000
Resources 'Delivering Right, Fast and Simple'	500,000
Increased productivity to be delivered by home working	150,000
Supporting independent living – transformation of Social Care	226,200
Preventative adaptations – transformation of Social Care	1,000,000
PARIS development phase 2 – working smarter	750,000
Health through warmth	500,000
Introduction of radio frequency identification in libraries – linked to revenue saving option	232,800
Greenspace improvement plan	50,000
Refurbishment of Leckie sons of rest	190,000
Capital insurance reserves – Risk management	100,000
Capital insurance reserves – Uninsured property damage	200,000
Capital insurance reserves – Asbestos removal	155,000
Capital insurance reserves – Control of legionella	275,000
Capital insurance reserves – Statutory testing of buildings	300,000
Capital insurance reserves – Lighting invest to save	250,000
<b>Total</b>	<b>11,420,750</b>

<b>NON-MAINSTREAM CAPITAL PROGRAMME – SCHEMES FUNDED FROM GRANT 2011/12</b>	
<b>NON MAINSTREAM SCHEMES</b>	<b>ESTIMATED VALUE £</b>
Basic need	2,650,018
Devolved formula capital	868,878
Capital maintenance	4,711,108
Academies	25,726,332
Pelsall health centre, library and children's centre	450,000
Walsall arboretum restoration programme	2,215,912
Willenhall townscape heritage initiative - HLF	300,000
Willenhall townscape heritage initiative - VIEW	150,000
Disabled facilities grant	1,215,000
Department for Health capital allocation	739,992
Local transport plan	2,000,000
Red routes	3,000,000
<b>Total</b>	<b>44,027,240</b>

<b>LEASING PROGRAMME 2011/12 (as set out in annex 13)</b>	
<b>PORTFOLIO</b>	<b>TOTAL BUDGET £</b>
Environment portfolio	5,424,114
<b>Total</b>	<b>5,424,114</b>

### 2.3.3 Treasury Management

- a) That the 2011/12 treasury management and investment strategy document set out in **Section 2**, and the adoption of the prudential indicators set out in **Annex 16** be approved and recommended to full Council.
- b) That decisions to effect movements between conventional borrowing and other long term liabilities, such as leases, be delegated to the Chief Finance Officer.
- c) That decisions to use capital receipts or unsupported borrowing within the framework of approved prudential indicators be delegated to the Chief Finance Officer.

### 2.3.4 ***A final resolution will be despatched or tabled at Council to include final precepts and any final amendments to the budget.***

## 3. **Background Information**

- 3.1 This report builds on previous Cabinet reports including the draft corporate revenue budget and capital programme, council tax base, consultation reports and treasury management policy statements.

## 4. **Resource considerations**

### 4.1 **Financial:**

- 4.1.1 A comprehensive statement on current and recommended reserves is included in the budget report. The council prudently maintains an appropriate level of general reserves and uses a risk assessment to determine the exact level. The opening balance at 1<sup>st</sup> April 2011 will be in line with the medium term financial strategy. The opportunity cost of maintaining this level of reserves is considered by the Chief Financial Officer who 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.
- 4.1.2 The council is expected to end 2010/11 with a borrowing portfolio of £284m against an asset base of £719m and short term investments of between £90m and £110m. These will be proactively managed to minimise borrowing costs and maximise investment returns within a robust risk management environment. In 2011/12 estimated annual interest payments are c£11.690m and investment interest income c£1.985m. The net budget for capital financing in 2011/12 is £24.117m.

- 4.1.3 All financial activities by the council are covered by the strategies. Funds are managed on behalf of schools and they receive the benefit from interest gained.
- 4.1.4 The budget proposals assume no increase in council tax for 2011/12 only, to be funded from the Government's Council Tax Freeze grant.
- 4.1.5 The final Formula Grant settlement was announced on 31<sup>st</sup> January 2011. This is a 2 year settlement and covers the period 2011/12 to 2012/13. The settlement includes a number of grants that have been unringfenced and rolled into this single funding mechanism, totalling £16.689m.

## 4.2 **Legal:**

- 4.2.1 Councils must set and maintain a budget sufficient to cover all known expenditure and deal with unknown contingencies. CFOs are required to report to members on the robustness of the estimates used for the purpose of calculating the budget and the adequacy of the proposed reserves. This is provided at **Annex 7** of the budget plan.
- 4.2.2 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.
- 4.2.3 In recent years central Government has capped the level of council tax rises. For 2010/11 the criteria for capping was a maximum of 4.5% for council tax increases and a maximum net budget requirement increase of 3.5%. Capping principles are determined on a year by year basis. The proposals within this report include a council tax freeze.

## 5. **Citizen impact**

- 5.1 The budget is aligned with service activity in service plans, and prepared using the principles of the Working Smarter programme. The savings and efficiencies reduce net cost and dampen the need for council tax increases. A stable financial position ensures activity is targeted on service delivery and driving improvement.

## 6. **Community safety**

- 6.1 The budget provides funding for initiatives to support community safety.

## 7. **Environmental impact**

- 7.1 Savings options for 2011/12 consider the impact on the environment. The new carbon trading scheme starts fully in April 2011, therefore it is essential that the council reduces its carbon footprint to ensure we reduce the number of carbon allowances we are required to purchase from June/July 2012 onwards.

## 8. Performance and risk management issues

- 8.1 Budget Plan: The council annually reviews corporate financial planning and budget principles in accordance with the medium term financial strategy (MTFS). The budget setting process includes a corporate financial risk assessment to determine key risks and their impact on the budget. Services undertake comprehensive risk assessments of their budgets by identifying risk factors, potential changes to service delivery and funding streams. This ensures that adequate corporate 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.
- 8.2 **Annex 9** shows the results of this exercise and the review by the Chief Financial Officer, however it is highly unlikely that all these scenarios would arise. Managers are required to deliver services within the available budget. Any known changes in service demand or costs arising from legislative or government demands are identified and dealt with, within the overall draft revenue budget, as an investment bid. The budgeted opening level of reserves is sufficient to cover the high and medium risk items. Any in-year use of general reserves would require replenishment to ensure the opening level of reserves is as required by the MTFS.
- 8.3 Treasury management performance is regularly reviewed by the treasury management panel. Activities are planned in 2011/12 to further improve the service and performance through the evaluation of rescheduling options and cash flow management. To enhance the performance monitoring of treasury activities, local indicators have also been revised.
- 8.4 The treasury management function also participates in a local and national benchmarking group, which compares Walsall council's treasury management performance with those of other councils. As previously reported Walsall continues to have a low average rate of borrowing compared to other councils. This has positioned the council to reschedule and repay borrowing if market conditions are advantageous.
- 8.5 Treasury management activity takes place within a robust risk management environment, which enables the council to effectively maximise investment income and minimise interest payments without undue or inappropriate exposure to financial risk. A risk assessment has been undertaken in determining the 2011/12 policy and this is contained within the council's corporate risk register.
- 8.6 The responsibility for treasury management risk lies within the council. Following a review of the council's risk appetite additional levels are now incorporated into treasury management policies to ensure there is an acceptable level of risk to be managed with specific aims :-
- 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.

8.7 External risks include the economic recession continuing and the lowering of the United Kingdom's credit rating.

## **9. Equality implications**

9.1 Service managers have regard to equalities in setting budgets and delivering services. Equality impact assessments have been undertaken on options and the overall budget which have been independently assessed by the councils Equality and Diversity team. These have been refined as feedback is received on the budget as part of the consultation process. Further detail on impact assessments is contained in section 4 of the Budget Plan.

## **10. Consultation**

10.1 The council is statutorily obliged to consult with representatives of non-domestic ratepayers before setting the budget for the following financial year. Comprehensive public consultation started in September 2010 and included:

- Budget consultation packs sent to key community and voluntary sector organisations, and also published on the council's website.
- Interviews of older people at Age Concern road shows
- Discussions held with service users and young people, a meeting with people with learning disabilities, and feedback at the Centre for Independent Living
- Business consultation with representatives from the business community on 28<sup>th</sup> September 2010, and a follow up meeting on 11<sup>th</sup> January 2011
- On line budget simulator tool for residents to review budget prioritisation
- Workforce Management JNCCs to consult with employee representatives and discussion on budget options which started formally on 22<sup>nd</sup> November
- Consultation with schools on schools budgets.

A detailed report was presented to Cabinet on 15<sup>th</sup> December 2010 providing consultation findings in order for Cabinet to take these into consideration in finalising their budget proposals.

10.2 Service managers of all levels are responsible for delivering targets and service outputs on time, to standard and within budget. With their teams, they are involved in budget construction, bidding for investment and working up savings options. The corporate management team and Cabinet have continuously reviewed the evolving budget. All scrutiny panels received the draft revenue budget in November / December 2010 and January 2011 and the capital programme 2011/12 in January 2011. A report is included elsewhere on tonight's agenda detailing the comments and recommendations from each panel.

10.3 Feedback from the various consultation mechanisms have been used to inform the draft budget proposals.

10.4 The treasury management strategy has been approved by the finance Treasury Management Panel, an internal governance arrangement comprising the Chief Financial Officer, deputy Chief Financial Officer and Corporate Financial Systems and Treasury Manager. All officers involved in treasury management follow approved treasury management policies and procedures.

## Background papers

Various financial working papers.

Draft Capital Programme Report 2011/12 – Cabinet 15<sup>th</sup> December 2010

Capital Strategy 2011/12 to 2013/14 – Cabinet 15<sup>th</sup> December 2010

Budget Consultation 2011/12 (Public) – Cabinet 15<sup>th</sup> December 2010

Budget Consultation 2011/12 (Scrutiny) – Cabinet 15<sup>th</sup> December 2010

Revenue budget savings – policy decisions – Cabinet 15<sup>th</sup> December 2010

Draft Corporate Revenue Budget & Settlement – Cabinet 12<sup>th</sup> January 2011

Council Tax Base 2011/12 – Cabinet 12<sup>th</sup> January 2011

Annual review of Treasury Management policy statement and mid-year review of Treasury Management activities 2010/11 – Cabinet 13<sup>th</sup> October 2010

Medium Term Financial Strategy

Equality Impact Assessments

### Authors:

Vicky Buckley, Head of Finance

☎ 01922.652349, [buckleyv@walsall.gov.uk](mailto:buckleyv@walsall.gov.uk)

Stuart Wootton, Financial Planning Manager

☎ 01922.653554, [woottons@walsall.gov.uk](mailto:woottons@walsall.gov.uk)

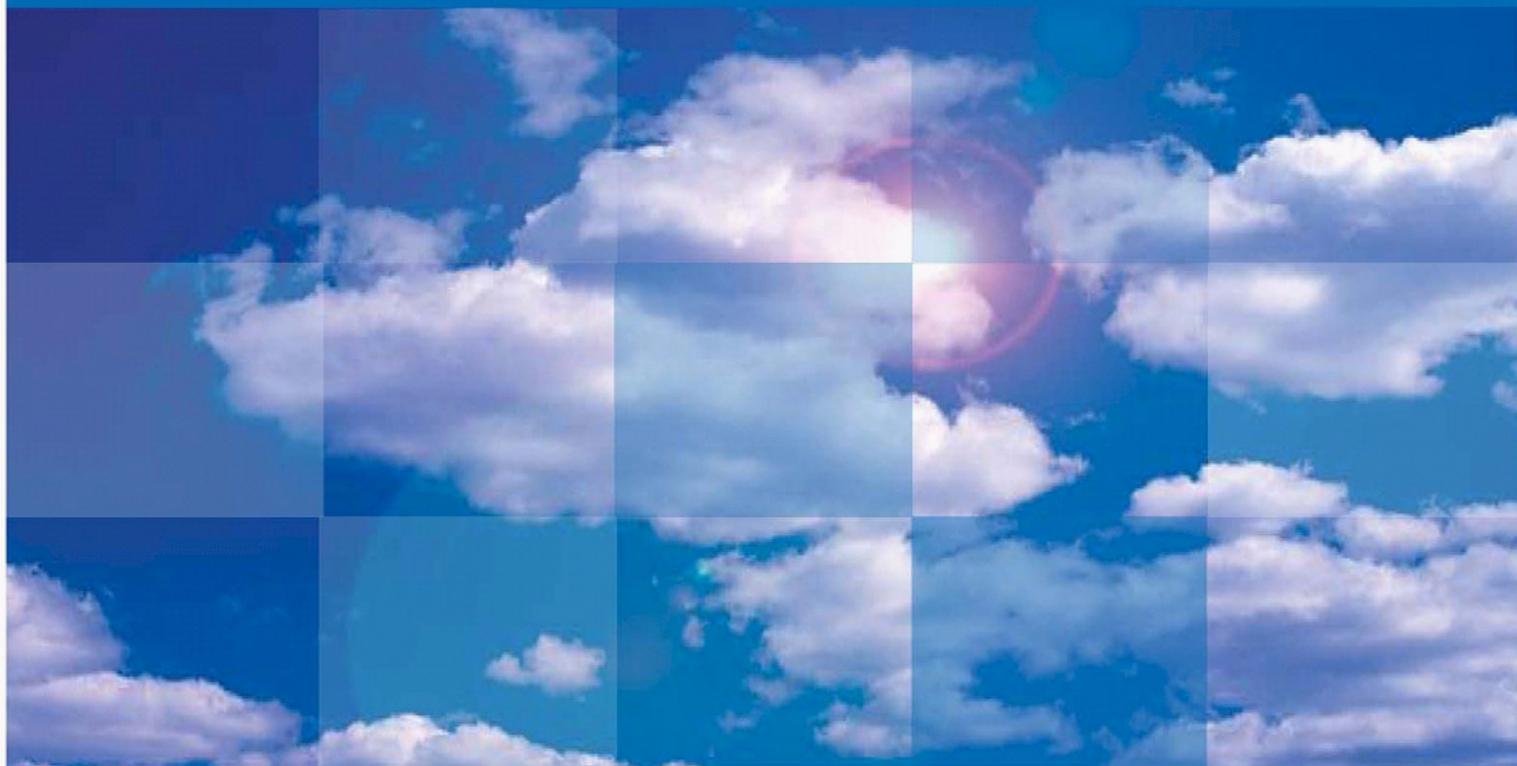


**James Walsh**  
**Chief Finance Officer**  
1 February 2011



**Councillor C Towe**  
**Finance and Personnel**  
1 February 2011

# Corporate Budget Plan and Treasury Management and Investment Strategy 2011/12



February 2011



**Walsall Council**

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# 1. Purpose of this document

The council's budget is a financial representation of the organisation's plans for the forthcoming financial year and beyond. Therefore, the budget is constructed as an integral part of the council's planning processes and aligned to its priorities and objectives:

- the sustainable community strategy, in conjunction with our partners
- the council's vision, aims, objectives, policies and strategies
- the medium term financial strategy

The above plans and strategies are informed by an understanding of the people, nature and demographics of our Borough, captured within a comprehensive document "People & Place Perspectives: A Picture of our Community". This combines a range of primary data, analysis and stakeholder feedback, and has been used, with other information, to undertake needs analyses to support the design and delivery of our services, through service planning and therefore demonstrated in our budget plans.

The diagram below shows how services are designed, delivered and performance managed, and shows how financial planning connects to the council's aims and objectives. This shows how services and activities are regularly measured and monitored to enable effective decision making, helping to ensure the council delivers efficient, customer focussed services that provide real value for money.

**Figure 1: The Council's planning framework**



## 2. Our Vision

Through the Walsall Partnership, the council has worked with a range of organisations including the police, the NHS, local businesses and community & voluntary groups to develop a clear vision for the borough of Walsall, looking ahead to the year 2021. This vision is set out in detail in the Sustainable Community Strategy for the borough. This is the overarching community plan which was launched by the Walsall Partnership in July 2008, and which was informed by, and reflected a wide ranging consultation programme 'Vision 2021' delivered by the Partnership and by individual partner organisations.

The Sustainable Community Strategy (SCS) includes clear targeted plans to be delivered by local partners, singly and in partnership. It informs and sits at the heart of the plans of the individual partners, including the council. The council is committed to the strategy, and to the delivery of our own contribution to its implementation, through the Local Area Agreement and other partnership working. The SCS provides a blueprint for the future of our borough, for local **people**, for the **places** where we live and work, and in terms of **prosperity**, where action to create a more prosperous economy is the key to improved health and well-being, lower levels of crime, and greater educational achievement.

Our vision for the borough is that Walsall will be a great place to live, work and invest, where...

- people get on well with one another
- people can get around easily and safely
- people support and look after one another
- there are more and better jobs for local people
- people can live an independent and healthy life
- there is a wide range of facilities for people to use and enjoy
- people consider the impact of what we do now on future generations
- there exist high-quality and distinctive designs of buildings and spaces
- growing up is as good as it can be and young people fulfil their potential
- people are our strength and have the skills and attitude required by employers
- everyone has the chance to live in a home fit for their purpose and fit for the future
- people feel proud to live in Walsall.

This is the shared vision for the borough of Walsall, its communities, and its citizens – it provides us with a clear focus as we plan the council's services, and allocate resources, for the year ahead, and into the future.

### 3. Our Purpose

In order to achieve this shared vision the council has a clear focus on what it needs to achieve, reflected in our Corporate Plan which can be accessed via our website-

[http://www.walsall.gov.uk/index/council\\_and\\_democracy/corporate\\_plan\\_vision\\_and\\_values.htm](http://www.walsall.gov.uk/index/council_and_democracy/corporate_plan_vision_and_values.htm)

This plan provides a focus for the whole council – the decisions that are taken, and the actions that are taken as a result by each of our directorates, and the services, teams, and individual members of staff working within them.

The council's stated purpose is to:

**Maintain and improve the physical and economic environment for the health and well-being of all our residents within financial constraints. Operate efficiently and collaboratively within a one council model and with partners to ensure value for money for tax payers and other funders**

The council exists to benefit the public, responding to their needs to ensure the delivery of effective local services. We do this with only limited resources and so must always work to ensure that public money is targeted to where it is most needed and used in the most efficient way possible. This means we need to listen to what local people want and build up a thorough understanding of their needs and wishes. It also means we need to look outside our own organisation and work with partners in the public, private and voluntary sectors.

This plan will be achieved through the council working more smartly in the way it operates. **Working Smarter** is an ambitious change programme that attempts to bring this about through taking out waste and spending less, improving customer service and changing the way we do our business. But as well as a specific programme of change, working smarter is also a culture that will become embedded within the council, underpinned by 9 key principles:

- Right first time
- Devolved problem solving
- Accountability for your actions
- Take personal responsibility
- Control exercised at the lowest possible level
- Unity of purpose- one Council
- We exist only to serve residents
- Innovate to improve
- Mutual trust and integrity

## 4. Understanding our community

### Using data and feedback

The Walsall Planning Framework is underpinned by the use of primary data, analysis and stakeholder feedback to undertake needs analysis to support the design and delivery of services. The People and Place Perspectives: A Picture of Our Community document is one way in which this is achieved. Key headlines illustrating the wider context in which the council works include:

Walsall Borough has a population of 255,900; there was a steady decline during the 1990's, however, since 2001 it has increased slightly. Walsall has a relatively high dependency population. 20.4% of the population are above 65 years compared to 19.3% nationally. Having fewer people of working age is likely to increase the need for council services. 32.7% of residents are aged under 25, compared to a national average of 30.7%.

- Latest figures (December 2010) show 6.1% of Walsall's working age population claiming Jobseeker's Allowance compared with 3.5% for Great Britain (Source: Nomis)
- For all out-of-work benefits, in May 10, Walsall's claimant rate was 21.2% of the working age resident population, compared with 14.7% for Great Britain (Source: Nomis)
- Out of 354 local authorities in England and Wales, Walsall ranks on average 45<sup>th</sup> in the 2007 English Indices of Deprivation. A focus on income measures within the overall rating places the borough as the 27<sup>th</sup> most deprived in the country. Walsall is also one of the most diverse boroughs, containing some of the most deprived areas in England and Wales and also some of the most affluent.
- 2001 Census figures show that in Walsall 14% are from minority ethnic backgrounds.
- Minority ethnic residents' backgrounds are predominantly Indian (40%), Pakistani (27%), Bangladeshi (7%) and Mixed & Black Groups (10% and 10% respectively).
- At March 2009, almost a quarter (24.6%) of Walsall's housing stock was owned by registered social landlords, including Walsall Housing Group (WHG) and Walsall Association of Tenant Management Organisations (WATMOS), compared with 17.7% in England overall (Source: HSSA 2009)

### Fair, accessible and equitable service delivery

The council is committed to making it easier for all to access local services and values equality and diversity. Therefore equality impact assessments are undertaken on key decisions that have impact on our customers, communities or staff.

Council staff are trained in equality and diversity competencies and knowledge of Equality Act 2010. The council organises interpretation, translation and transcription where needed and on request provides information in alternative formats such as Braille or audio-tape. Through the harassment monitoring procedure we tackle any incidents or discrimination of any groups and support individuals affected through the process

Our **Single Equality Scheme** sets out our key commitments in leadership, service delivery and employment through the following actions:

## **Leadership**

- Support the council's neighbourhood management model in a way that allows us to engage with diverse groups of people in the borough
- Ensure that all diverse groups of citizens benefit from Sustainable Community Strategy.
- Establish meaningful relationship with the voluntary sector on equality matters.
- Promote knowledge of Equality Act 2010

## **Service delivery**

- Regularly test how our equality policies are applied on the front-line and update customer care policies accordingly.
- Promote training and knowledge of Equality Act 2010 to enable elected members, staff and partners to apply it in reality and in practice.

## **Workplace**

- Support review of Human Resources and Development (HRD) procedures and explore development of positive action models to improve representation of BME staff, women and disabled people in senior management.

## **Equality Impact Assessment on 2011/12 Budget process**

Walsall Council has a well-embedded process for assessing equality impact on the budget process. When proposing 2011/12 budget savings, all managers were required to indicate whether the savings are likely to make any impact on staff and service users. Where the risk is medium to high, managers were obliged to carry out a more detailed Equality Impact Assessment. This information was reviewed and analysed by Finance and the Equality and Diversity Team, and was made available to members to inform their decisions. However, the initial budget analysis is only indicative and, in some cases, further attention on the impact will be required once the saving proposals are approved. The commitment Walsall Council made in the Working Smarter Programme should ensure, that, not only will services be provided more efficiently and be more tailored to people's needs, but that this may actually have a positive impact on bridging inequality gaps.

The Working Smarter Programme will require critical review of the activities delivered by Council staff and this will inevitably impact on current and future job roles. Managers have identified activities that will have to be delivered more efficiently or may have to be reduced. Some activities may need to be fully phased out due to withdrawal of grants. Under these circumstances some redundancies will be inevitable. Walsall council operates a fair redundancy procedure that urges managers to carry out changes sensitively and with regard to equality of opportunity. All restructures and reorganisations included equality impact assessments at directorate levels. However, until the Budget 2011/12 proposals are fully approved by Cabinet, and staff consultations have taken place, the council will not be able to fully report on the number of staff from particular groups affected. Additional workforce equality impact assessment analysis will be carried out, through a staggered approach, and regular updates will be provided to Joint Negotiating and Consultative Committee (JNCC) and the Employee Relations Forum.

## **Budget Consultation**

### **Listening to local people**

For our services to meet the needs of local residents, and of the community at large, it is essential that our plans and policies reflect the views of local people, and others who use our services. We aim to be a listening organisation and we use a wide range of consultation methods to understand better what matters to residents. As a result, we have amassed a great deal of information, which has been used to inform both the service planning and budget processes.

### **Budget consultation 2011/12**

For many years we have undertaken specific consultation to inform our budget setting processes. The budget plan has been informed by a broad range of consultation findings, undertaken in line with the council's consultation strategy and principles of the Local Compact.

#### **2011/12 budget consultation process**

The council is statutorily obliged to consult with representatives of non-domestic ratepayers before setting the budget for the following financial year. Public consultation started in September 2010 and included:

- Budget consultation packs sent to key community and voluntary sector organisations, and also published on the council's website.
- Interviews of older people at Age Concern road shows
- Discussions were held with service users and young people, meetings held with people with learning disabilities, and feedback gathered at the Centre for Independent Living
- Business consultation with representatives from the business community on 28 September 2010, and a follow up meeting on 11 January 2011
- On line budget simulator tool launched on 8 October 2010 until 5 November 2010 for residents to review budget prioritisation
- A Workforce Management JNCC established to consult with employee representatives and discussion on budget options which started formally on 22 November
- Consultation with schools on schools budgets.

The key findings of the budget consultation are detailed below.

This year consultation has gathered the views of local residents, the community and voluntary sector, children and young people, older people, representatives from the business community, carers and people with disabilities. The findings from consultation with these groups, was reported to Cabinet on 15<sup>th</sup> December 2010, with a focus on the council's spending priorities for 2011/12.

Children's Services is the spending area in the budget simulator which most respondent(s) decided to increase. Planning and Building Control is the spending area which most respondent(s) have decided to decrease and Youth Services is the spending area which most respondent(s) have decided not to change.

In line with other research and feedback, people want a borough that is clean, green and attractive. Litter and rundown buildings appear to be strongly interrelated and directly

influence how people feel about the area.

Having effective, reliable, cheap and clean public transport and easy access to car parking are recurring themes. Highway maintenance is raised as in need of improvement. Pot holes and traffic congestion are the main concerns as well as pedestrian safety.

Making sure the borough is a safe place and tackling anti-social behaviour remain a priority.

Respondents recognise the importance of education for all, however some people have concerns about the standard of the borough's schools and attainment levels. Unemployment and the borough's ability to cope with future government cuts concern many respondents.

Key issues identified by business representatives included providing continued support for new and existing businesses, and a general lack of understanding of what skills businesses need.

Respondents recognise that a healthy society provides for a healthy and prosperous workforce. Having the right services and advice at the right time is important for those who are, or may become, vulnerable.

It is important for residents to have enough facilities and activities that reflect the borough's diverse communities and cultures.

Some people think that Walsall does not celebrate or shout about its successes enough and that the negative attitude towards the borough is in need of reversing, the outcome being a borough that is proud.

People understand that cuts are inevitable, however they do not want the cuts to impact on or affect the quality of services they receive. Many people put forward suggestions for how they think the council can operate in a more efficient manner and save money. Many of these suggestions have already been implemented by the council, indicating the need to better communicate these messages.

## Section 1 – Revenue and Capital Budget Plan

### 5. Financial planning: matching resources to vision and the 2011/12 revenue budget

#### The Medium Term Financial Strategy (MTFS)

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

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

**Figure 2** shows the relationship between the various components of the financial framework. The MTFS is the overarching corporate financial policy sitting below the corporate plan and above the other elements of the financial cycle. It is the driver for all other financial activity, which is aligned with service planning and performance management activities within the Walsall Planning Framework. Below the MTFS sit the other financial strategies; the capital strategy and the treasury management strategy.

The main objectives for the council relate to maintaining good underlying financial health, adoption of a longer-term perspective, a desire to deliver good quality, value for money services which are modern, efficient, effective, and fit for purpose and to ensure this approach facilitates delivery of the council's vision, aims and objectives.

For a number of years the council has adopted a policy-led, medium term approach to financial planning. We seek 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.

**Figure 2: Financial elements of the Walsall Planning Framework**

THE FINANCIAL FRAMEWORK					
CATEGORY	OVERALL	REVENUE	CAPITAL	TREASURY MANAGEMENT	RISK MANAGEMENT
Strategies	<b>MTFS</b>				
			Capital Strategy	Treasury Management (TM) Strategy	Risk Management Strategy
Guidance	CIPFA & technical guidance	Budget Guidelines	Capital Guidelines	CIPFA Code of Practice for TM	Risk Management Toolkit
Plans	MTFP	Annual Budget	Capital Programme & Asset Management Plan	Treasury Policy Statements	Risk Management Action Plans
Governance	Constitution	Budget Management & Control Manual & Annual Governance Statement		Prudential Indicators & Annual Report	Risk Register reporting and regular review
	Contract & Finance Procedure Rules				Audit Committee Reports & Annual Report
	Internal & External Audit Plans and our response to inspection and audit				

Our eight key objectives are to ensure that:

1. Our financial planning and management contributes to the transformation, development and improvement of the organisation through policy-led resource allocation, the use of options appraisal, income maximisation, and the creation of headroom through savings and efficiency.
2. Our budget is set to enable delivery of the Council's defined priorities, ensuring that resources are allocated according to the corporate vision, aims, objectives and pledges.
3. Our financial standing is stable and sustainable, so we are able to meet our expenditure commitments throughout each financial year and end each financial year with the working balance broadly intact.
4. Our financial planning and budgeting is undertaken on a medium-term, policy led basis, to ensure that the impact of decisions of one year are reflected in the future outlook, and that future developments with financial implications are proactively identified and managed.
5. We seek to deliver value for money in what we do, consider this within the various aspects of our corporate planning, identifying efficiencies and improvement and demonstrating this in measurable ways.

6. We adopt a mixed economy of service provision, where partnership, joint ventures and commissioning, outsourcing, in-house provision, consortia and all other options for service delivery are explored, appraised, and implemented with the aim of delivering good services, value for money and continuous improvement.
7. We work with our external partners, (including but not restricted to: health, police, third sector) to share and optimise resources, improve services, and deliver value for money.
8. Our budget is linked to performance measures so we can assess the effectiveness of resource allocation by using a combination of performance indicators, trend analysis, benchmarking and year on year comparison.

### The Budget Process

The budget process is a continuous annual cycle. Budgets are prepared using approved budget guidelines and updated as required. The draft budget provides for inflation, pay awards and contractual inflation. The budget cycle is shown at **Annex 1**.

### 2011/12 Budget Headlines

The budget has been constructed in accordance with the MTFS and all relevant corporate financial protocols and presents a balanced draft budget, resulting in:

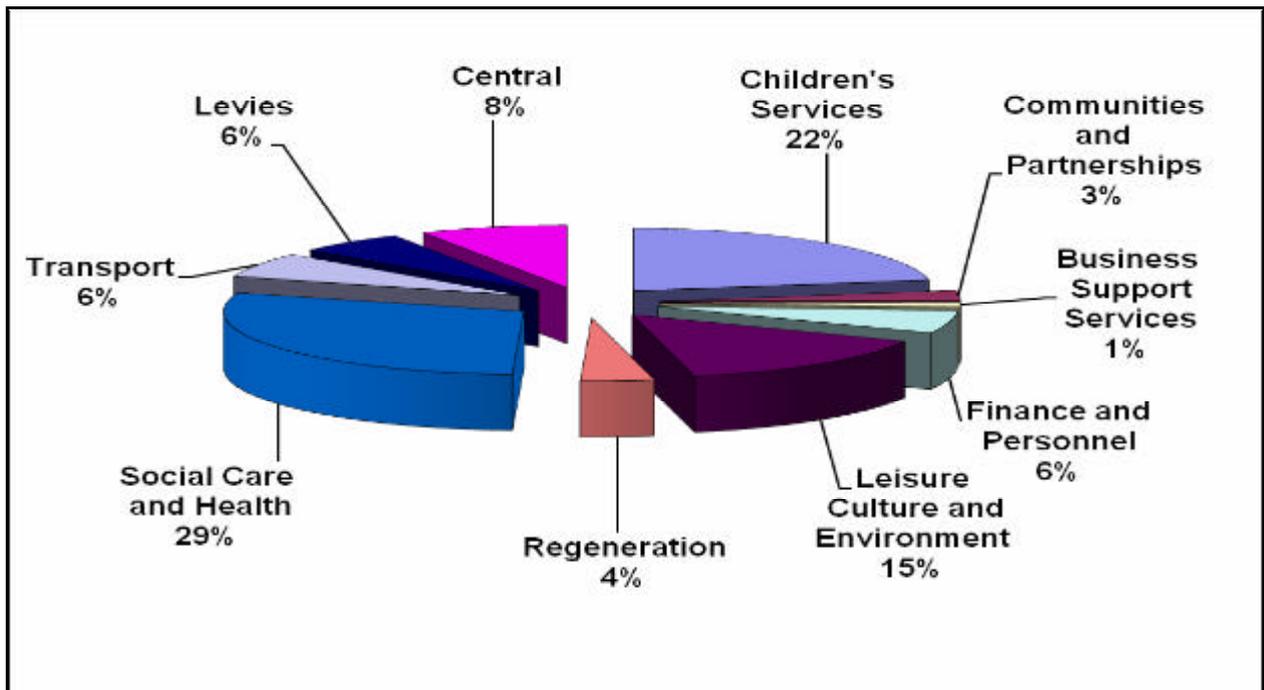
- A focus on a policy-led, medium term, risk assessed budget setting approach using corporate priorities established by cabinet,
- A total net revenue budget requirement of **£246.089m**
- Provision for inflationary pressures of **£5.089m**
- Provision for other known budget pressures, including demographic and cost pressures, and reduced levels of income or grant, of **£5.877m**.
- Proposed revenue savings options of **£17.253m**
- Full year impact of growth approved in the 2010/11 budget, and fall out of one-off investment, representing a reduction of **£0.459m**
- Full year impact of savings approved in the 2010/11 budget of **£2.152m**

The financial implications arising from the draft capital programme 2011/12 are contained within the draft revenue budget.

### 2011/12 Budget Details

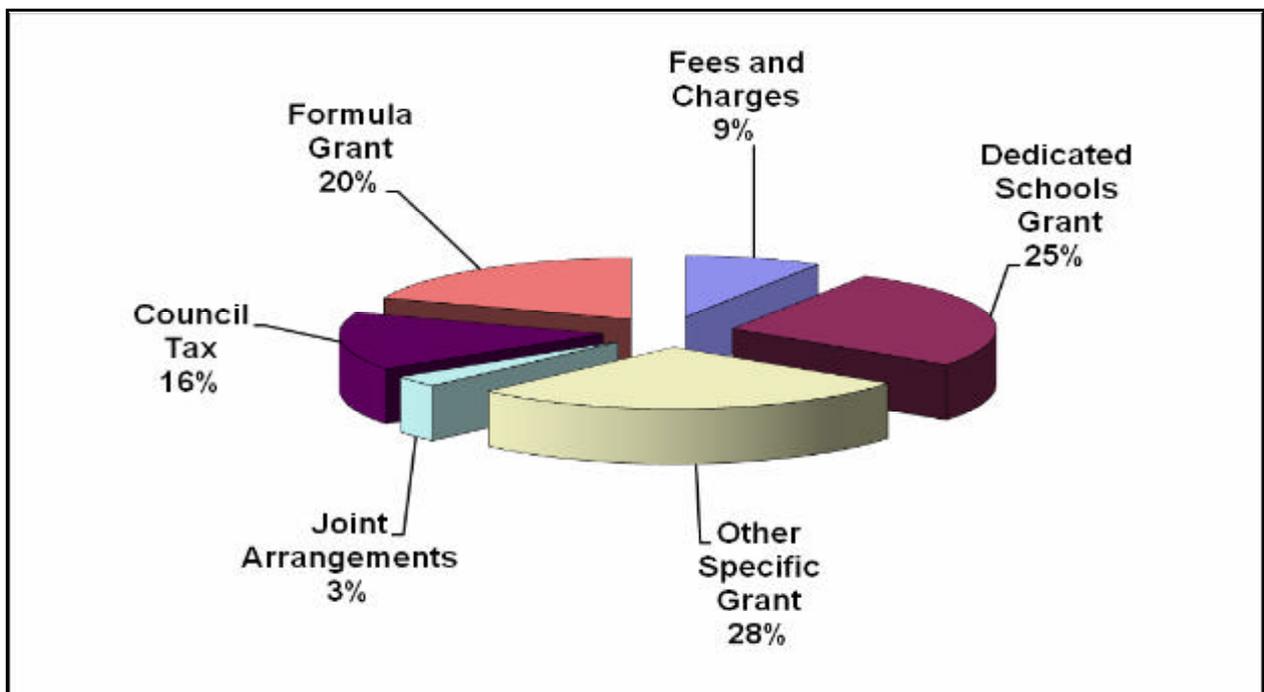
The net budget requirement results in net spending on services of **£246.089m**. **Figure 3** overleaf provides a breakdown of the draft net spending by portfolio.

**Figure 3 – Draft net revenue budget requirement by portfolio**



The council receives income from a number of sources including council tax, central Government grant and specific grants to help pay for certain services including schools and social care. The council also charges for parking, use of leisure facilities and other services. In 2011/12 the council tax will account for 16% of total income. **Figure 4** shows all the main sources of income.

**Figure 4 – Sources of funding**



The net revenue budget for 2011/12 totals £246.089m. It has been possible to commit to £10.966m to address key priorities and funding of essential cost pressures. This includes investment in the increase in looked after children coming into care, demand for adult social care services, provision for carbon allowances to conform to the new emissions trading scheme, supporting capacity in the working smarter programme, and addressing the impact from reduced levels of income or grant.

This commitment has been made possible by planned improvements in efficiencies and other savings. The council is transforming the way it undertakes its business through the Working Smarter Programme, with a view to reducing overhead and transactional costs. The net revenue budget requirement is shown in **Table 1**.

<b>Table 1 : Draft net revenue budget requirement 2011/12</b>		
	<b>£m</b>	<b>Annex No</b>
<b>2010/11 Approved by Council on 22 February 2010:</b>	<b>245.496</b>	
<i>Cash Limit Changes :</i>		
Inflationary pressures	5.089	<b>Annex 5</b>
Financing Options / Service Cost Pressures	5.877	<b>Annex 2</b>
Full year effect of 2010/11 growth and fallout of one-off investment	(0.459)	<b>Annex 4</b>
Savings options 2011/12	(17.253)	<b>Annex 3</b>
Full year effect of 2010/11 approved savings	(2.152)	<b>Annex 4</b>
Effect of grants rolling in to Formula Grant	16.128	
Council Tax Freeze Grant	(2.724)	
Removal of one-off contribution to balances	(2.992)	
Other Changes	(0.921)	
<b>2011/12 Draft net Budget Requirement</b>	<b>246.089</b>	<b>Annex 5</b>
<b>Council Tax Increase</b>	<b>0%</b>	

This would result in a band D council tax for the Walsall Council element only of £1,384.64, representing no change to the 2010/11 levels. Most properties in Walsall (67.71%) are in bands A or B. (**Annex 6**). **Table 2** shows the calculation at Band D.

<b>Table 2: Draft Budget Requirement and Draft Council Tax Levels 2011/12</b>		
<b>Element of budget</b>	<b>2011/12 budget and grants £</b>	<b>Council Tax Band D £</b>
Walsall MBC net budget	246,088,549	
- revenue support grant	(32,373,349)	
- business rates	(104,733,246)	
- collection fund deficit / (surplus)	0	
<b>WMBC element - required from council tax</b>	<b>108,981,954</b>	<b>1,384.64</b>
Police (estimated)	7,771,354	99.45
Fire (estimated)	3,737,691	47.83
<b>Total from council tax</b>	<b>120,490,999</b>	<b>1,531.92</b>

*NB: based on an approved council tax base of 78,707.79 band D equivalents.*

**Table 3** provides an analysis of funding to meet this requirement.

<b>Table 3 : Sources of Funding for 2011/12 Net Budget</b>	
	<b>£'m</b>
Final Formula Grant	137.107
Council Tax (based on a 0% increase over 2010/11 levels)	108.982
Collection fund (Deficit)/Surplus	0
<b>Total Resources</b>	<b>246.089</b>

The Government has announced a one off council tax freeze grant in 2011/12, enabling the council to retain council tax at 2010/11 levels. We are not aware of how this will be treated beyond 2012/13. The actual grant will not be known until April 2011, although we are forecasting £2.724m based on the current council tax base.

#### Inflationary Pressures / Financing Options / Service Cost Pressures

The draft 2011/12 revenue budget includes a reduction of £0.459m in growth (**Annex 4**) which relates to investment decisions made by Council in February 2010 where a part year cost effect only was included in 2010/11. A further £5.089m of inflationary (general, contractual) pressures are funded.

In addition further growth proposals totalling £5.877m have been identified as a very high priority by Cabinet as being essential to meeting cost pressures, legislative requirements and reduced levels of income and grant. Details can be found at **Annex 2**. The budget assumes that any education-related pressures are accommodated from the schools DSG or other school's specific grants.

#### Savings Options

In order to set a balanced budget, and after a review of available resources from formula grant and council tax, and taking into account additional known and likely pressures, new savings options of £17.253m are included in the draft revenue budget proposals within this report (**Annex 3**). These savings have been identified using the principles of Working Smarter. Those proposals requiring executive approval to proceed were approved by Cabinet on 15<sup>th</sup> December 2010. Further full year effect savings of £2.152m are included relating to decisions taken in relation to the 2010/11 budget (**Annex 4**). The savings have enabled Cabinet to use available resources to target priority services, and allowed some targeted investment in high priority areas, such as looked after children and demands within the adult social care service.

#### Formula Grant

The Government provides funding to councils through the Formula Grant. Formula grant is a complex calculation within various blocks based on relative needs, population, demographic data, the tax base and "floor damping".

For Walsall in 2011/12 this is £137.107m and represents about 56% of the council's overall net budget requirement and as such has a significant impact on the level of services the council can afford to provide. Any budget requirement over and above the level of grant has to be borne either via council tax payers and/or users/recipients of services.

The Formula Grant settlement now includes a number of specific grants that have been un-ring fenced and rolled into this single funding mechanism totalling £16.689m (2010/11 level of grant).

2010/11 was the last year of the 3 year settlement for years 2008/09 to 2010/11. The Government published a two year draft formula grant settlement on 13<sup>th</sup> December 2010 for 2011/12 and 2012/13, which was reported to Cabinet on 12<sup>th</sup> January 2011, and the final settlement announced on 31 January 2011.

Our Formula Grant for 2011/12 of £137.107m represents a £15.926m or 10.4% reduction in funding over the adjusted 2010/11 figure of £153.033m. However this adjusted grant is after an initial further reduction of £573k in grant rolled in for Personal Social Services, therefore the real cash reduction is £16.499m or 10.8%. For 2012/13, Formula Grant is £126.420m, representing a further £10.687m reduction (7.8%) in grant.

Government published figure indicate a 6.6% reduction, however this is based on a new definition called “*spending power*” which encompasses an individual authority’s council tax requirement, formula grant, specific grants and NHS funding for social care (the latter being spend which the council may have an influence over but does not control).

Whilst Walsall’s adjusted Formula Grant increase was above the national average in 2010/11 at 3% as opposed to a national metropolitan average of 2.5%, and the 2011/12 allocation similarly is above the national average at -10.4% compared to -11.3% nationally, the use of floor damping means our 2011/12 grant has been reduced by £7.28m (in addition to £18.4m in the previous 3 year settlement period for 2008/09 to 2010/11). The indications are that this ‘damping’ method will continue to be used.

The Formula Grant allocation for Walsall CSR2010 is set out in **Table 4** and Walsall’s movement compared to the met average in **Table 5** overleaf.

<b>Table 4 : Formula Grant Allocation</b>			
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Relative Needs Amount	<b>106.0</b>	<b>114.2</b>	<b>103.3</b>
Relative Resource Amount	<b>-13.5</b>	<b>-15.9</b>	<b>-15.1</b>
Central allocation – a ‘top up’ per head	<b>49.7</b>	<b>35.5</b>	<b>31.6</b>
Adjustment to Formula Grant baseline	<b>-0.9</b>	<b>0.0</b>	<b>0.0</b>
<b>Total grant £m</b>	<b>141.3</b>	<b>133.8</b>	<b>119.8</b>
Floor Damping	<b>-5.0</b>	<b>-7.2</b>	<b>-3.8</b>
<b>Total grant (adjusted for damping) £m</b>	<b>136.3</b>	<b>126.6</b>	<b>116.0</b>
Grants rolling in to Formula Grant	<b>16.7</b>	<b>10.5</b>	<b>10.4</b>
Adjusted grant (incl rolled in grants)	<b>153.0</b>	<b>137.1</b>	<b>126.4</b>
Formula grant from previous year £m	<b>149.0</b>	<b>153.0</b>	<b>137.1</b>
Grant increase/decrease (adjusted) - £m	<b>4.0</b>	<b>-15.9</b>	<b>-10.7</b>
Grant increase/decrease (adjusted) - %	<b>3.0%</b>	<b>-10.4%</b>	<b>-7.8%</b>

<b>Table 5 : Increase/(Decrease) in Adjusted Formula Grant</b>					
	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Walsall	4.10%	4.90%	3.50%	3.00%	<b>-10.4%</b>
Metropolitan Borough Average	3.50%	3.70%	2.90%	2.50%	<b>-11.3%</b>

### Specific Grants

Government provides a separate ring fenced grant for schools; the Dedicated Schools Grant (DSG). In 2010/11 this is £183.530m or £175.008m excluding Academies. In 2011/12 schools in Walsall will receive £5,131.27 of funding per pupil. This is at the same level as 2010/11. In 2011/12 the Dedicated Schools Grant (DSG) has had standard fund grants included. The £5,131.27 is made up of £4,371.33 of previous DSG and £759.94 of former Standards Fund. The introduction of the Pupil premium at £430 per pupil is expected to generate an additional c£3.9m. The final allocation will be available in July following a pupil count in January.

The Government has also announced changes to specific grants as part of the draft Formula Grant settlement on 13<sup>th</sup> December 2010. The number of grants has been cut from c 90 to c10, with most remaining grants becoming unringfenced. For 2011/12 these grants total £17.998m compared to £24.222m in 2010/11, a reduction of £6.224m. In addition, the council reduced its revenue budget by £4.593m in response to the Governments emergency budget in June 2010, along with £6.021m with the ceasing of the Working Neighbourhood Fund (WNF) on 31 March 2011.

The following is a high level resume of the changes in specific grants :-

- A number of Education / Children's Area Based Grants have been stopped totalling £2.096m. This included School Development grant; primary and secondary national strategy grants; travel advisors; flexible 14-19 funding
- Reduction following the movement of 23 specific Education / Children's Services grants into a single Early Intervention Grant, and a net reduction of £2.184m on 2010/11 pre-emergency budget levels.
- Area Based Grants for non education services totalling £657k have ceased, leading to ceasing of activity in these areas. These include: Stronger Safer Communities, Prevent, Young People Substance Misuse, Community Cohesion, Petitions, Child Poverty, Climate Change Planning
- Reduction in Housing and Council Tax Subsidy Grant of £266k. This will be part funded from a £200k investment, leaving £66k to be consumed within existing budgets.
- School modernisation and Playing for Success DCSF Grant has ceased
- Preventing Homelessness grant has been increased by £61k, and there is a new unringfenced grant of £122k, the Lead Local Flood Authority Grant.
- Two education grants have not yet been confirmed, including the Music Support Grant of £848k. Music Education is the subject of a national review (the Henley review) its findings are expected late January/early February 2011 and should include recommendations on the funding of the service.
- Learning Disability and Health Reform Grant of £6.459m in 2011/12 and £6.612m in 2012/13 – this grant is simply a redirection of funding from the NHS to Walsall, thus a net nil impact on the budget.
- NHS funding to Support Social Care and Benefit Health of £3.874m in 2011/12 – funding will be direct to the NHS, although the Council will have a role to play in how the funding will be allocated.
- A new Council Tax Freeze Grant for 2011/12.

## Overall Impact of Formula Grant and Specific Grants reductions on Walsall

Figures published in the CSR stated funding cuts over the 4 year period from 2011/12 would overall equate to 28%. The settlement for 2011/12 and 2012/13 represent cuts of £43.996m or 23% of funds received as at 1 April 2010. This is significantly above the level advised during the CSR. Of this, £6.021m relates to ceasing of WNF for which plans were already in place to cease activity it funded, prior to the CSR. The net funding reduction excluding WNF, at £37.975m however still represents a significantly higher reduction than was advised via the CSR.

### Collection Fund

The collection fund is a fund separate to the revenue general fund which accounts for income collected from council tax. 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 surplus/deficit to enable them to take this into account in their own budget calculations. Any surplus or deficit calculated as at January 2010 will impact on the final council tax increase/net budget requirement.

The assessment undertaken in January 2011 revealed an estimated break even position for the year.

### Capping

In recent years central government has capped the level of council tax rises. For 2010/11 this was capped at a maximum of 4.5% for council tax increases and a maximum net budget requirement increase of 3.5%. Capping principles are determined on a year by year basis. The Parliamentary Under Secretary of State announced that the Government expects the average Band D council tax increase to be at a 16 year low in 2010/11, and have since announced the Council Tax Freeze Grant as replacement funding to replace council tax increase up to 2.5% in 2011/12 only. The proposals within this report include a council tax freeze, and a 0.24% increase in net budget requirement. The Government has recently consulted on a new proposal for a local council tax referendum, and any capping principles for 2011/12 are therefore not yet known.

### Levies and Precepts

**Table 6** shows the estimated levy to be made on Walsall Council by the West Midlands Passenger Transport Authority and the estimated levy by the Environment Agency. It may be necessary to table final figures at the Council meeting on 24<sup>th</sup> February 2011.

<b>Table 6: Estimated Levies 2011/12</b>				
<b>Levy</b>	<b>2010/11 £</b>	<b>2011/12 £</b>	<b>Increase / (Decrease) £</b>	<b>Increase / (Decrease) %</b>
WM PTA *	15,074,556	14,547,000	(527,556)	(3.50)
Environment Agency	80,626	80,626	0	0.00
<b>Total</b>	<b>15,155,182</b>	<b>14,627,626</b>	<b>(527,556)</b>	<b>(3.48)</b>

\*2011/12 levy has been restated to include the grant rolling in to Formula Grant which was previously paid direct to Centro.

Walsall's precepting authorities are the West Midlands Police and Fire & Civil Defence Authorities. At the time of despatch of this report, formal notification of the precepts had not been received; therefore the figures in **Table 7** below are based on informal notification, so amended figures will be tabled at the Council meeting on 24<sup>th</sup> February 2011.

<b>Table 7: Estimated precepts 2011/12</b>				
<b>Precepting Authority</b>	<b>2011/12 Amount £</b>	<b>Band D 2011/12 £</b>	<b>Band D 2010/11 £</b>	<b>Band D Increase %</b>
WM Police	7,771,354	99.45	99.45	0.00
WM fire and civil defence	3,737,691	47.83	47.83	0.00
<b>Total</b>	<b>11,509,045</b>	<b>147.28</b>	<b>147.28</b>	<b>0.00</b>

### Reserves

The council's strategy is to continue to demonstrate financial stability and ensure council and service wide financial pressures are well managed. The Chief Finance Officer (CFO) advises on this in accordance with best practice, professional opinion and the council's MTFS. The strategy is to commence 2011/12 with general reserves of between 2.25% (£5.54m) and 5% (£12.30m) of the overall net budget. Opening reserves are expected to be in line with this strategy.

In accordance with sections 25 – 27 of the Local Government Act 2003 and to comply with CIPFA guidance on local authority reserves and balances, the CFO is required to formally consider and report to members upon the robustness of the estimates used for the purpose of calculating the budget and the adequacy of reserves and balances in respect of the 2011/12 budget. This section of the report has been written by the council's CFO (Assistant Director of Finance), and deals with the requirements of the Act and professional guidance. Consideration of all these issues has been comprehensive and complex. **Annex 7** provides further information and signposts to the various activities, documents and other evidence that have contributed to the decision and declaration, and does not seek to reproduce them here. **Annex 8** analyses current earmarked reserves and general provisions.

### Financial Risk and the Medium Term

The budget setting process includes a corporate financial risk assessment to determine key risks and their impact on the budget. Services undertake comprehensive risk assessments of their budgets by identifying risk factors, potential changes to service delivery and funding streams. This ensures that adequate corporate budgetary provision is available to cover unforeseen future events. This successful approach has been in place for several years and is used to inform the level of earmarked and general reserves. **Annex 9** shows the results of this exercise and the theoretical risk of additional costs. However, it is highly unlikely that all these scenarios would arise.

Managers are also required to deliver services within the available budget. Any known changes in service demand or costs arising from legislative or Government demands are identified and dealt with within the overall draft revenue budget as investment bids. The budgeted opening level of reserves is sufficient to cover the assessed financial exposure to the council. Any use of reserves in-year would require replenishment to ensure an opening general reserve required by the MTFS.

Included in the risk assessment is an analysis of the economy and pressures going forward. The economy has been subject to significant and rapid change. Funding remains uncertain beyond 2011/12. Inflation has been low, however we are already seeing an increase and some sectors are predicting a sharp increase. Bank rates are expected to remain low at 0.5%, however are expected to increase to 1% based on best forecasts, by the end of 2011/12, rising steadily to 2.25% by the end of 2012/ 2013.

## 6. Medium term financial outlook – 2012/13 plus

The council has a longstanding commitment to medium term financial planning. In alignment with work ongoing to revise and enhance the Vision, we are ensuring that resources are available to deliver our aims and objectives and the priorities and pledges that flow from that.

Key sources of funding, in particular, fees and charges, Formula 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.

The future financial environment continues to be challenging for councils. The draft settlement announced on 13<sup>th</sup> December 2010 was a two year settlement for 2011/12 and 2012/13, with the final settlement announced on 31 January 2011.

**Table 8** shows the anticipated reduction in 2012/13. The settlement announced only the first of the two years of the Comprehensive Spending Review. This is because Government will be revamping the distribution formula and consulting on a much wider redesign of how grant is distributed. A 7 month consultation is currently underway. One of the major thrusts will be for local authorities to keep the business rates generated within the area rather than pooling for national redistribution. Taken at its literal face value this would disproportionately affect those authorities such as Walsall who currently receive significantly more back than is generated in the borough, and result in further annual reductions in funding, if the Formula Grant distribution formula is not adjusted to limit the loss, of over £40m annually, having dire consequences for the council.

<b>Table 8 : Funding 2012/13</b>			
	<b>2011/12</b>	<b>2012/13</b>	<b>Movement</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Formula Grant	137.107	126.420	-10.687
Specific Grants *	24.719	25.036	0.317
<b>Total Funding</b>	<b>161.826</b>	<b>151.456</b>	<b>-10.370</b>

\*Assumes Housing Benefit grant remains at 2011/12 levels.

Beyond 2012/13, funding allocations remain uncertain. The only certainty is that funding will decrease, the question is by how much. Various forecasts exist, but we are anticipating reductions of a further 10% per annum for 2013/14 and 2014/15.

The medium term outlook is currently being assessed, with a number of planning scenarios being drawn up. A budget framework will be issued over the coming months to all services to commence the budget process beyond 2011/12.

It is essential that in setting a budget for a particular year, the council has regard to the medium term outlook. The medium term financial goals and targets are updated annually, including using a comprehensive risk assessment approach to analysing and assessing the appropriate level of reserves.

## 7. Draft Capital Programme 2011/12

The council has an asset portfolio of over £719m. 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 councils vision and pledges.

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. Cabinet approved the current Capital strategy on 15<sup>th</sup> December 2010. 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, the Urban Regeneration Company (URC) and regionally with other councils.

The draft capital programme has been constructed within the principles outlined in our capital strategy, which was assessed as good by the former Government Office West Midlands (the highest category available).

The capital programme totals £55.448m (excluding leasing) and is presented in three parts:

- Mainstream programme (£11.421m) - funded through unsupported capital borrowing and capital receipts (**Annex 10**). Of this £1.28m is identified for capital insurance reserve projects (**Annex 11**).
- Non-mainstream programme (£44.027m) - funded from capital grants (**Annex 12**).
- Leasing programme (£16.108m which includes £5.424m of new starts in 2011/12) – revenue costs of which are funded from service revenue budgets (**Annex 13**).

Capital resources will continue to be limited in the future inevitably placing more pressure on existing programmes. Future funding will be more reliant on the council's ability to secure capital receipts from sale of land and buildings or afford additional borrowing. A strategic review of assets is currently being undertaken as part of the 'Asset Management' project, which will inform the revision of the Capital Strategy and formulation of future years capital programmes.

### **Mainstream Programme: Funded from Walsall's own resources**

#### Funding

The council's mainstream capital programme is normally funded from supported and unsupported borrowing, capital receipts, and the carry forward of unspent allocations from previous years.

Supported borrowing allocations allow the council to borrow up to the amount of the allocation and Government provide an amount within Walsall's Formula Grant to fund the cost of borrowing (debt charges). The settlement announced by the Government on 13 December 2010 stated that there will be no supported borrowing for 2 years from 2011/12.

Funding for schemes previously supported by borrowing will now be provided by Government grant, but indications show that the amount of grant available will be considerably reduced.

General unsupported borrowing relates to additional borrowing which is funded from the council's own resources – generated through savings, and/or paid for via council tax. Councils are allowed to borrow in accordance with the Treasury Management Code of Practice. The current capital financing cash limit is forecast to be able to support £9m of additional unsupported borrowing to fund high priority items in 2011/12.

Capital receipt projections of £1.5m are based on professional estimates of property colleagues. **Table 9** shows currently estimated resources to fund the mainstream capital programme for 2011/12.

<b>Table 9: Estimated Mainstream Capital Resources</b>			
<b>Category</b>	<b>2011/12 £m</b>	<b>2012/13 £m</b>	<b>2013/14 £m</b>
Unsupported borrowing	8.971	7.159	6.731
Capital receipts projected	1.500	1.500	1.500
Invest to Save / Cash flow Mgt	0.000	0.647	0.733
Carry forward of previous years underspends	0.950	0.000	0.000
<b>Total resources</b>	<b>11.421</b>	<b>9.306</b>	<b>8.964</b>

### Capital Schemes

In line with the capital strategy, the draft programme is constructed using capital proposal forms submitted by services. The estimated costs of these proposals are summarised in **Table 10**.

<b>Table 10: Capital Schemes by Category</b>	
<b>Category</b>	<b>2011/12 £m</b>
Corporate commitments	2.147
Prior year approvals	4.195
Criteria 1 – Health and Safety	0.200
Criteria 2 – Business Critical / Invest to Save	3.359
Criteria 3 – Critical to service inspection/delivery outcomes	0.240
Capital insurance reserves	1.280
<b>TOTAL</b>	<b>11.421</b>

Schemes are recommended to go ahead as they represent council priorities, for a number of reasons:

- Corporate commitments - annual commitments that must be in the capital programme i.e for infrastructure projects, though the amounts may be varied.
- Prior year approvals - projects that have started or received prior Cabinet approval and funding in 2011/12 is required for their completion.
- Schemes which are critical for health and safety reasons or for future service delivery, are business critical or which will cost the council more in the long run.

- Capital insurance reserves: in a number of areas as insurance reserves to protect the council's position, for which funding is available should the need arise to draw it down.

All bids were prioritised by Cabinet at budget meetings. Schemes are summarised in **Annex 10 and 11**. 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 the next three years.

**Table 11** provides a breakdown of the proposed 2011/12 mainstream capital programme per portfolio.

<b>Table 11 : Mainstream Capital Expenditure by Portfolio</b>		
<b>Portfolio</b>	<b>2011/12 £m</b>	<b>%</b>
Children's Services	0.225	1.97
Communities & Partnerships	0.000	0.00
Leisure, Culture and Environment	0.783	6.85
Finance & Personnel	0.968	8.47
Business Support Services	2.129	18.64
Regeneration	4.140	36.26
Social Care & Health	1.976	17.30
Transport	1.200	10.51
<b>TOTAL</b>	<b>11.421</b>	<b>100.00</b>

### **Externally Funded (Non-Mainstream) Programme**

**Annex 12** shows the indicative externally funded programme bids by portfolio for 2011/12 to 2013/14. 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 the schemes cannot go ahead. At this point in time a number of grants have not been confirmed, therefore there is likely to be some movement as the budget process progresses.

### **Leasing Programme**

The 2011/12 leasing programme of £16.108m (£5.424m of new starts) is analysed in **Annex 13**. Leasing minimises the call on capital resources by spreading the acquisition cost over some years. Revenue funds are needed to finance operating leases. The revenue implications of the leasing programme of £2.872m (new starts of £0.703m + £2.169m of existing leases) for 2011/12 are included in the draft revenue budget.

## **Section 2 – Treasury Management**

### **8. Treasury Management and Investment Strategy**

Members consider the Treasury Management and Investment Strategy each year as a requirement of the CIPFA Code of Practice on Treasury Management in the Public Services; the updated version (revised November 2009) of which Cabinet formally adopted on 22<sup>nd</sup> March 2002.

The suggested strategy for 2011/12 in respect of the following aspects of the treasury management function is based upon the treasury officers' views on interest rates, supplemented with leading market forecasts provided by the council's treasury adviser, Sector.

The strategy covers:

#### **Annex 14**

- Treasury limits in force which will limit the treasury risk and activities of the council
- The current treasury position
- The council's borrowing requirement
- Debt rescheduling and debt repayment.

#### **Annex 15**

- Borrowing Objectives
- Investment Objectives
- Creditworthiness policy
- Annual Minimum Revenue Provision (MRP) Statement 2011/12 Onwards

#### **Annex 16**

- National and Local Prudential and Treasury Indicators

#### **Annex 17**

- Economic Outlook and Interest Rate Forecast
- Policy on use of external service providers.

#### **Annex 18**

- Explanation of Technical Terms.

## 9. Prudential Indicators

The 2003 Prudential Code for Capital Finance in Local Authorities (the Code) introduced new requirements for the way in which capital investment plans are considered and approved and introduced more integration with councils' treasury management strategies and the council's medium term financial planning activities.

The draft budget contains prudential indicators and borrowing limits for treasury management activities in 2011/12. This provides a framework through which the authority's treasury management and investment strategy is monitored.

The Code requires the council to set a number of prudential indicators (PCIs) (See **Annex 16**). These set limits on maximum total borrowing, temporary borrowing and on the proportion of borrowing at variable interest rates. The PCIs cover a period of three years from 2011/12 to 2013/14.

The ability to contain costs and make savings in this activity directly impacts on the level of resources available for the development of council strategies. Treasury management activity is delegated to the Chief Finance Officer (CFO) and Deputy CFO. Relevant activities take place within the framework of the council's treasury policy statements, which sets out the type of activities that may be undertaken and by whom, and which is approved annually by Cabinet.

The local target for the average rate for external debt has been reduced to 4.54% for internally managed debt or equal to 4.73% for total debt. To beat this target the rescheduling of debt would be required; opportunities for this are continually being assessed.

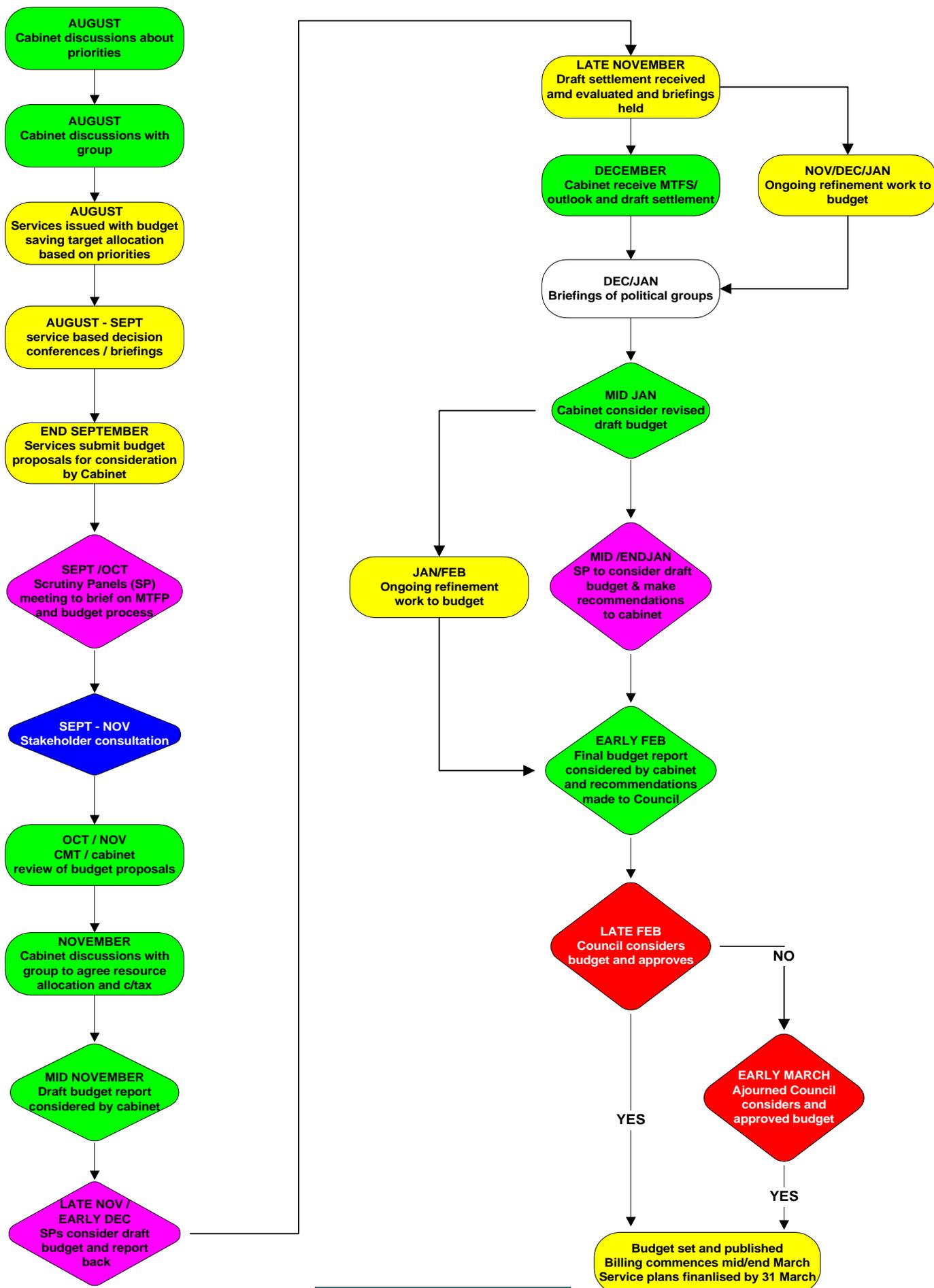
The bank rate has been unchanged at 0.50% since March 2009. The bank rate is forecast to commence rising in quarter 3 of 2011 and then to rise steadily from thereon. Bank rate forecasts for financial year ends (31 March) are as follows: -

Year	Bank Rate
2011	0.50%
2012	1.00%
2013	2.25%
2014	3.25%

There is a downside risk to the economic forecasts if recovery from the recession proves to be weaker and slower than currently expected. Interest rates and investment returns will remain low. The council will avoid locking into longer term deals while investment rates are down at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile.

The effect of the low bank interest rate environment is that the investment returns (income to the council) decreased from 5.25% in 2007/8 to 1.39% in December 2009. A commentary on the current economic climate provided by the council's treasury advisors is included in **Annex 17**. It includes a summary of economic forecasts for 2011/12 and beyond. The council's investment return target will continue to need particular attention, monitoring and potentially review during the year.

**BUDGET CYCLE**



Above dates are the maximum end dates for each phase of the process

KEY	Scrutiny activity	Political group	Stakeholder activity
Cabinet activity	Full council	Officer activity	



**BUDGET 2011/12 +  
SERVICE COST PRESSURES**

REF	COST PRESSURES	SERVICE AREA	ANNUAL PRESSURE		
			2011/12	2012/13	2013/14
			£	£	£
<b>COMMUNITIES AND PARTNERSHIPS</b>					
1	Support to non-school Community Associations to assist in building management responsibilities	Walsall Partnership	80,000	80,000	80,000
2	Local Involvement Network due to fall out of grant. Renamed Health Watch from 1 April 2011 and subject to a report to Cabinet on 17 November 2010. The council has a statutory duty to undertake this function.	Walsall Partnership	169,000	169,000	169,000
3	Shared stray dog reception facility - council took over responsibility for stray dogs from April 2008 (shared responsibility with Police prior to this).	Public Safety	17,000	17,000	17,000
4	CCTV surveillance income shortfall	Public Safety	30,000	30,000	30,000
5	Disinfestation income shortfall. Additional charges placed on mice treatments led to a decrease in the uptake of service.	Public Safety	20,000	20,000	20,000
6	Licensing Income shortfall	Public Safety	20,000	20,000	20,000
7	Support officer to assist with area partnership	Walsall Partnership	22,000	22,000	22,000
<b>TOTAL</b>			<b>358,000</b>	<b>358,000</b>	<b>358,000</b>
<b>REGENERATION</b>					
8	Black Country Joint Core Strategy (JCS) - recently been approved, and will be the delivery framework for the development of Walsall up to 2026, this investment in the policy team will replace capacity lost as a result of grant fall out and will ensure the production of the individual Development Plans Documents (DPD's) and site allocation plans which are required to provide an appropriate statutory land use policy framework, to enable the future delivery of development and investment in the borough.	Planning & Building Control	81,055	81,055	81,055
9	Planning application fee income shortfalls. Investment bid approved for last 2 years to reflect fall in income due to economic downturn, which now falls out. The ongoing slow recovery prevents the achievement of income target as such the investment is to be re-instated.	Planning & Building Control	278,000	278,000	278,000
10	Unclassified land and buildings fee shortfall - due to the economic downturn, resulting in a loss of rent income from vacant premises.	Property Services	60,000	60,000	60,000
11	Black Country Re-investment Society loans to small or medium size businesses in Walsall - total investment of £150k, funded £75k from council funding and £75k match funded from external resources. Should external funding not materialise, the investment will be reduced	Strategic Regeneration	150,000	0	0

REF	COST PRESSURES	SERVICE AREA	ANNUAL PRESSURE		
			2011/12	2012/13	2013/14
			£	£	£
12	Development of a new service to deliver town centre management, as part of a comprehensive process to achieve the best possible outcomes for the town centre, reviewing operational matters and future planning and delivery.		100,000	100,000	100,000
<b>TOTAL</b>			<b>669,055</b>	<b>519,055</b>	<b>519,055</b>
<b>SOCIAL CARE AND HEALTH</b>					
13	Learning Disability - Demographic growth, transition - expected change in existing need of current service users	Access, Assessment & Care Mgt	659,000	659,000	659,000
14	Older People - Demographic growth - forecast 2.3% increase in people aged 75+	Access, Assessment & Care Mgt	383,097	383,097	383,097
15	Mental Health - Demographic growth - forecast increase of 32 people requiring services	Access, Assessment & Care Mgt	390,421	390,421	390,421
<b>TOTAL</b>			<b>1,432,518</b>	<b>1,432,518</b>	<b>1,432,518</b>
<b>CHILDRENS SERVICES</b>					
16	Looked after children and Family Contact costs - increased demand on the service	Corporate Parenting	2,100,000	2,100,000	2,100,000
<b>TOTAL</b>			<b>2,100,000</b>	<b>2,100,000</b>	<b>2,100,000</b>
<b>FINANCE AND PERSONNEL</b>					
17	Reduction in incentive grant relating to Housing Benefits following improvement in performance	Benefits	25,000	25,000	25,000
18	Reducing income relating to Housing Benefit overpayment	Benefits	40,000	40,000	40,000
19	Revenues: Recovery of court cost income - as council tax collection rate improves, less people default, reducing income from court costs	Revenues	52,000	52,000	52,000
20	To fund additional staff to follow up on council tax debts greater than 2 years old. It is anticipated that this will result in additional income to the Collection Fund from the successful recovery of debts	Revenues	50,000	50,000	50,000
21	Electoral services: Collection of personal identifiers from absent voters - Section 14 of Electoral Administration Act 2006 introduced this collection of data - first obtained in January 2007. s60A of Representation of People Regulations 2000 was subsequently amended to require collection of data every 5 years. First renewal exercise has to commence in January 2012, and every January thereafter for update	Electoral Services	20,000	9,000	6,000
<b>TOTAL</b>			<b>187,000</b>	<b>176,000</b>	<b>173,000</b>
<b>BUSINESS SUPPORT</b>					
22	ICT: Annual payment to the government for use of secure gateway (previously subsidised). This is a network connection for the Department of Work and Pensions to transfer data securely	Shared Services & Procurement	25,000	25,000	25,000
23	Sponsorship income shortfalls	Communications	55,000	55,000	55,000

REF	COST PRESSURES	SERVICE AREA	ANNUAL PRESSURE		
			2011/12	2012/13	2013/14
			£	£	£
24	Supporting capacity in the Working Smarter programme to ensure delivery of savings in 2011/12 and beyond	Shared Services & Procurement	550,145	550,145	550,145
<b>TOTAL</b>			<b>630,145</b>	<b>630,145</b>	<b>630,145</b>
<b>COUNCIL WIDE CORPORATE COMMITMENTS</b>					
25	Carbon Management - new mandatory emissions trading scheme that came into force on 1 April 2010. The scheme requires the council to purchase carbon allowances each year to cover our carbon emissions from all sites the council occupies or owns including schools and academies. The CSR announced changes to the timing of these payments, which will now be a double purchase for both 2011/12 and 2012/13. The 2011/12 provision will be held back for payment in April 2012. Future years allocations predict an increase in the cost of allowances by tonne.		500,000	1,111,000	833,000
<b>TOTAL</b>			<b>500,000</b>	<b>1,111,000</b>	<b>833,000</b>
<b>TOTAL SERVICE COST PRESSURES</b>			<b>5,876,718</b>	<b>6,326,718</b>	<b>6,045,718</b>

**BUDGET 2011/12 +  
PROPOSED REVENUE SAVINGS**

REF NO	WORKING SMARTER - SAVING DESCRIPTION	SERVICE AREA	ANNUAL GROSS SAVING		
			2011/12	2012/13	2013/14
			£	£	£
<b>NEIGHBOURHOOD SERVICES</b>					
<b>LEISURE, CULTURE &amp; ENVIRONMENT PORTFOLIO</b>					
<b>Restructuring</b>					
OP	Street pride management and supervision restructure	Street Pride	(160,000)	(160,000)	(160,000)
OP	Streamlining delivery through the reduction in support staff within creative development team	Libraries & Arts	(25,680)	(25,680)	(25,680)
OP	Deletion of vacant post, closure of laboratory and staff reduction within pollution control service.	Engineering & Transportation	(101,996)	(144,042)	(144,042)
OP	Reduction in labour costs associated working smarter initiatives 2 FTE posts within waste, 3 FTE posts within street cleansing (agency sweeper driver, 2 man cleansing team)	Street Pride	(75,000)	(75,000)	(75,000)
OP	Efficiencies within waste services - improvements in trade waste collection service, reduction of overtime due to zonal working and annualised hours agreement, reduction in agency staff due to reduction in sickness levels	Street Pride	(124,000)	(124,000)	(124,000)
OP	Reduced provision of canteen facility when depot relocated to Pelsall Road	Street Pride	(36,000)	(36,000)	(36,000)
OP	Removal of vacant music posts from Forest Arts Centre	Libraries & Arts	(104,333)	(104,333)	(104,333)
P	Reduction in the business support team	Leisure & Community Health	(20,000)	(60,000)	(70,000)
P	Redesign the sports development team with minor reduction in programme	Leisure & Community Health	(80,000)	(80,000)	(80,000)
<b>Review of operational budgets</b>					
OP	Review of security contract and maintenance contract at New Art Gallery	Libraries & Arts	(71,774)	(71,774)	(71,774)
OP	Operational efficiencies within leisure centres	Leisure & Community Health	(30,000)	(30,000)	(30,000)
OP	Reduction in waste arisings and gate fees	Street Pride	(467,500)	(467,500)	(467,500)
OP	Further reduction in waste arisings as per report to Cabinet 12 January 2011	Street Pride	(618,676)	(618,676)	(618,676)
OP	Re-organisation of grounds maintenance activities	Street Pride	(214,319)	(214,319)	(214,319)
OP	Depot relocation savings - closure of Aldridge stores, consolidation of supplies and services budgets	Street Pride	(53,000)	(53,000)	(53,000)
OP	Reduction in running costs and leasing costs, as a result of a reduction in vehicle numbers, associated with working smarter initiatives	Street Pride	(67,000)	(67,000)	(67,000)
OP	Reduction in consumable expenditure in the NVQ centre linked to the college sustainability programme	Walsall Adult & Comm College	(1,167)	(1,167)	(1,167)
OP	Restructure of the Library Service	Libraries & Arts	(180,000)	(180,000)	(180,000)
<b>Fees and charges increases</b>					

REF NO	WORKING SMARTER - SAVING DESCRIPTION	SERVICE AREA	ANNUAL GROSS SAVING		
			2011/12	2012/13	2013/14
			£	£	£
OP	Increase income generated from schools for Forest Arts Centre music	Libraries & Arts	(23,661)	(23,661)	(23,661)
<b>Policy changes</b>					
P	Cease direct council operation of Bentley leisure pavilion and consideration of extending management options with the 3rd sector. Football pitches will continue unaffected	Leisure & Community Health	(50,000)	(50,000)	(50,000)
P	Closure of New Art Gallery on Sundays and bank holidays enabling a saving on staff and utilities	Libraries & Arts	(40,058)	(40,058)	(40,058)
P	Remodelling of library service to reflect social and technological changes, including closer partnerships with the local community to deliver services and the introduction of self service facilities to streamline delivery and release future savings. This will result in fewer libraries directly run by the council, but with longer opening hours in those remaining	Libraries & Arts	0	(673,874)	(673,874)
P	Rationalisation of Local History Centre - reduction in the number of posts, opening hours, conservation of and work on collections, outreach work, income generation and general efficiencies	Libraries & Arts	(62,947)	(62,947)	(62,947)
P	Rationalisation of green spaces services - staffing and operational budgets ( 5 posts yr1, +1 post yr 2 and 3)	Leisure & Community Health	(130,829)	(151,658)	(172,487)
P	Increase in bereavement fees & charges; 4.5% (£90k) in year 1, 3% (£60k) in year 2 and 3.25% (£65k) in year 3	Leisure & Community Health	(90,000)	(150,000)	(215,000)
P	Cease direct council operation of creches at Oak Park and Bloxwich Leisure Centres, and consideration of extending management options with other service sectors	Leisure & Community Health	(10,000)	(10,000)	(10,000)
P / OP	Rationalisation of Walsall Museum - removal of education officer post, visitor assistants posts, temporary exhibitions, reduce hours assistant curator (leather museum)	Libraries & Arts	(58,356)	(62,821)	(62,821)
<b>TOTAL LEISURE, CULTURE &amp; ENVIRONMENT PORTFOLIO</b>			<b>(2,896,296)</b>	<b>(3,737,510)</b>	<b>(3,833,339)</b>
<b>COMMUNITIES AND PARTNERSHIPS PORTFOLIO</b>					
<b>Restructuring</b>					
OP	Staffing restructure within Walsall Partnerships, Working Neighbourhood Fund (WNF) management and strategic intelligence	Walsall Partnership	(150,000)	(150,000)	(150,000)
OP	Reduction in sampling to concentrate on responses to complaints and dealing with local traders, collaborating with other trading standards authorities in the region, where appropriate to provide efficiencies	Public Safety	(49,053)	(49,053)	(49,053)
OP	Rationalise structure combining vacant posts in licensing and reduced hours to enable 2 vacant posts to be deleted (currently covered by agency staff), some regrading and part post deletions	Public Safety	(51,965)	(51,965)	(51,965)

REF NO	WORKING SMARTER - SAVING DESCRIPTION	SERVICE AREA	ANNUAL GROSS SAVING		
			2011/12	2012/13	2013/14
			£	£	£
OP	Restructure service deleting the role of head of service, reviewing the number of team leaders and other staff to enable close integration with area partnerships and to allow feasibility of shared services with other black country authorities to be investigated	Public Safety	(183,786)	(183,786)	(183,786)
OP	Through service restructuring, combining of environmental health functions into locality team linked to anti social behaviour (ASB), reassurance and neighbourhood management. Review posts and responsibilities to provide greater flexibility including those of disinfection and dog warden services	Public Safety	(85,139)	(85,139)	(85,139)
OP	Restructuring the service to accommodate the business support function, and combined with broader support services for public safety. Net of new contribution for admin support from emergency planning the proposal will amalgamate officers from across the service who have a supporting role for service delivery. Delete various posts and regrade others	Public Safety	(39,119)	(39,119)	(39,119)
<b>Review of operational budgets</b>					
OP	Miscellaneous savings in controllable expenditure (legal database, trading standards interlink, equipment required to be in calibration, and reductions in training)	Public Safety	(16,000)	(16,000)	(16,000)
<b>Fees and charges increases</b>					
OP	Generation of new income from shared emergency planning service with Sandwell, net of additional costs associated with developing the service	Public Safety	(12,000)	(12,000)	(12,000)
<b>TOTAL COMMUNITIES AND PARTNERSHIPS PORTFOLIO</b>			<b>(587,062)</b>	<b>(587,062)</b>	<b>(587,062)</b>
<b>TRANSPORT PORTFOLIO</b>					
<b>Restructuring</b>					
OP	Following LEAN review of the reactive highways maintenance service with the outcome of deleting vacant posts and restructure	Engineering & Transportation	(83,352)	(100,022)	(100,022)
OP	Restructure of service within engineers - removal of 8 posts and service efficiencies	Engineering & Transportation	(237,297)	(263,145)	(263,145)
<b>Review of operational budgets</b>					
OP	Reduction in highways contractual works budget following LEAN review which identified efficiencies in working practices	Engineering & Transportation	(200,000)	(200,000)	(200,000)
<b>Policy changes</b>					
P	Introduction of charges for parking dispensations (report to Cabinet on 15 December 2010)	Engineering & Transportation	(3,500)	(3,500)	(3,500)
P	Increase in charges for residents only parking permits (report to Cabinet on 15 December 2010)	Engineering & Transportation	(6,000)	(6,000)	(6,000)
<b>TOTAL TRANSPORT PORTFOLIO</b>			<b>(530,149)</b>	<b>(572,667)</b>	<b>(572,667)</b>
<b>TOTAL NEIGHBOURHOOD SERVICES</b>			<b>(4,013,507)</b>	<b>(4,897,239)</b>	<b>(4,993,068)</b>
<b>REGENERATION</b>					
<b>Restructuring</b>					

REF NO	WORKING SMARTER - SAVING DESCRIPTION	SERVICE AREA	ANNUAL GROSS SAVING		
			2011/12	2012/13	2013/14
			£	£	£
OP	Removal of 2 area planning manager posts and the creation of 1 development management manager post at the same grade to lead the teams and the redesignation of the role of team leader posts as part of a restructure of development management	Planning & Building Control	(57,503)	(57,503)	(57,503)
OP	Removal of 2 senior planning officer posts as part of a restructure of development management. An element of the saving will be re-invested in the new structure and therefore is reflected in the saving	Planning & Building Control	(29,578)	(29,578)	(29,578)
OP	Removal of 2 principal building inspector posts as part of a restructure within the building control service. Posts are 35% revenue 65% fee funded, therefore only the revenue element forms the saving	Planning & Building Control	(30,506)	(30,506)	(30,506)
OP	Removal of 1 senior building inspector post as part of a restructure within the building control service. Post is 35% revenue 65% fee funded, therefore only the revenue element forms the saving	Planning & Building Control	(12,643)	(12,643)	(12,643)
OP	The removal of the senior technical support officer building control and the creation of 1 building control supervisor post at a lower grade. Post is 33% revenue 67% fee funded, therefore only the revenue element forms the saving	Planning & Building Control	(3,240)	(3,240)	(3,240)
OP	Removal of 1 building control technical support officer post. Post is 35% revenue 65% fee funded, therefore only the revenue element forms the saving	Planning & Building Control	(7,961)	(7,961)	(7,961)
OP	Following the decentralisation of business support staff from the resources directorate and as part of a service redesign which includes the regeneration technical support team (central admin) to create one directorate business support service resulting in the removal of 8 posts across existing business support staff and regeneration technical support staff (central administration)	Planning & Building Control	(50,753)	(50,753)	(50,753)
OP	Removal of 1 development management technical support post in the technical development & support service	Planning & Building Control	(24,126)	(24,126)	(24,126)
OP	The removal of the team leader land charges/technical support post as part of a restructure and the creation of 1 local land charges supervisor post at lower grade to supervise land charges team	Planning & Building Control	(10,149)	(10,149)	(10,149)
OP	Removal of vacant policy & performance officer post within the housing strategy & partnerships team and permanent integration of functions within other post holder responsibilities	Housing Services	(33,145)	(33,145)	(33,145)
OP	Removal of 1 building surveyor post in property services as part of service review	Property Services	(35,016)	(35,016)	(35,016)

REF NO	WORKING SMARTER - SAVING DESCRIPTION	SERVICE AREA	ANNUAL GROSS SAVING		
			2011/12	2012/13	2013/14
			£	£	£
OP	Ring fenced recruitment to design & project manager team manager post (currently vacant) to the design & project management post holders, following this the removal of the successful candidates post as part of service review	Property Services	(33,079)	(33,079)	(33,079)
OP	Removal of vacant strategic regeneration framework team leader post within the development and delivery service as part of service review	Development & Delivery	(47,986)	(47,986)	(47,986)
OP	Removal of vacant regeneration assistant (conservation) post within the development and delivery service as part of service review	Development & Delivery	(21,229)	(21,229)	(21,229)
<b>Review of operational budgets</b>					
OP	Pooling of all revenue property maintenance budgets across the council would enable a £100k reduction in property management initiative (PMI)	Property Services	(100,000)	(100,000)	(100,000)
OP	Removal of external training budget within the housing standards & improvement service	Housing Services	(4,000)	(4,000)	(4,000)
OP	Reduction in general office expenses within the housing standards & improvement service	Housing Services	(3,000)	(3,000)	(3,000)
OP	Removal of payments to contractors for external works budget	Housing Services	(3,000)	(3,000)	(3,000)
OP	Reduction in consultants fees used to fund housing stock condition surveys within the housing standards & improvement service	Housing Services	(3,000)	(3,000)	(3,000)
OP	Reduction in partnership activity/ events with third sector within the housing strategy & partnerships service	Housing Services	(24,546)	(24,546)	(24,546)
OP	Rationalisation of supplies and services budget within the housing service	Housing Services	(12,526)	(12,526)	(12,526)
OP	Lease release - previous investment no longer required (funded via capital instead)	Property Services	(63,800)	(63,800)	(63,800)
OP	Efficiency savings arising from the demolition of property	Property Services	(30,000)	(30,000)	(30,000)
OP	Removal of overtime allowance budgets within facilities management service	Property Services	(24,381)	(24,381)	(24,381)
OP	Rationalisation in supplies and services and transport expenses budgets within the development & delivery service	Development & Delivery	(6,000)	(6,000)	(6,000)
OP	Reduction in supplies and services budget within the planning & building control service	Planning & Building Control	(1,600)	(1,600)	(1,600)
<b>Policy changes</b>					
P	Closure of Darlaston market - resulting in the removal of agency staff and from negotiating out of the waste removal, energy, and stall erection contracts. The current service is not cost neutral hence a saving will be achieved from the closure.	Development & Delivery	(20,000)	(20,000)	(20,000)
P	Introduce charging policy for pre-application advice within the planning service.	Planning & Building Control	(12,500)	(12,500)	(12,500)
<b>TOTAL REGENERATION</b>			<b>(705,267)</b>	<b>(705,267)</b>	<b>(705,267)</b>
<b>SOCIAL CARE AND INCLUSION</b>					
<b>Restructuring</b>					

REF NO	WORKING SMARTER - SAVING DESCRIPTION	SERVICE AREA	ANNUAL GROSS SAVING		
			2011/12	2012/13	2013/14
			£	£	£
OP	Realignment of the assessment and care management service and redesign of provider services to promote independence amongst service users and ensure stronger partnership working between these two areas to reduce duplication of support roles/work	Access, Assessment & Care Mgt	(3,000,000)	(3,000,000)	(3,000,000)

REF NO	WORKING SMARTER - SAVING DESCRIPTION	SERVICE AREA	ANNUAL GROSS SAVING		
			2011/12	2012/13	2013/14
			£	£	£
<b>Review of operational budgets</b>					
OP	Development of the external / voluntary sector community meals market within Walsall, and decommissioning of current Sedexo contract from July 2011 as approved by Cabinet on 15.09.10	Joint Commissioning	(278,000)	(378,000)	(378,000)
OP	Review of Housing 21 (H21) homes to develop multi disciplinary units. Targeting of expensive learning disability/physical disability clients, suitable for support via an extra care Housing 21 placement, to move to the multi disciplinary units to achieve an overall cost reduction/saving. Gross saving will be offset by costs for rehousing elderly clients who would have potentially moved to H21 placements	Joint Commissioning	(255,000)	(255,000)	(255,000)
<b>Policy changes</b>					
P	Development of the external / voluntary sector transport market within Walsall, and decommissioning of current transport contracts	Joint Commissioning	(100,000)	(100,000)	(100,000)
P	Review of charging areas across the directorate, introduction of a benefits based charging system, and review / maximisation / introduction of other charging areas to bring Walsall in to line with other authorities both nationally and within the West Midlands	Joint Commissioning	(3,500,000)	(3,500,000)	(3,500,000)
<b>TOTAL SOCIAL CARE AND INCLUSION</b>			<b>(7,133,000)</b>	<b>(7,233,000)</b>	<b>(7,233,000)</b>
<b>CHILDRENS SERVICES</b>					
<b>Restructuring</b>					
OP	Reduction in youth justice services management costs as part of Integrated Young People Support Service (IYPSS) service redesign and focus on targeted support which will strengthen the role of senior practitioners	Integrated Young People Support	(74,000)	(74,000)	(74,000)
OP	Implementation of next phase of IYPSS service redesign maximising working smarter principles, which will increase focus on targeted youth support (TYS) for most vulnerable groups of young people	Integrated Young People Support	(435,000)	(435,000)	(435,000)
<b>Review of operational budgets</b>					
OP	Reduction in spend on activity within the teenage pregnancy/conception reduction programme	Integrated Young People Support	(65,000)	(65,000)	(65,000)
OP	Review of activities for young carers	Integrated Young People Support	(10,000)	(10,000)	(10,000)
OP	Reduction in overall commissioning resource. Commissioning resource currently consists of the council core budget and positive activities for young people (PAYP) activities grant which supports the provision of the young peoples positive activities programme	Integrated Young People Support	(45,000)	(45,000)	(45,000)
<b>Policy changes</b>					
P	Negotiate reduction in overall value of the contract for delivery of information, advice and guidance services with Prospects	Integrated Young People Support	(75,000)	(75,000)	(75,000)

REF NO	WORKING SMARTER - SAVING DESCRIPTION	SERVICE AREA	ANNUAL GROSS SAVING		
			2011/12	2012/13	2013/14
			£	£	£
P	Projected savings as part of the council review of essential car user allowance. Changes to essential car user allowance will provide the savings identified within youth offending	Integrated Young People Support	(28,000)	(28,000)	(28,000)
P	Negotiate reduction in cost of education services contract with Serco	Education	(2,500,000)	(2,500,000)	(2,500,000)
<b>TOTAL CHILDREN'S SERVICES</b>			<b>(3,232,000)</b>	<b>(3,232,000)</b>	<b>(3,232,000)</b>
<b>RESOURCES</b>					
<b>FINANCE AND PERSONNEL PORTFOLIO</b>					
<b>Restructuring</b>					
OP	Restructure programme	Revenues	(53,000)	(167,500)	(167,500)
OP	Home working - this is expected to increase productivity by 10% which will result in staff reduction arising from increased productivity of remaining staff. (Capital bid of £150,000 submitted)	Benefits	0	(120,000)	(120,000)
OP	Reduction in benefits business development team 0.5 FTE	Benefits	(15,478)	(15,478)	(15,478)
OP	Enhanced use of telephone systems to improve service delivery rather than requiring staff visits. (Capital bid submitted to support this as part of the new operating model for support services)	Benefits	0	(31,016)	(31,016)
OP	<b>Delivering the new operating model (delivering right, fast and simple) for support services which entails more online resolution, more management accountability and a greater customer focus. This enables streamlining of staff resources needed over time resulting in total savings of £984k in yr 1, £1.383m in yr2 and £1.655m in yr3 onwards. Details are shown below of the individual proposals</b>	See below	See below	See below	See below
OP	Implementation of finance restructure in response to finance direct: Reductions in posts to reflect managers taking on more direct responsibility for managing their own budgets - supported by improved self-service, on line reporting and forecasting tools, a customer contact centre, and supported by training. Reducing the need for lower level finance support. Support will be on providing focussed, more added value support to directorates, improved customer relationship management, whilst ensuring S151 responsibilities and financial governance is maintained at the highest level	Finance	(254,000)	(254,000)	(254,000)
OP	Net saving following previous reorganisation in equalities	Human Resources & Development	(14,276)	(14,276)	(14,276)
OP	Realignment of work within legal services team following reduction in demand	Legal	(47,000)	(47,000)	(47,000)
OP	Restructure within human resources	Human Resources & Development	(669,000)	(1,068,000)	(1,340,000)
<b>Review of operational budgets</b>					

REF NO	WORKING SMARTER - SAVING DESCRIPTION	SERVICE AREA	ANNUAL GROSS SAVING		
			2011/12	2012/13	2013/14
			£	£	£
OP	Reduction of paid overtime	Benefits	0	(2,482)	(65,000)
OP	Reduce housing benefit bad debt	Benefits	(24,000)	(24,000)	(24,000)
OP	Overpayment incentive - can claim 100% grant from DWP against overpayment errors if this figure is kept below DWP targets.	Benefits	(150,000)	(150,000)	(150,000)
<b>TOTAL FINANCE AND PERSONNEL PORTFOLIO</b>			<b>(1,226,754)</b>	<b>(1,893,752)</b>	<b>(2,228,270)</b>
<b>BUSINESS SUPPORT PORTFOLIO</b>					
<b>Restructuring</b>					
OP	<b>Delivering the new operating model (delivering right, fast and simple) for support services which entails more online resolution, more management accountability and a greater customer focus. This enables streamlining of staff resources needed over time resulting in savings of £942k a year. Details are shown below of the individual proposals</b>	See below	See below	See below	See below
OP	Reduction in posts as a result of implementing the outcomes of the finance direct programme within finance administration	Shared Services & Procurement	(220,000)	(220,000)	(220,000)
OP	Removal of a vacant post and reduction in marketing budget	Communications	(32,000)	(32,000)	(32,000)
OP	Improved customer focus of business support and reduce bureaucracy	Shared Services & Procurement	(156,000)	(156,000)	(156,000)
OP	Disbanding the peripatetic administration team	Shared Services & Procurement	(108,000)	(108,000)	(108,000)
OP	Integration of current activity within business solutions, programme delivery and performance management. This will include the consideration of a shared intelligence function with key public service partners.	Business Solutions	(338,184)	(338,184)	(338,184)
OP	Re-organisation of roles and responsibilities regarding the function of procurement throughout the council.	Shared Services & Procurement	(50,000)	(50,000)	(50,000)
OP	Staffing reduction and changing the activities of the print and design team to make greater use of existing resources and deliver the same levels of service	Shared Services & Procurement	(30,000)	(30,000)	(30,000)
<b>Review of operational budgets</b>					
OP	Reduction in marketing and supplies and services budgets	Communications	(8,000)	(8,000)	(8,000)
<b>TOTAL BUSINESS SUPPORT PORTFOLIO</b>			<b>(942,184)</b>	<b>(942,184)</b>	<b>(942,184)</b>
<b>TOTAL RESOURCES</b>			<b>(2,168,938)</b>	<b>(2,835,936)</b>	<b>(3,170,454)</b>
<b>TOTAL ALL DIRECTORATES</b>			<b>(17,252,712)</b>	<b>(18,903,442)</b>	<b>(19,333,789)</b>

**Key:**

**OP** Operational : Options which managers have delegations to implement

**P** Policy: Those savings which required an Executive / Policy decision. Those received approval in December 2010

## FULL YEAR EFFECT OF PREVIOUS YEARS GROWTH AND FALL OUT OF ONE OFF INVESTMENTS

DESCRIPTION	DIRECTORATE	SUB SERVICE AREA	ANNUAL NET SAVING		
			2010/11	2011/12	Movement
			£	£	£
<b>CHILDRENS PORTFOLIO</b>					
Additional Child Concern Workers to support the development of localised integrated working.	Children's Services	Universal Services	0	(100,000)	(100,000)
<b>TOTAL CHILDRENS PORTFOLIO</b>			<b>0</b>	<b>(100,000)</b>	<b>(100,000)</b>
<b>COMMUNITIES AND PARTNERSHIPS PORTFOLIO</b>					
Maintain the operation of the recently digitised CCTV system for 24 hr operation. Yr 1 costs to mainstream the activity, year 2 onwards will generate income and streamline costs to offset the initial costs	Neighbourhood Services	Public Safety	65,000	0	(65,000)
Revised neighbourhood management model	Neighbourhood Services	Neighbourhood Management	450,000	395,000	(55,000)
<b>TOTAL COMMUNITIES AND PARTNERSHIPS PORTFOLIO</b>			<b>515,000</b>	<b>395,000</b>	<b>(120,000)</b>
<b>LEISURE, CULTURE AND ENVIRONMENT PORTFOLIO</b>					
Arboretum Restoration Programme - Stage 2 heritage lottery Fund bid. Increase in investment as identified in 2009/10.	Neighbourhood Services	Leisure & Community Health	40,000	30,000	(10,000)
<b>TOTAL LEISURE, CULTURE AND ENVIRONMENT PORTFOLIO</b>			<b>40,000</b>	<b>30,000</b>	<b>(10,000)</b>
<b>REGENERATION PORTFOLIO</b>					
<b>Reducing leased office accommodation</b> - Over the next 3 years there is an opportunity to move out of Tameway Tower, Townend house and other leased accommodation resulting in reduced costs to the council. The Civic complex does not have the capacity to absorb more staff and therefore alternative council accommodation will need to be converted. Capital bids have been made for conversion.	Regeneration	Property Services	(49,500)	(10,700)	38,800
<b>Saving relating to the reducing of leased accommodation above</b>	Regeneration	Property Services	(220,000)	(642,500)	(422,500)
<b>Development Control Income</b> Review of income targets - pressure arising from under achievement of income for planning applications due to current economic conditions. In year 3 2011/12 the income figure will be refreshed. This bid is in the context of the Council having taken a number of years to build up a stable professional team within planning, in the face of a severe national shortage. This has resulted in the Council achieving top quartile performance and a stable team (in comparison to most other local authority planning teams).	Regeneration	Planning Services	0	(278,704)	(278,704)
<b>TOTAL REGENERATION PORTFOLIO</b>			<b>(269,500)</b>	<b>(931,904)</b>	<b>(662,404)</b>
<b>SOCIAL CARE AND HEALTH PORTFOLIO</b>					
Older persons - Demographic Growth. Increase in investment as identified in 2009/10.	Social Care and Inclusion	Adults	72,133	335,656	263,523
Learning Disability Demographic Growth - new cases 08/09. Increase in investment from 2009/10.	Social Care and Inclusion	Adults	240,000	480,000	240,000
Increase in demand within mental health services. Dementia statistics show this is a national issue not just at Walsall.	Social Care and Inclusion	Mental Health and Dementia	570,071	685,649	115,578

DESCRIPTION	DIRECTORATE	SUB SERVICE AREA	ANNUAL NET SAVING		
			2010/11	2011/12	Movement
			£	£	£
Increase in client demand within learning disabilities	Social Care and Inclusion	Learning Disability	45,000	90,000	45,000
Increase in demand within older peoples services.	Social Care and Inclusion	Older People	143,036	(72,584)	(215,620)
<b>TOTAL SOCIAL CARE AND HEALTH PORTFOLIO</b>			<b>1,070,240</b>	<b>1,518,721</b>	<b>448,481</b>
<b>BUSINESS SUPPORT PORTFOLIO</b>					
Creation of 3 business analyst posts to support council wide efficiency activity. Funding is for one-off set up costs and it is expected that year 2 + the posts will generate sufficient efficiencies to cover the cost of the posts and achieve further savings for the council.	Resources	Business Solutions	120,000	0	(120,000)
Reduction in housing benefit administration grant	Resources	Revenues	180,000	200,000	20,000
<b>TOTAL BUSINESS SUPPORT PORTFOLIO</b>			<b>300,000</b>	<b>200,000</b>	<b>(100,000)</b>
<b>FINANCE AND PERSONNEL PORTFOLIO</b>					
Additional capital financing regarding the reduction in capital due to falling land values. Increase in investment as identified in 2009/10.	Central	Central	382,500	467,500	85,000
<b>TOTAL FINANCE AND PERSONNEL PORTFOLIO</b>			<b>382,500</b>	<b>467,500</b>	<b>85,000</b>
<b>TOTAL FULL YEAR EFFECT OF PREVIOUS YEARS INVESTMENT</b>			<b>2,038,240</b>	<b>1,579,317</b>	<b>(458,923)</b>

#### FULL YEAR EFFECT OF PREVIOUS YEARS SAVINGS

DESCRIPTION	DIRECTORATE	SUB SERVICE AREA	ANNUAL NET SAVING		
			2010/11	2011/12	Movement
			£	£	£
<b>LEISURE, CULTURE AND ENVIRONMENT PORTFOLIO</b>					
Increase in burial and cremation fees/charges including organ	Neighbourhood Services	Public Safety	(15,041)	(31,210)	(16,169)
Reduction in events programming expenditure	Neighbourhood Services	Libraries & Arts	(38,000)	(57,000)	(19,000)
Increase the catering management fee to schools for 2010/11	Neighbourhood Services	Leisure & Community Health	(21,817)	(39,756)	(17,939)
May Gurney RPI reduction in 2009/10 - contract to be reviewed in 2011/12.	Neighbourhood Services	Street Pride	(60,000)	0	60,000
Reduction in waste arisings	Neighbourhood Services	Street Pride	(107,000)	(117,000)	(10,000)
Additional income generation from the schools' music service	Neighbourhood Services	Libraries & Arts	(26,813)	(40,219)	(13,406)
Closure of Willenhall Leisure Centre - includes security/boarding up costs in year 1	Neighbourhood Services	Leisure & Community Health	(58,500)	(295,565)	(237,065)
<b>TOTAL LEISURE, CULTURE AND ENVIRONMENT PORTFOLIO</b>			<b>(327,171)</b>	<b>(580,750)</b>	<b>(253,579)</b>
<b>REGENERATION PORTFOLIO</b>					
Fee levy on non Education premises energy units for reinvestment in energy saving.	Regeneration	Property Services	(56,000)	(112,000)	(56,000)
Reduction in temporary staffing costs	Regeneration	Across Directorate	0	(150,000)	(150,000)

DESCRIPTION	DIRECTORATE	SUB SERVICE AREA	ANNUAL NET SAVING		
			2010/11	2011/12	Movement
			£	£	£
Fall out of funding of temporary staffing costs via WNF	Regeneration	Across Directorate	0	150,000	150,000
Increased fee income and smarter charging	Regeneration	Property Services	(32,000)	(51,000)	(19,000)
Restructuring of Design & Project Management, Building Services, Procurement, Estates & Asset Management, leading to reduced costs	Regeneration	Property Services	(100,000)	(200,000)	(100,000)
Restructure within Land Charges team and deletion of 2 posts	Regeneration	Planning Services	(10,582)	(50,982)	(40,400)
<b>TOTAL REGENERATION PORTFOLIO</b>			<b>(198,582)</b>	<b>(413,982)</b>	<b>(215,400)</b>
<b>TRANSPORT PORTFOLIO</b>					
Civil Parking Enforcement income	Neighbourhood Services	Engineering & Transportation	(76,000)	(117,500)	(41,500)
Increase in general pay and display charges and increase in long and medium stay car parking	Neighbourhood Services	Engineering & Transportation	(26,000)	(53,000)	(27,000)
<b>TOTAL TRANSPORT PORTFOLIO</b>			<b>(102,000)</b>	<b>(170,500)</b>	<b>(68,500)</b>
<b>SOCIAL CARE AND HEALTH PORTFOLIO</b>					
Establish the level of entitlement and review thresholds for clients receiving direct payments, day care , home care and residential and nursing care services. Implement a fair and equitable entitlements policy covering all client groups, types of care and ensuring cost reductions and ensuring more effective processes of block lower cost placements rather than one off spot rates which are more expensive on a unit cost basis.	Social Care and Inclusion	Social Care	(3,196,053)	(3,711,463)	(515,410)
Housing 21 income - surplus generated as part of ongoing and annually calculated affordability envelope	Social Care and Inclusion	Social Care	0	(310,000)	(310,000)
Sharing local authority buildings with NHS Walsall and charging for their partial occupancy	Social Care and Inclusion	Social Care	(20,000)	(50,000)	(30,000)
Review of, and increase in, non-residential care charges including incremental removal of meals subsidy and charging for community alarm rentals.	Social Care and Inclusion	Social Care	(266,000)	(276,000)	(10,000)
This is an invest to save bid which will improve day services for people with learning and physical disabilities.	Social Care and Inclusion	Social Care	0	(150,000)	(150,000)
YADS External Residential & Nursing Budgets - reducing the number of existing clients who would be able to receive a service (additional 5 in 11/12).	Social Care and Inclusion	Adults	(357,256)	(545,803)	(188,547)
Learning disability efficiencies related to supported living packages.	Social Care and Inclusion	Adults	(285,651)	(464,573)	(178,922)
Efficiencies within the external market for learning disability residential and nursing care - using fewer providers, more cost effective providers	Social Care and Inclusion	Adults	(571,302)	(929,146)	(357,844)

DESCRIPTION	DIRECTORATE	SUB SERVICE AREA	ANNUAL NET SAVING		
			2010/11	2011/12	Movement
			£	£	£
Major projects manager funded via social care reform grant for 2 years whilst undertaking the project management role within the people first project.	Social Care and Inclusion	Adults	0	51,000	51,000
<b>TOTAL SOCIAL CARE AND HEALTH PORTFOLIO</b>			<b>(4,696,262)</b>	<b>(6,385,985)</b>	<b>(1,689,723)</b>
<b>BUSINESS SUPPORT PORTFOLIO</b>					
Increased level of procurement savings	Resources	Procurement	(38,773)	(66,006)	(27,233)
Reduce use of agency workers and increased vacancy management.	Resources	Performance Management	(9,878)	(38,621)	(28,743)
<b>TOTAL BUSINESS SUPPORT PORTFOLIO</b>			<b>(48,651)</b>	<b>(104,627)</b>	<b>(55,976)</b>
<b>FINANCE AND PERSONNEL PORTFOLIO</b>					
Restructuring proposals	Council Wide	Council Wide	(417,200)	(665,700)	(248,500)
Reduction of previous years ABG	Council Wide	Council Wide	(380,000)	0	380,000
<b>TOTAL FINANCE AND PERSONNEL PORTFOLIO</b>			<b>(797,200)</b>	<b>(665,700)</b>	<b>131,500</b>
<b>TOTAL FULL YEAR EFFECT OF PREVIOUS YEARS SAVINGS</b>			<b>(6,169,866)</b>	<b>(8,321,544)</b>	<b>(2,151,678)</b>

## SUMMARY OF DRAFT CORPORATE REVENUE BUDGET 2011/12 BY PORTFOLIO

PORTFOLIO / SERVICE / LEVY ETC.	2010/11 BASIC FORECAST	BUDGET REFRESH	2011/12 BASIC FORECAST
	£000	£000	£000
Children's Services	61,924	-4,689	57,235
Communities and Partnerships	13,666	-6,623	7,043
Business Support Services	-2,449	-255	-2,704
Finance and Personnel	15,627	132	15,759
Leisure Culture and Environment	40,594	-236	40,358
Regeneration	10,620	241	10,861
Social Care and Health	77,971	2,991	80,962
Transport	16,159	448	16,607
<b>SUB TOTAL SERVICES</b>	<b>234,112</b>	<b>-7,991</b>	<b>226,121</b>
Capital Financing	23,532	500	24,032
Removal of impact of depreciation	-17,658	0	-17,658
Area based grant	-25,985	25,985	0
Non-service specific prudence/central items	14,705	-1,754	12,951
<b>SUB TOTAL CENTRAL ITEMS</b>	<b>-5,406</b>	<b>24,731</b>	<b>19,325</b>
<b>Levies:</b>			
PTE (% increase to be advised)	13,718	829	14,547
Environment Agency	81	0	81
<b>NET REVENUE EXPENDITURE</b>	<b>242,505</b>	<b>17,569</b>	<b>260,074</b>
(Use of)/contribution to reserves	2,991	-2,991	0

FYE OF 2010/11 APPROVED SAVINGS	FYE OF 2010/11 APPROVED INVESTMENT	NEW SAVINGS / EFFICIENCIES	NEW INVESTMENT	FORECAST 2011/12 INCL. SAVINGS & INVESTMENT
£000	£000	£000	£000	£000
0	-100	-3,232	2,100	56,003
0	-120	-587	358	6,694
-56	-120	-942	619	-3,203
0	20	-1,227	198	14,750
-254	-10	-2,896	0	37,198
-215	-662	-705	669	9,948
-1,690	448	-7,133	1,433	74,020
-68	0	-530	0	16,009
<b>-2,283</b>	<b>-544</b>	<b>-17,252</b>	<b>5,377</b>	<b>211,419</b>
0	85	0	0	24,117
0	0	0	0	-17,658
0	0	0	0	0
132	0	0	500	13,583
<b>132</b>	<b>85</b>	<b>0</b>	<b>500</b>	<b>20,042</b>
0	0	0	0	14,547
0	0	0	0	81
<b>-2,151</b>	<b>-459</b>	<b>-17,252</b>	<b>5,877</b>	<b>246,089</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

GRAND TOTAL BUDGET REQUIREMENT	245,496	14,578	260,074
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-2,151	-459	-17,252	5,877	246,089
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SUMMARY OF CORPORATE REVENUE FORECAST 2011/121. DRAFT COUNCIL TAX EXCLUDING PRECEPTS (WALSALL COUNCIL ONLY)A. LEVELS FOR PROPERTIES WITH TWO OR MORE RESIDENTS (67% of Properties)

BAND	WEIGHT	2010/11 C.TAX	2011/12 C.TAX	ANNUAL CHANGE	ANNUAL INCREASE
		£	£	£	%
A	6/9	923.09	923.09	0.00	0.00%
B	7/9	1,076.94	1,076.94	0.00	0.00%
C	8/9	1,230.79	1,230.79	0.00	0.00%
D	9/9	1,384.64	1,384.64	0.00	0.00%
E	11/9	1,692.34	1,692.34	0.00	0.00%
F	13/9	2,000.04	2,000.04	0.00	0.00%
G	15/9	2,307.73	2,307.73	0.00	0.00%
H	18/9	2,769.28	2,769.28	0.00	0.00%

2. DRAFT OVERALL COUNCIL TAX INCLUSIVE OF PRECEPTSA. DRAFT LEVELS FOR PROPERTIES WITH TWO OR MORE RESIDENTS (67% of Properties)

BAND	WEIGHT	2010/11 TOTAL C.TAX	2011/12 WMBC C.TAX	ESTIMATE - ACTUAL T.B.A		OVERALL (INC PRECEPTS)		
				2011/12 FIRE PRECEPT	2011/12 POLICE PRECEPT	2011/12 TOTAL C.TAX	ANNUAL C.TAX INCREASE	ANNUAL C.TAX INCREASE
		£	£	£	£	£	£	%
A	6/9	1,021.28	923.09	31.89	66.30	1,021.28	0.00	0.00%
B	7/9	1,191.49	1,076.94	37.20	77.35	1,191.49	0.00	0.00%
C	8/9	1,361.71	1,230.79	42.52	88.40	1,361.71	0.00	0.00%
D	9/9	1,531.92	1,384.64	47.83	99.45	1,531.92	0.00	0.00%
E	11/9	1,872.35	1,692.34	58.46	121.55	1,872.35	0.00	0.00%
F	13/9	2,212.78	2,000.04	69.09	143.65	2,212.78	0.00	0.00%
G	15/9	2,553.20	2,307.73	79.72	165.75	2,553.20	0.00	0.00%
H	18/9	3,063.84	2,769.28	95.66	198.90	3,063.84	0.00	0.00%

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

BAND	WEIGHT	2010/11 TOTAL C.TAX	2011/12 WMBC C.TAX	ESTIMATE - ACTUAL T.B.A		OVERALL (INC PRECEPTS)		
				2011/12 FIRE PRECEPT	2011/12 POLICE PRECEPT	2011/12 TOTAL C.TAX	ANNUAL C.TAX INCREASE	ANNUAL C.TAX INCREASE
		£	£	£	£	£	£	%
A	6/9	765.96	692.32	23.92	49.73	765.96	0.00	0.00%
B	7/9	893.62	807.71	27.90	58.01	893.62	0.00	0.00%
C	8/9	1,021.28	923.09	31.89	66.30	1,021.28	0.00	0.00%
D	9/9	1,148.94	1,038.48	35.87	74.59	1,148.94	0.00	0.00%
E	11/9	1,404.26	1,269.25	43.84	91.16	1,404.26	0.00	0.00%
F	13/9	1,659.58	1,500.03	51.82	107.74	1,659.58	0.00	0.00%
G	15/9	1,914.90	1,730.80	59.79	124.31	1,914.90	0.00	0.00%
H	18/9	2,297.88	2,076.96	71.75	149.18	2,297.88	0.00	0.00%

3. SPREAD OF PROPERTIES

The proportion of properties within Walsall MBC within each Council Tax band at 1st December 2010 is as follows:

BAND	A	B	C	D	E	F	G	H	TOTAL
PROPERTIES (No)	48,257	25,207	16,980	9,701	5,305	2,281	716	53	108,500
PROPERTIES (%)	44.48	23.23	15.65	8.94	4.89	2.10	0.66	0.05	100
CUMULATIVE TOTALS	67.71%								
	83.36%								
	92.30%								

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

BAND	A	B	C	D	E	F	G	H
£	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

## **CHIEF FINANCE OFFICER (CFO) REPORT ON ROBUSTNESS OF THE BUDGET & ADEQUACY OF RESERVES - SUPPORTING INFORMATION**

### **Context**

In accordance with the Local Government Act 2003 (S25-S27) and to comply with CIPFA guidance on local authority reserves and balances, the CFO is required to formally report to members on the robustness of the budget and the adequacy of reserves. The CFO is appropriately qualified under the terms of S113 of the Local Government Finance Act 1988. In signing off this overall revenue budget report, the signature of the Assistant Director of Finance who holds the post of CFO constitutes the formal declaration required under the Act that these conditions are met (based on the available information at the time of signing)..

### **Adequacy of reserves**

The CFO assesses and determines the appropriate level of reserves (including schools reserves) and provisions using a variety of mechanisms, including;

- Being significantly involved in the budget setting process, the annual financial cycle, and engaged in the strategic leadership of the organisation as an attendee of the corporate management team;
- The annual refresh of the Medium Term Financial Strategy and involvement in the production of the Walsall Planning Framework within which the financial framework lies;
- Challenging the budget at various stages of construction, including the reasonableness of the key budget assumptions, such as estimates of financial pressures, realism of income targets, and the extent to which known trends and liabilities are provided for;
- Meetings with specific colleagues and partners to examine particular areas or issues;
- Review of the financial risk assessments;
- Review of the movements, trends and availability of contingency, provisions and earmarked reserves to meet unforeseen cost pressures in the context of future pressures and issues;
- The use of professional experience and best professional judgement;
- The use of appropriate professional, technical guidance and local frameworks (CIPFA guidance, LAAP55, Local Government Act 73);
- Knowledge of the colleagues involved in the process, particularly finance professionals, including their degree of experience and qualifications;
- Review of the strength of financial management and reporting arrangements, including internal control and governance arrangements.

This is undertaken in consultation with relevant colleagues and the cabinet portfolio holder for finance and personnel.

It is prudent for councils to maintain an adequate level of general reserves. A risk assessed approach is used to determine the required level of general

reserves and provisions. The combined medium term financial strategy (MTFS), Cabinet budget meetings and budget preparation processes have been identified by the Audit Commission as areas of good practice to be shared nationally. The tenth edition of the MTFS was approved by Cabinet in January 2010. Reserves and contingencies are addressed within the strategy, demonstrating our acknowledgement of the importance of sound governance and the priority this issue is given.

The level of general reserves, in the same way as central contingency, is index linked to the level of the net general fund revenue budget and continues to be informed by the risk assessment. The council will establish opening general reserves of between 2.25% and 5% of the total net general fund revenue budget, the precise level within this range to be determined by risk assessment. The minimum opening balance required @ 01.04.11 is £5.53m. Opening reserves are expected to be within this range.

The MTFS also sets out the authority's financial framework including, as the first of ten themes of operational principles, calls on reserves and contingencies. A key principle is that reserves should not be considered to be or used as a budget and any in-year calls on the working balance should be replenished. Services should also not approve unbudgeted expenditure on the assumption that it will be met from the working balance. A central contingency supports prudent financial management. Experience shows that this should be adequate. Adequate ear marked reserves and provisions have been created to meet legal and expected liabilities. A list of these is included in **Annex 8**.

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 local authority) against potential unforeseen and therefore unbudgeted costs.

The current level of reserves is relatively modest but appropriate. The level is considered to be sufficient in all but the most unusual and serious combination of possible events. In this context, it is considered that the current level of reserves presents an optimum balance between risk management and opportunity cost. This maintains a suitable and sustainable level of reserves, which include ensuring sound governance and financial stability in the short and longer term.

### Schools Reserves

The CFO as part of this statement is required to confirm that schools balances are adequate. In 2006/7, DfES introduced some new expectations on local authorities with regard to their schemes of financial management. Part of this legislation states that schools should have a balance control mechanism. This requirement has now been removed for 2011/12, however, in line with Government guidance, is being retained in Walsall as a transitional arrangement in 2011/12 until an alternative is implemented.

Walsall's scheme must include a provision that allows the Authority to place a control mechanism on uncommitted surplus balances. The Balance Control Mechanism (BCM) seeks to ensure that schools can build up reserves towards particular projects, through committing balances to those projects, but prevents schools from deferring implementation indefinitely. The BCM will take account of any funds paid into the school's budget share, except for funds relating to community facilities provided by the school, in accordance with Section 27 of the Education Act (2002). The scheme has applied since 1 April 2007. It allows schools to have uncommitted balances of between 5% and 8% (or £10,000, whichever is the greater) depending on the size/age range/type of the school.

The adequacy of balances is reviewed annually by the CFO. 2 secondary and 5 primary schools are forecasting deficit balances for 31 March 2011. Action plans have been put in place to deal with each of these. The levels of reserves will be kept under regular review along with compliance with BCM through 2011/12. The overall level of reserves is considered prudent.

### Use of Reserves

The above assessment demonstrates that general reserves are at an appropriate level; as determined in accordance with the MTFs and the CFO's professional advice. The MTFs allows any reserves above the level required by the MTFs to be used to fund one off items of expenditure. No general reserves below the minimum threshold are being used to support the 2011/12 budget and no reserves are being used to fund recurring expenditure. The risk assessment described elsewhere in this report has informed the established level of general and earmarked reserves. CIPFA guidance (LAAP 55) provides two methods of determining the minimum level of reserves. Walsall council uses the method based on risk assessment.

### Robustness of Budget

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

The following sections of this statement signpost to particular activities and documents:

Process - a robust budget process has been used within the overall context of the MTFs. The process, timetable and the overall budget framework were approved by Cabinet.

Timetable - the process commenced in summer 2010 and the draft budget options were available in November before the draft Government financial settlement. This enabled Cabinet to meet in November 2010 to consider its priorities and draft budget proposals in the context of resources. Formal scrutiny meetings have been held in November / December and in January to consider Cabinet's draft budget proposals. Public consultation has been ongoing since September 2010. The final budget is due to be set at Council on 24<sup>th</sup> February 2011.

Member involvement and Scrutiny - both informal and formal member involvement has been extensive, particularly through the cabinet portfolio holder for finance, individual portfolio holders in conjunction with executive directors, and budget meetings with Cabinet. Corporate scrutiny panel also held a budget decision conference in December 2010. Cabinet formally considered draft budget proposals on 17<sup>th</sup> November 2010, 15<sup>th</sup> December 2010 and on 12<sup>th</sup> January 2011. Scrutiny panels have each had two opportunities to make recommendations and comments to Cabinet, both on the services within their individual remit and the overall budget. Budget briefings have also been given to each political group.

Consultation - internally and externally, has been comprehensive as outlined in this and previous reports submitted to Cabinet in December 2010, January 2011 and February 2011.

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

Budget monitoring - reports continue to be submitted to Cabinet, scrutiny panels, corporate management team, audit committee, performance boards and management teams across the council throughout the year. The council's individual performance management process (which has been refreshed again this year) also requires review of financial performance for individual managers, complementary to the formal accountability process.

Capping - The contingency plan should the capping criteria change would be to either identify additional savings or to remove some planned investment from the budget to the level of the cap. Capping is not anticipated.

Ownership and accountability - the budget has progressed through various filters during its construction including endorsement of management teams within services and corporate management team itself. Accountability letters are sent to senior managers and capital project managers setting out budget scope and responsibilities, including implementation of investment and savings. Managers are required to sign and return a copy acknowledging their responsibilities. This is formally tracked and reported on throughout the year. The performance assessment process similarly requires formal assessment of individual budget management responsibilities. The accountability letters will be issued again before the start of the 2011/12 financial year and as in all years, developed further from the previous year.

Current financial position - the budget is a statement of financial intent, reflecting the council's vision, plans and priorities. It also sets the financial spending

parameters for each financial year and as such, the CFO assessment of the adequacy of reserves also includes the risk of services overspending and/or underspending their budgets and the impact of this on the financial health of the council and its level of reserves. The current financial position has been reported on throughout the year.

### 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. Fees and charges have been reviewed and changes are reflected in the overall budget. The capital receipts to be used for the draft capital programme are based on professional estimates both of timing and value. The council has established performance monitoring arrangements for all key contracts (e.g.: Serco - education, Amey - street lighting PFI, New Horizons).

Financial risks - 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 2010/11 outturn and 2011/12 plus budget. Details are set out in this report and **Annex 9**. The prevailing level of general reserves is considered adequate to cover all but the most unusual and serious combination of events.

### The budget in context

The budget includes the allocation of financial resources to different services and projects, proposed contingency funds, the council tax base, setting the council tax 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 of the MTFS.

All cost pressures, efficiencies and savings have been appraised to ensure accuracy of costings and deliverability. Individual officers are identified as accountable for their implementation. None of the efficiencies/savings are considered to be materially detrimental to performance outcomes. The council is working to improve performance outcomes on a range of activities which are monitored throughout the year. Service plans link budget provision with corporate and service priorities. Budget provision has been identified for the pledges outlined in the council's vision document.

### **Summary**

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

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James T Walsh, B Hum (Hons), ACMA  
Chief Finance Officer

**FORECAST OF PROVISIONS AND EARMARKED RESERVES**

	OPENING BALANCE @ 01.04.10 £	ANTICIPATED MOVEMENTS 2010/11 £	ANTICIPATED MOVEMENTS 2011/12 £	ESTIMATED CLOSING BALANCE @ 31.03.12 £
<b><u>EARMARKED RESERVES</u></b>				
1) Mediation <i>Reserve to cover outstanding mediation costs</i>	(858,944)	425,000	433,944	0
2) Condition surveys <i>Costs of surveys for which no works required, therefore chargeable to revenue</i>	(37,499)	37,499	0	0
3) Approved carry forward of underspends  <i>This is a best practice approach whereby council services which can demonstrate that underspends are as a result of sound budget management rather than 'windfalls' and/or where cashflows mean that costs will fall into a later year by default are allowed to carry a % of this forward to utilise in future years against targeted projects that improve service delivery or aid service development. A proportion of some overspends is also carried forward under this scheme in accordance with the carry forward protocol.</i>	(1,316,686)	1,207,985	Not available at this point in time	(108,701)
4) Finance direct <i>This reserve was created to fund further enhancements to the current financial systems.</i>	(261,672)	261,672	0	0
5) Asset management system <i>This was created to fund the costs of a new system</i>	(100,000)	0	100,000	0
6) Revenue and benefits restructure <i>This was created to cover the costs of service restructure</i>	(80,000)	80,000	0	0
7) Community engagement <i>This reserve was established to provide pump priming support to LNP's in implementing their Local Plan.</i>	(165,274)	165,274	0	0
8) Carbon Trust <i>This reserve was to fund registration fees to the Carbon Trust</i>	(12,000)	12,000	0	0
9) Local Authority Business Growth Initiative (LABGI)  <i>This reserve is held to help cover the cost of one off projects to create the environment for further business and economic growth within the borough.</i>	(412,636)	120,921	291,715	0
10) School balances <i>Unspent balances of budgets delegated to individual schools.</i>	(10,975,208)	Not available at this point in time	Not available at this point in time	(10,975,208)
11) Commutation adjustment  <i>The reserve is to provide support to cover fluctuations in interest rate returns due to the current economic climate. This will ensure that the reduction is smoothed over a period of time.</i>	(3,528,998)	(1,030,388)	298,000	(4,261,386)
12) Residential nursing <i>To fund potential legal claims relating to residential and nursing charges</i>	(212,000)	212,000	0	0
13) Building schools for the future  <i>This reserve is to contribute to the sunk project costs of the Government initiative to rebuild / refurbish secondary schools in the country.</i>	(500,000)	500,000	0	0
14) Carbon management <i>To fund projects to reduce the authority carbon footprint and future costs of carbon credits</i>	(564,501)	156,000	408,501	0
15) Pay and grading project costs	(349,114)	349,114	0	0

	OPENING BALANCE @ 01.04.10 £	ANTICIPATED MOVEMENTS 2010/11 £	ANTICIPATED MOVEMENTS 2011/12 £	ESTIMATED CLOSING BALANCE @ 31.03.12 £
<i>To fund project costs associated with the statutory single status process throughout the council and funding to ensure trade union representation during the job evaluation process</i>				
16) Environmental warranties <i>To cover any liability claims on land</i>	(600,000)	(100,000)	(100,000)	(800,000)
17) Street Lighting PFI <i>PFI credits received to support future years costs</i>	(8,583,312)	Not available at this point in time	Not available at this point in time	(8,583,312)
18) St Thomas Moore PFI <i>PFI credits received to support future years costs</i>	(1,412,305)	(53,956)	Not available at this point in time	(1,466,261)
19) Benefits subsidy <i>Set up to cover potential clawback on subsidy claims</i>	(425,000)	425,000	0	0
20) Insurance reserve <i>To cover potential costs and risks of uninsured costs and claims over 6 years old</i>	(779,130)	Not available at this point in time	Not available at this point in time	(779,130)
21) Building control fees <i>To smooth any losses of the chargeable element of building control fees in accordance with the regulations</i>	(111,151)	(14,277)	Not available at this point in time	(125,428)
22) Criminal records bureaux checks <i>To fund costs of CRB checks</i>	(95,000)	30,000	65,000	0
23) Office accommodation project <i>To fund costs of leased accommodation review</i>	(82,683)	82,683	0	0
24) Walsall lifelong learning alliance <i>LSC funding for the on-going support to the Walsall Lifelong Learning Alliance</i>	(137,460)	0	137,460	0
25) Admitted body status <i>To manage potential costs arising from future valuations of the pension fund and/or amend the cap and collar arrangements</i>	(2,081,165)	Not available at this point in time	Not available at this point in time	(2,081,165)
26) Voluntary retirement / redundancy <i>To cover the estimated costs of the general voluntary redundancy and senior management restructure redundancy / retirement costs arising from savings approved as part of the 2010/11 budget setting process</i>	(625,531)	Not available at this point in time	Not available at this point in time	(625,531)
27) Potholes <i>To fund repairs to potholes due to adverse weather conditions</i>	(80,000)	80,000	0	0
28) Working Neighbourhood Fund <i>Roll forward of balance to cover specific projects taking place in 2010/11</i>	(4,632,031)	1,650,571	2,426,000	(555,460)
29) BSF (schools contributions) <i>Remaining contribution left from schools for BSF - Paid back to schools</i>	(215,364)	215,364	0	0
30) Retention policy <i>To contribute to funding council wide document retention</i>	(250,000)	0	0	(250,000)
31) Fire risk	(112,366)	112,366	0	0

	OPENING BALANCE @ 01.04.10 £	ANTICIPATED MOVEMENTS 2010/11 £	ANTICIPATED MOVEMENTS 2011/12 £	ESTIMATED CLOSING BALANCE @ 31.03.12 £
<i>To fund costs of work required following fire risk assessment for specific council buildings</i>				
32) IFRS revaluation <i>To fund cost of revaluation of assets for IFRS purposes</i>	(100,000)	100,000	0	0
33) Feasibility / options appraisals <i>To take advantage of opportunities for undertaking strategic option appraisals / feasibility studies</i>	(63,756)	63,756	0	0
34) Equal pay - external legal costs <i>To fund legal costs of settling equal pay issues</i>	(1,500,000)	Not available at this point in time	Not available at this point in time	(1,500,000)
35) Housing 21 <i>Roll forward of balances to fund future years predicted deficit in line with the affordability model</i>	(826,951)	391,000	435,951	0
36) External funding review <i>To cover any outstanding European Funding issues</i>	(105,342)	69,400	35,942	0
37) Mayors Civic Awards <i>External contributions to fund future awards</i>	(11,248)	Not available at this point in time	Not available at this point in time	(11,248)
38) New Deal Redundancies <i>To fund New Deal redundancy costs due to fall out of funding</i>	(138,341)	138,341	0	0
39) Water Savings <i>External income received to fund water saving projects in future years</i>	(9,706)	9,706	0	0
40) Pensions reserve <i>This is a ringfenced reserve required in order to comply with accounting regulations concerning the local government pensions scheme (LGPS). It reflects the net liability Walsall would have to contribute to the LGPS if all employees in the scheme were to retire at the financial year end. It is not a reflection of monies actually owed to the pension scheme in real terms. Future years liabilities cannot be assessed as these are dependant upon future movements in financial markets.</i>	392,396,016	Not available at this point in time	Not available at this point in time	392,396,016
<b>SUB TOTAL OTHER EARMARKED RESERVES</b>	<b>350,043,642</b>	<b>5,697,031</b>	<b>4,532,513</b>	<b>360,273,186</b>
<b>MISCELLANEOUS PROVISIONS</b>				
1) Provision for part time employee pension costs <i>This provision was set up to cover the backdated contributions of part time employees pensions following a change in regulations which allowed part-time workers who were previously ineligible to now join the scheme.</i>	(236,656)	Not available at this point in time	Not available at this point in time	(236,656)
2) Section 117 <i>Provision to provide for claims against the authority under mental health section 117.</i>	(262,973)	70,000	Not available at this point in time	(192,973)

	OPENING BALANCE @ 01.04.10 £	ANTICIPATED MOVEMENTS 2010/11 £	ANTICIPATED MOVEMENTS 2011/12 £	ESTIMATED CLOSING BALANCE @ 31.03.12 £
3) Severn Trent Employee Pensions <i>To cover former severn trent employee pension costs following termination of agency agreement.</i>	(8,758)	8,758	0	0
4) Insurance fund <i>Provision to cover costs of all possible outstanding insurance claims against the authority.</i>	(1,523,746)	Not available at this point in time	Not available at this point in time	(1,523,746)
5) Back dated pay for children adolescence mental health services employees <i>To cover costs of equalising basic pay for employees undertaking the same duties</i>	(12,945)	12,945	0	0
6) Bad debt provision for client contributions for homecare and day care <i>To cover potential write off of outstanding client contributions relating to provision of home care and day care services.</i>	(74,877)	Not available at this point in time	Not available at this point in time	(74,877)
7) Equal pay back pay account <i>Capitalisation direction approved by DCLG - this is permission to borrow, not funds available or affordable. Revenue resources do not match this.</i>	(48,941,000)	Not available at this point in time	Not available at this point in time	(48,941,000)
<b>SUB TOTAL MISCELLANEOUS PROVISIONS</b>	<b>(51,060,955)</b>	<b>91,703</b>	<b>0</b>	<b>(50,969,252)</b>

## Financial Risk Assessment - Corporate Revenue Budget 2011/12

POTENTIAL RISK	LOWEST COST £'000	ASSESSMENT OF RISK	HIGHEST COST £'000	ASSESSMENT OF RISK	TOTAL ESTIMATED EXPOSURE £'000
<b>CHILDREN'S PORTFOLIO</b>					
Additional contact and support	0	High	250	Medium	100
Placements	0	High	120	Medium	48
Education Contract - additional bonus	0	Medium	400	Medium	160
Disability Services Family Support and Direct Payments	0	High	250	Low	50
<b>TOTAL CHILDREN'S PORTFOLIO</b>	<b>0</b>		<b>1,020</b>		<b>358</b>
<b>COMMUNITIES AND PARTNERSHIPS PORTFOLIO</b>					
Fall out of partnership contribution to Walsall partnership support team	7	Medium	117	Medium	47
<b>TOTAL COMMUNITIES AND PARTNERSHIPS PORTFOLIO</b>	<b>7</b>		<b>117</b>		<b>47</b>
<b>BUSINESS SUPPORT PORTFOLIO</b>					
<b>HRD</b> - Payroll server could fail leading to non payment of salaries of all council staff so bank charges may be claimed from the authority. If the current server fails there is the risk that all staff will not be paid correctly and on time. The council would be liable for any losses incurred by employees (for example bank charges) as a result of this. A capital bid has been submitted to replace the server, which if approved in February will manage the risk	0	Low	120	Low	24
<b>HRD</b> - Loss of income from schools due to Secondary schools becoming academies etc and from other schools in terms of falling staff numbers	0	Low	50	Medium	20
<b>Communications</b> - Income Target not achieved. Inherited income targets, as a part of the marketing & communications consolidation, now means that a service income target of £161k exists. Attracting sponsorship in the current economic climate will be difficult to attain in 2011/12. Furthermore, an income target of £20k exists against Walsall Pride - this publication has been stopped, adding a further financial risk. Potential ceasing of income of £40k from Walsall Partnership in return for communications services.	20	High	161	Medium	64
<b>Cross directorate ICT</b> - The council has an ageing server estate. The failure of the servers will impact on the ability for ICT to deliver the services to a level required by the business. A capital bid has been submitted, which if approved in February will manage the risk	95	Medium	650	High	390
<b>Cross directorate ICT</b> - The council has an ageing workstation (PC) estate with a large number becoming out of warranty in 2011/12. These will not be immediately replaced once out of warranty but there is a risk that if many fail (20%) then they will need to be replaced to deliver the required level of service. 5000 computers x 20% fail x £400 per pc	120	Low	400	Low	80
<b>ICT</b> - Code of Connection compliance including additional security software on mobile devices	26	High	60	Medium	24
<b>Print and design</b> - Income is significantly affected by non-essential spend instruction and 2011/12 could potentially see greater limitations on expenditure.	0	High	120	High	72

POTENTIAL RISK	LOWEST COST £'000	ASSESSMENT OF RISK	HIGHEST COST £'000	ASSESSMENT OF RISK	TOTAL ESTIMATED EXPOSURE £'000
<b>Print and design</b> - Ongoing pressure on income budget – marketing plan may not generate sufficient income	0	High	140	High	84
<b>Procurement</b> - rates of agency tax not in line with previous years so risk income targets may not be achieved	50	High	245	High	147
<b>TOTAL BUSINESS SUPPORT PORTFOLIO</b>	<b>311</b>		<b>1,946</b>		<b>905</b>
<b>FINANCE AND PERSONNEL PORTFOLIO</b>					
<b>Council Wide</b> - Equal Pay. This risk is being managed by the pay and grading team. A separate confidential risk assessment has been developed and detailed plans are in place to manage this.	n/a	n/a	n/a	n/a	n/a
<b>Council Wide</b> - Employment Tribunals. This risk is being managed by managers, HR and legal services. Legal costs are covered by existing council wide services budgets.	n/a	n/a	n/a	n/a	n/a
<b>Council Wide</b> - Economic recovery. This risk is being managed by Finance and is overseen by CFO. There are strategies in place to manage any downturn within the MTFs.	n/a	n/a	n/a	n/a	n/a
<b>Revenues</b> - increased court costs for committal work may inhibit the opportunity to pursue this recovery method and impact on collection	0	Medium	50	Medium	20
<b>Benefits</b> - Budget uplift of £55,000 for exempt income subsidy loss i.e. change in legislation.	0	Medium	55	Low	11
<b>Finance</b> - shortfall in right to buy income	0	Medium	100	Medium	40
<b>Finance</b> - if more schools become academies there is the likelihood that there will be an income shortfall in traded services	0	Medium	75	Medium	30
<b>Finance</b> - risk that insurance premiums may increase due to current market conditions affecting rate of return insurance company expect to receive.	0	Medium	50	Medium	20
<b>Finance</b> - risk that borrowing interest rates / investment returns may fluctuate due to current / future market conditions.	0	High	500	Medium	200
<b>Finance</b> - risk of not achieving insurance income targets relating to WHG, LMS and teachers sickness scheme due to present economic climate and whether WHG work will be retained when re-tendered.	0	Medium	100	Medium	40
<b>Legal</b> - risk of not achieving income target relating to sale of property & planning fees due to present economic environment	0	High	35	High	21
<b>TOTAL FINANCE AND PERSONNEL PORTFOLIO</b>	<b>0</b>		<b>965</b>		<b>382</b>
<b>LEISURE AND CULTURE PORTFOLIO</b>					
Catering - Cease of grant to schools for school meals	0	Low	278	Medium	111
<b>TOTAL LEISURE AND CULTURE PORTFOLIO</b>	<b>0</b>		<b>278</b>		<b>111</b>
<b>REGENERATION PORTFOLIO</b>					

POTENTIAL RISK	LOWEST COST £'000	ASSESSMENT OF RISK	HIGHEST COST £'000	ASSESSMENT OF RISK	TOTAL ESTIMATED EXPOSURE £'000
Property Services - Cleaning & Caretaking client account income shortfall	0	High	186	High	112
Property Services - redundant buildings excess costs	0	High	200	High	120
Property Services - reductions in capital fee income	0	High	300	High	180
Property Services - reductions in maintenance budgets relating to closure of Bryntysilio	0	High	70	High	42
Development and Delivery - underachievement of Landscape Fee Income	0	Medium	50	Medium	20
<b>TOTAL REGENERATION PORTFOLIO</b>	<b>0</b>		<b>50</b>		<b>20</b>
<b>SOCIAL CARE AND HEALTH PORTFOLIO</b>					
Development of voluntary community meals market takes longer than anticipated resulting in reduced savings in 2011/12	0	Low	100	Low	20
Legal challenge from current community meals provider around ending of contract or responsibility for staff	0	Low	280	Low	56
Amendment to Housing 21 contract, or consultation with current residents leads to delays in moving disability clients to the homes resulting in reduced savings in 2011/12	0	Low	60	Low	12
Development of external transport market and retendering of transport contracts takes longer than anticipated resulting in reduced savings in 2011/12	0	Low	50	Medium	20
Move of clients to new benefits based charging system takes longer than anticipated resulting in reduced savings in 2011/12	0	Medium	600	Medium	240
<b>TOTAL SOCIAL CARE AND HEALTH PORTFOLIO</b>	<b>0</b>		<b>1,090</b>		<b>348</b>
<b>TOTAL</b>	<b>318</b>		<b>5,466</b>		<b>2,171</b>

All managers are required to manage services within budget, therefore these risks will be managed via in-year risk action plans where deemed high risk

**DRAFT CAPITAL PROGRAMME 2011/12 to 2013/14: Mainstream (council's own resources)**

PORTFOLIO	SERVICE	PROJECT	CAPITAL 2011/12 £	CAPITAL 2012/13 £	CAPITAL 2013/14 £	DETAILS OF PROJECT
<b>CORPORATE COMMITMENTS</b>						
Finance and Personnel	Finance	Project reserve/asset investment reserve	517,544	0	0	To manage unforeseen expenditure following budget approval in February 2011: acts as a contingency
Business Support Services	Shared Services and Procurement	Council wide IT planned rolling replacement and upgrade	1,629,206	1,198,750	1,081,000	<p><b>Uninterruptible power supply (UPS) for civic/council house IT network.</b> IT equipment can be subject to power fluctuation or loss resulting from issues with external supply. Provision of a UPS to each network cabinet will avoid this. Revenue costs of £4k pa</p> <p><b>Centralised storage of workstation C: drive data.</b> To expand the current corporate network file store</p> <p><b>IT server operating system upgrade.</b> Essential upgrade to the 21 servers within the IT data centre that use Windows 2000 operating system</p> <p><b>CiscoWorks upgrade.</b> The current software has reached the end of its useful life and the new release needs to be purchased</p> <p><b>Cisco telephony expansion.</b> There is a need to expand the gateway that joins together the Cisco and NEC/Philips systems to cater for increased traffic. Revenue costs of £1k pa</p> <p><b>Disaster recovery - second data centre.</b> The council currently operates all centralised IT systems from a single data centre. Opportunities exist to partner with another local authority to share data hosting facilities and provide the foundation for disaster recovery. The bid is to ensure the infrastructure is in place to handle a recovery. In addition there would be ongoing annual unbudgeted revenue costs of £12k (£15k in year 1) relating to infrastructure maintenance.</p>
						<p><b>Workstation and remote access security.</b> Government Connect (established by DWP) has mandated certain IT security standards which must be implemented across all local government organisations. The council must be able to demonstrate compliance with the latest standards or demonstrate significant progress. This is required to ensure security of date and relates to software. Revenue costs of £203k pa (£180k in year 1)</p> <p><b>IT SQL server database upgrade.</b> All servers may be vulnerable to security loopholes within the software exposing the whole council network to an IT security risk</p> <p><b>IT system log monitoring software.</b> Failure to comply with Government Connect standards will result in the authority being unable to process benefit payments and limit the ability to work with central government</p>

PORTFOLIO	SERVICE	PROJECT	CAPITAL 2011/12 £	CAPITAL 2012/13 £	CAPITAL 2013/14 £	DETAILS OF PROJECT
						<p><b>Telephony consolidation.</b> The council currently maintains two main telephone systems which introduces unnecessary costs and requires IT support staff to be skilled in both systems. There are opportunities for business efficiencies with the Cisco IP system. Revenue costs of £15k in year 1</p> <p><b>Upgrade Altitude call management system.</b> To standardise the call management system across the council to improve the service to customers and simplify support. Revenue costs of £2k pa</p> <p><b>Upgrade to Windows 7.</b> All Microsoft support for Windows XP will cease by April 2014. The current equipment would be refreshed over a short period and reduce the risk of equipment failure. Revenue costs of £88k pa</p>
<b>SUB TOTAL CORPORATE COMMITMENTS</b>			<b>2,146,750</b>	<b>1,198,750</b>	<b>1,081,000</b>	
<b>PRIOR YEAR APPROVALS</b>						
Regeneration	Property Services	Release of leased accommodation	200,000	0	0	This is the third year that funding has been made available to meet the council's pledge to release leased accommodation and reduce office accommodation by 20% by 2012.

PORTFOLIO	SERVICE	PROJECT	CAPITAL 2011/12 £	CAPITAL 2012/13 £	CAPITAL 2013/14 £	DETAILS OF PROJECT
Children's Services	Education	Barcroft primary	225,000	0	0	The final year funding for the new Barcroft primary school located on the Elm Street site
Leisure, Culture and Environment	Leisure and Community Health	Memorial Safety	100,000	100,000	100,000	The Health and Safety Executive requires all burial authorities to control the risk associated with the operation of their cemeteries, including risks from unsafe memorials. This project has provided funding for continual safety work on memorials since 2005/06.
Regeneration	Property Services	Shop maintenance	120,000	120,000	120,000	Ongoing maintenance requirement and council obligation to tenants.
Regeneration	Strategic Housing	Aids and adaptations	1,500,000	1,500,000	1,500,000	To maintain independence for disabled clients in their own homes by providing relevant equipment and adaptations to property. In addition to this, Disabled Facilities Grant is received.
Regeneration	Property Services	General planned property maintenance	500,000	450,000	500,000	To address health and safety items in connection with the council's building portfolio.
Regeneration	Property Services	Demolition of redundant buildings to save on rates	200,000	200,000	200,000	Demolition works to redundant council buildings to enhance marketing opportunities for sites and mitigate financial health and safety risks.
Transport	Engineering and Transportation	Highways maintenance	950,000	1,200,000	1,200,000	This project is to safeguard progress already made in the condition of Walsall's classified highway network and maintain service levels. This will produce revenue savings of £15k in 2011/12, £25k in 2012/13 and £40k in 2013/14.
Leisure, Culture and Environment	Leisure and Community Health	Dilapidations at Bryntysilio	400,000	0	0	To make good the dilapidations at Bryntysilio
<b>SUB TOTAL PRIOR YEAR APPROVALS</b>			<b>4,195,000</b>	<b>3,570,000</b>	<b>3,620,000</b>	
<b>MUST DO SUB-TOTAL</b>			<b>6,341,750</b>	<b>4,768,750</b>	<b>4,701,000</b>	

PORTFOLIO	SERVICE	PROJECT	CAPITAL 2011/12 £	CAPITAL 2012/13 £	CAPITAL 2013/14 £	DETAILS OF PROJECT
<b>NEW BIDS</b>						
<b>CRITERIA 1 - HEALTH AND SAFETY</b>						
Regeneration	Property Services	Fire risk assessment	200,000	200,000	200,000	Works following surveys to ensure the council's non-education buildings comply with fire legislation.
<b>SUB TOTAL - HEALTH AND SAFETY</b>			<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	
<b>CRITERIA 2 - BUSINESS CRITICAL / INVEST TO SAVE</b>						
Business Support Services	Business Change	Resources Delivering - Right, Fast and Simple - to deliver ongoing revenue savings of £1.9m (2011/12), £2.3m (2012/13) and £2.6m (2013/14)	500,000	400,000	250,000	<p><b>New HR system - upgrade to Trent.</b> To upgrade the current Trent system to include additional licences and new software to give a full self-service functionality. It will be more cost effective as it is expected that the investment will be recouped via savings on staffing in the 3 years following implementation. Staff savings are already included in revenue</p> <p><b>Hardware and software licences and infrastructure for the web.</b> To provide automatic self-services processes. Savings of £5.1m over 3 years and additional costs of £452k over 3 years</p> <p><b>Customer services telephony.</b> To support the contact centre</p> <p><b>Electronic document management system.</b> Council wide investment which will result in savings from staff time, accommodation and storage and improve productivity</p> <p><b>Integration of performance information systems</b></p> <p><b>Management information system portal implementation.</b> To provide automatic self-services processes</p>
Finance and personnel	Benefits	Increased productivity to be delivered by home working	150,000	0	0	Drivers for implementing home working are improved productivity, reduction in unplanned and sickness absence, reduction in accommodation requirements, fewer car journeys and increased staff motivation. Savings of £120k per year will be achieved
Social Care and Health	Adult Social Care and Housing Standards and Improvement	Supporting independent living - part of the transformation of social care	226,200	397,400	483,000	To enable 55 residents to live independently by providing a range of adaptations at their homes and enabling them to better use the facilities in the community. Private care home places could be decommissioned both in and out of the borough. This would result in a reduction in cost which is not yet included in savings. However it is estimated that the savings could be in the region of £5m over 10 years based on a cost of care reduction of 20%
Social Care and Health	Adult Social Care and Housing Standards and Improvement	Preventative adaptations - part of the transformation of social care	1,000,000	1,000,000	1,000,000	To provide adaptations to vulnerable residents who do not meet the current criteria for statutory disabled facilities grant/aids and adaptations. There is currently a waiting list of over 1000 disabled residents and over 3 years this funding would deliver adaptations to 335 that will improve the quality of life.

PORTFOLIO	SERVICE	PROJECT	CAPITAL 2011/12 £	CAPITAL 2012/13 £	CAPITAL 2013/14 £	DETAILS OF PROJECT
Social Care and Health	Access, Assessment and Care Management	PARIS development phase 2 - Working Smarter - unsupported borrowing	750,000	0	0	To develop the Allens centre and provide social care staff with a facility for mobile working. Funded by unsupported borrowing which would be paid back over 3 years. This would generate ongoing savings of £250k pa from reduced administration and staffing costs from year 4 after the payback period is complete
Transport	Engineering and Transportation	Hatherton multi storey car park - safeguarding income	0	200,000	0	£200k was allocated in 2010/11 for the structural repairs to the car park. Further modifications will be needed to meet suitable standards particularly with the associated Tesco development. The council needs to continue to deliver parking facilities that support the local economy and meet public expectations
Regeneration	Strategic Housing	Health through warmth	500,000	1,000,000	1,000,000	To provide energy and fuel saving advice and energy efficient heating and insulation works to private homes. There is a grant for this but demand outweighs resources. Over 2200 referrals have been received to date and £1m would deliver health through warmth to at least 335.
Leisure, Culture and Environment	Libraries and Arts	Introduction of Radio Frequency Identification (RFID) in libraries - linked to library saving option P3	232,800	0	0	RFID is used to enable self-service in libraries to enable them to operate at a much lower staffing level. Planning for a long term reduction in the size of its staff will limit the impact on the community. This is linked to the service redesign of libraries and savings of £63k in 2012/13 and £83k in 2013/14 are in the revenue savings proposal.
<b>SUB TOTAL - BUSINESS CRITICAL / INVEST TO SAVE</b>			<b>3,359,000</b>	<b>2,997,400</b>	<b>2,733,000</b>	
<b>CRITERIA 3 - PROVEN TO BE CRITICAL TO SERVICE INSPECTION / DELIVERY OUTCOMES</b>						
Leisure, Culture and Environment	Leisure and Community health	Greenspace improvement plan	50,000	50,000	50,000	The £150k investment will be matched and pump prime £350k of external funding to provide a £500k 3 year programme of investment in Walsall's parks. External funding providers have indicated their support in principle.
Regeneration	Leisure and Community Health / Property Services	Refurbishment of Leckie sons of rest located in Walsall arboretum (St Matthews ward)	190,000	10,000	0	The work is required to enable the outcome of the lottery project at the Arboretum to be achieved. Lottery will not fund the refurbishment but it is a requirement of the arboretum funding that the work is done. The building is in the arboretum conservation area and the park itself is grade 2 listed. Once refurbished the building could be put to much wider use and other options are being considered e.g. wedding ceremonies
<b>SUB TOTAL - PROVEN TO BE CRITICAL TO SERVICE INSPECTION / DELIVERY OUTCOMES</b>			<b>240,000</b>	<b>60,000</b>	<b>50,000</b>	
<b>NEW BIDS SUB TOTAL</b>			<b>3,799,000</b>	<b>3,057,400</b>	<b>2,783,000</b>	
<b>TOTAL SCHEMES</b>			<b>10,140,750</b>	<b>8,026,150</b>	<b>7,684,000</b>	

## DRAFT CAPITAL PROGRAMME 2011/12 to 2013/14: Capital insurance reserves

Funded schemes to act as insurance to protect the councils positions. This funding is available to be drawn down when required.

PORTFOLIO	SERVICE	PROJECT	CAPITAL 2011/12 £	CAPITAL 2012/13 £	CAPITAL 2013/14 £	DETAILS OF PROJECT
Finance and personnel	Finance	Risk management	100,000	100,000	100,000	The funding is utilised where risk assessments have been undertaken or where events dictate that immediate action be taken to manage risks e.g. insurer intervention, regulatory reform
Finance and personnel	Finance	Uninsured property damage	200,000	200,000	200,000	The council self insures its assets and is responsible for the first £250k of each claim. Expenditure is only incurred where the council has suffered loss or damage to its property in accordance with the terms and conditions of the insurance policy.
Regeneration	Property services	Asbestos removal	155,000	155,000	155,000	Programme of asbestos removal in council buildings. The council is required by legislation to manage asbestos in its properties and this requires the removal in some areas. Asbestos has to be identified and removed before construction works can commence.
Regeneration	Property services	Control of legionella	275,000	275,000	275,000	The council has a statutory duty to manage and control legionella within its buildings.
Regeneration	Property services	Work resulting from the statutory testing of building services	300,000	300,000	300,000	Legislative requirement to undertake electrical testing and carry out resulting works.
Transport	Engineering and transportation	Lighting invest to save initiatives	250,000	250,000	250,000	Various initiatives to reduce energy consumption and maintenance costs of the lighting service. Savings from reduction in energy consumption and maintenance costs will be confirmed when trials have been completed.
<b>TOTAL CAPITAL INSURANCE RESERVES</b>			<b>1,280,000</b>	<b>1,280,000</b>	<b>1,280,000</b>	

**DRAFT CAPITAL PROGRAMME 2011/12 to 2013/14: External Funding (Ring Fenced Grant)**

PORTFOLIO	SERVICE	PROJECT	2011/12 £	2012/13 £	2013/14 £	FUNDING BODY
Children's Services	Education	Basic need	2,650,018	2,650,018	2,650,018	Department for Education
Children's Services	Education	Devolved formula capital	868,878	868,878	868,878	Department for Education
Children's Services	Education	Capital maintenance	4,711,108	4,711,108	4,711,108	Department for Education
Children's Services	Education	Academies	25,726,332	8,120,156	0	Department for Education
<b>TOTAL CHILDREN'S SERVICES</b>			<b>33,956,336</b>	<b>16,350,160</b>	<b>8,230,004</b>	
Leisure, Culture and Environment	Libraries and Arts	Pelsall health centre, library and children's centre	450,000	0	0	Contribution from the Co-op
Leisure, Culture and Environment	Libraries and Arts	Walsall arboretum restoration programme	2,215,912	2,215,911	0	Heritage Lottery Fund
<b>TOTAL LEISURE, CULTURE AND ENVIRONMENT</b>			<b>2,665,912</b>	<b>2,215,911</b>	<b>0</b>	
Regeneration	Development and Delivery	Willenhall Townscape Heritage Initiative - HLF	300,000	350,000	150,000	Heritage Lottery Fund
Regeneration	Development and Delivery	Willenhall Townscape Heritage Initiative - VIEW	150,000	175,000	75,000	Visionary Investment Enhancing Walsall
Regeneration	Strategic Housing	Disabled facilities grant	1,215,000	1,215,000	1,215,000	Department of Communities and Local Government
<b>TOTAL REGENERATION</b>			<b>1,665,000</b>	<b>1,740,000</b>	<b>1,440,000</b>	
Social Care & Health	Social Care and Inclusion	Department of Health capital allocation	739,992	749,829	0	Department of Health
<b>TOTAL SOCIAL CARE AND HEALTH</b>			<b>739,992</b>	<b>749,829</b>	<b>0</b>	
Transport	Strategic Regeneration & Engineering	Local transport plan (including contribution to Darlaston SDA)	2,000,000	2,000,000	2,000,000	Department for Transport
Transport	Strategic	Red routes	3,000,000	3,000,000	3,000,000	Department for Transport
<b>TOTAL TRANSPORT</b>			<b>5,000,000</b>	<b>5,000,000</b>	<b>5,000,000</b>	
<b>TOTAL GRANT / EXTERNAL FUNDED</b>			<b>44,027,240</b>	<b>26,055,900</b>	<b>14,670,004</b>	

**DRAFT LEASING PROGRAMME 2011/12**

PORTFOLIO	2011/12 DRAFT LEASING PROGRAMME			
	NEW CAPITAL EXPENDITURE	REVENUE IMPLICATIONS		
		NEW STARTS	CURRENT LEASES	TOTAL
	£' 000s	£' 000s	£' 000s	£' 000s
<b><u>Leisure, Culture and Environment Portfolio</u></b>				
Catering - vehicles	0	0	2	2
Waste - vehicles	0	0	319	319
Street cleansing - vehicles	0	0	3	3
Grounds - vehicles	52	5	7	12
Public safety - equipment	0	0	155	155
Public safety - vehicles	0	0	6	6
<b><u>Fleet services budget - vehicles</u></b>				
Children and young people	89	10	14	24
Catering	134	27	0	27
Couriers	69	6	5	11
Engineering and transportation	41	1	9	10
Fleet services	139	7	2	9
Grounds maintenance	768	26	242	268
ICT	36	3	0	3
Leisure	252	15	130	145
Markets	0	0	14	14
Mayoral	51	3	8	11
Print and design	24	3	0	3
Public safety	41	1	14	15
Social care and health	1,520	191	141	332
Street cleansing	267	4	141	145
Waste	1,941	401	687	1,088
Tarmac - sub lease	0	0	124	124
<b>TOTAL - LEISURE, CULTURE AND ENVIRONMENT PORTFOLIO</b>	<b>5,424</b>	<b>703</b>	<b>2,023</b>	<b>2,726</b>
<b><u>Social Care and Health Portfolio</u></b>				
Social care and health - equipment	0	0	73	73
<b>TOTAL - SOCIAL CARE AND HEALTH PORTFOLIO</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>73</b>
<b><u>Business Support Services Portfolio</u></b>				
Print and design - equipment	0	0	65	65
Shared Services - Post Room - equipment	0	0	8	8
<b>TOTAL - BUSINESS SUPPORT SERVICES PORTFOLIO</b>	<b>0</b>	<b>0</b>	<b>73</b>	<b>73</b>
<b>TOTAL LEASING PROGRAMME</b>	<b>5,424</b>	<b>703</b>	<b>2,169</b>	<b>2,872</b>

*Note that the revenue implications have been calculated using an indicative rate per £'000 which will fluctuate with market conditions*

## TREASURY LIMITS AND BORROWING LIMITS

It is a statutory duty under Section 3 of the Local Government Act 2003 (the Act) and supporting regulations, for the council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the “Affordable Borrowing Limit”. In England and Wales the Authorised Limit represents the legislative limit specified in the Act.

The council must have regard to the Prudential Code when setting the Authorised Limit, which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax levels is ‘acceptable’.

Whilst termed an “Affordable Borrowing Limit”, the capital plans to be considered for inclusion incorporate financing by both external borrowing and other forms of liability, such as credit arrangements. The Authorised Limit is to be set, on a rolling basis, for the forthcoming financial year and two successive financial years; details of the Authorised Limit can be found in **Annex 16** prudential indicator 5. The Authorised Limit is the council’s capital financing requirement (which is a measure of the council’s need to finance cumulative capital expenditure from borrowing) plus a contingency for unexpected cash flows or emergency payments.

### The current treasury position

The council’s treasury portfolio position at 31<sup>st</sup> December 2010 is comprised of:

#### Borrowing and investment 2010/11

	Borrowing £ m	Investments £ m	Net Borrowing £ m
31 March 2010	264.174	- 98.403	165.771
31 December 2010	283.688	-166.550	117.138
Change in year	19.514	- 55.277	35.763

The borrowing balance can be further analysed as follows :

	Balance 31.03.10 £ m	Ave. Rate	Movement in Year £ m	Balance 31.12.10 £ m	Ave. Rate
PWLB	115.282	4.66%	20.000	135.282	4.41%
Market Loans	122.000	4.67%	-	122.000	4.67%
Bonds & Temporary loans	0.310	3.00%	0.254	0.564	3.00%
<b>Total excluding OLA debt</b>	<b>237.592</b>	<b>4.63%</b>	<b>20.254</b>	<b>257.846</b>	<b>4.54%</b>
Other L A Debt	26.582	6.70%	- 0.739	25.843	6.70%
<b>Total including OLA debt</b>	<b>264.174</b>	<b>4.85%</b>	<b>19.514</b>	<b>283.688</b>	<b>4.73%</b>

## The borrowing requirement

In the 2011/12 Formula Grant settlement the Government has changed the means of funding council's capital expenditure from supported borrowing to grant. This change has reduced our borrowing requirement. The council's borrowing requirement is determined by the council's capital financing requirement. The capital financing requirement in simple terms is driven by capital expenditure which is to be funded by borrowing less the amount set aside for the repayment of debt. From 2011/12 onwards this is expected to reduce the council's borrowing requirement.

	2011/12 £m	2012/13 £m	2013/14 £m
Supported borrowing	-	-	-
Unsupported borrowing	8.971	7.806	7.464
<b>Total borrowing</b>	<b>8.971</b>	<b>7.806</b>	<b>7.464</b>
Less Minimum Revenue Provision	12.430	12.109	11.812
<b>Reduction in Net borrowing requirement</b>	<b>3.459</b>	<b>4.303</b>	<b>4.348</b>

Thus the council borrowing requirement is expected to reduce by **£12.110m** over the next 3 years.

## Debt rescheduling and debt repayment: changes to Pr12

In order to manage the reduction in the borrowing requirement a number of factors need to be considered. Debt repayments were made more expensive by the introduction in 2007 of a wider difference between the rates applied to new PWLB borrowing and repayment of debt, this has since been compounded by the 1% increase in PWLB rates introduced as part of the budget on 20 October 2010.

Short term borrowing rates are expected to continue to be cheaper than longer term rates, so there may be potential for some 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 size of premiums incurred, their short term nature, and the likely cost of refinancing those short term loans, once they mature, compared to the current rates of longer term debt in the existing debt portfolio. Any such rescheduling and repayment of debt is likely to cause a shortening of the council's maturity profile. For this reason Prudential Indicator 12: Upper limits for the maturity structure of borrowings for borrowings less 2 years, has been increased to 25%.

As short term rates on investments are likely to be lower than rates paid on current debt consideration will also be given to identify if there is any potential left for making savings by running down investment balances to repay debt prematurely. All rescheduling will be reported to the Treasury Management Panel at the earliest meeting following its action.

Critical to the consideration of the debt rescheduling and debt repayment is the outlook for interest rates.

### **Borrowing rates**

The Sector forecast for the PWLB new borrowing rate is as follows: -

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Mar-13	Mar-14
Bank rate	0.50%	0.50%	0.50%	0.75%	1.00%	2.25%	3.25%
5yr PW IB rate	3.30%	3.30%	3.40%	3.50%	3.60%	4.30%	5.00%
10yr PW LB rate	4.40%	4.40%	4.40%	4.50%	4.70%	5.10%	5.40%
25yr PW LB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%
50yr PW LB rate	5.20%	5.20%	5.20%	5.30%	5.30%	5.50%	5.70%

A more detailed Sector forecast and economic outlook is included in **Annex 17**.

## TREASURY MANAGEMENT AND INVESTMENT STRATEGIES 2011/12 ONWARDS

Walsall council has a successful track record of effective treasury management, securing low cost borrowing to fund capital investment. Our aim is to continue to do so within the requirements of the prevailing policies and codes of practice.

In order to achieve our aim:

1. All borrowing and/or investment activity will be carried out in accordance with the approved treasury management strategy and treasury policy statements and within approved prudential indicators, having the highest regard for prudence, affordability and sustainability in the longer term.
2. Appropriate use will be made of the Code for capital investment within approved prudential indicators and subject to medium term affordability.

Specific objectives have been developed to measure and guide borrowing and investment activities. These are monitored by local indicators (see **Annex 16**)

### BORROWING OBJECTIVES

**Our 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.

### **Specific Borrowing Objectives**

In response to the context outlined in **Annex 14** the following changes have been made.

- **L1.** Full compliance with the Prudential Code  
**No Change**
- **L2.** Average maturity date amended to between 15 and 25 years  
Currently 20 to 25 years - changed in response to economic climate.
- **L3.** Net borrowing costs to be less than 4% of net budget requirement  
New objective as used by CIPFA benchmarking.

- **L4.** Actual debt as a proportion of operational debt range is maintained in the range 75%- 90%.  
Currently 80% to 95% - changed in response to economic climate.
- **L5.** Average interest rate for internally managed debt will be equal to or less than 4.54%.  
Reduced from 4.7% due to capital financing activities in 2010/11.
- **L6.** Average interest rate for total debt (including other local authority debt) will be equal to or less than 4.73%.  
Reduced from 4.8% due to capital financing activities in 2010/11.
- **L7.** The gearing effect on capital financing estimates of 1% increase in interest rates increase must not be greater than 5%.  
No change.

## **INVESTMENT OBJECTIVES**

The general policy objective for this council is the prudent investment of its treasury balances.

- The council's investment priorities are:
  - The security of capital and
  - 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.

### **Specific Investment Objectives**

- **L8.** Average interest rate received on STI Versus 7 day Libid rate – 0.5%  
Changed due to higher volatility in the market of Libid to investment rates
- **L9.** Average interest rate received on short term investment to equal to or greater than 1.5 %  
Changed from 1% due to expected market conditions
- **L10.** Average rate on all investments will be equal to or greater than 1.7%  
Changed from 1.5% due to expected market conditions
- **L11** % daily bank balances within a target range of 98%  
No change.

### **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 was reviewed and approved by Cabinet on 13<sup>th</sup> October 2010.

## **ANNUAL MRP STATEMENT 2011/12 onwards**

Under the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010, local authorities have a duty to produce an annual statement on its policy for making a minimum revenue provision (MRP).

For the financial year 2011/12 onwards the authority will be adopting the following policies in determining the MRP:

1. For any capital expenditure carried out prior to 31 March 2008 the authority will be adopting the regulatory method (Option 1). This is where the MRP will be 4% of the opening capital financing requirement (CFR) (which has been adjusted as per the 2003 regulations).
2. For any capital expenditure carried out after 1 April 2008 being financed by unsupported borrowing the authority will be adopting the asset life method (option 3). This is where MRP will be based on the capital expenditure divided by a determined asset life or profile of benefits to give annual instalments.
3. For any capital expenditure carried out after 1 April 2008 being financed by Government supported funding the authority will again be adopting the regulatory method (option 1). Where the authority considers the capital expenditure to have added significantly to the lifespan of the asset, it will set aside funds for repayment in line with the appropriate life span of the asset type.
4. 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 beginning to make MRP until the financial year following the one in which the asset becomes operational, there will be an annual adjustment for Assets Under Construction.

The Regulatory Method is the calculation of MRP under the previous regulations. When MRP was set at a uniform rate of 4% of the adjusted Capital Financing Requirement. (CFR) on a reducing balance method (which in effect meant that MRP charges would stretch into infinity). This historic approach must continue for all capital expenditure incurred in years before the start of this capital financing regulations 2008.

### **Finance Leases**

In accordance with legislation the council will make a MRP for finance leases equivalent to the principal payment contained with the lease terms.

## PRUDENTIAL INDICATORS FOR 2011/12, 2012/13 & 2013/14

National and local indicators that will be monitored are detailed below. Their aim is to ensure the three principles contained within the prudential code are complied with, i.e.: affordability, prudence and sustainability.

### National Prudential Indicators

**Table 1** details the proposed national Prudential Indicators for Walsall council from 2011/12 to 2013/14. More details on Prudential Indicators 11 and 12 are shown in table 2.

<b>Table 1: National Prudential Indicators 2011/12 to 2013/14</b>				
<b>No.</b>	<b>Indicator</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>PCI 1</b>	<b>Total capital expenditure</b>	£ 000 55,448	£ 000 22,306	£ 000 21,964
Reduces in later years due to uncertainty about the level of future grants and other resources.				
<b>PCI 2</b>	<b>Estimates of the ratio of financing costs to the net revenue stream</b>	9.7%	9.6%	9.4%
Compared to other councils, Walsall's ratio of capital financing to total revenue costs is low. This indicator is supplemented by Local Indicator (L3).				
<b>PCI 3</b>	<b>Estimates of the council tax that would result from the expenditure plans.</b>	£10.66	£8.51	£8.00
This is a notional amount indicating the amount of council tax band D that is affected by unsupported borrowing (USB).				
<b>PCI 4</b>	<b>Estimates of capital financing requirement.</b>	£ 000 326,255	£ 000 321,630	£ 000 317,327
This represents the underlying level of borrowing needed to finance historic and future capital expenditure. To ensure that net borrowing will only fund capital, except in the short term, net external borrowing should not exceed the total capital financing requirement (CFR) in the preceding year plus estimated capital financing needs for the current and next two years.				
<b>PCI 5</b>	<b>Authorised limit for external debt.</b>	£ 000 373,730	£ 000 368,875	£ 000 364,356
The council may not breach the limit it sets, so it is important to allow prudent room for uncertain cash flow movements and borrowing in advance of future need.				
<b>PCI 6</b>	<b>Operational boundary for external debt.</b>	£ 000 315,044	£ 000 310,420	£ 000 306,116
This has been set at the level of the capital financing requirement less the CFR items relating PFI and finance leases.				

<b>PCI 7</b>	<b>Net Borrowing exceeds Capital Financing Requirement</b>	<b>No</b>	<b>No</b>	<b>No</b>
The CFR represents the underlying level of borrowing needed to finance historic capital expenditure. Actual net borrowing should be lower than this because of strong positive cash flow and balances. It would be a cause for concern if net borrowing exceeded CFR.				
<b>PCI 8</b>	<b>Compliance with CIPFA Code of Practice for TM in the Public Services.</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
To ensure that treasury management activity is carried out within best professional practice.				
<b>PCI 9</b>	<b>Upper limits on fixed interest rate exposures.</b>	<b>95%</b>	<b>95%</b>	<b>95%</b>
The council cannot control interest rates, but a relatively high degree of interest cost stability can be achieved by limiting its exposure to variable rates and by managing the long-term debt maturity profile so that not too much fixed rate debt will mature in any year.				
<b>PCI 10</b>	<b>Upper limits on variable interest rate exposures. 3.</b>	<b>45%</b>	<b>45%</b>	<b>45%</b>
See comment under PCI 9.				
<b>PCI 11</b>	<b>Lower limits for the maturity structure of borrowings: 4.</b>	<b>See Table 2</b>		
Stability can also be managed by the long-term debt maturity profile so that not too much fixed rate debt will mature in any year.				
<b>PCI 12</b>	<b>Upper limits for the maturity structure of borrowings:</b>	<b>See Table 2</b>		
See comment under PCI 9.				
<b>PCI 13</b>	<b>Upper limit for principal sums invested for periods longer than 364 days.</b>	<b>£25,000,000</b>	<b>£25,000,000</b>	<b>£25,000,000</b>
The council is at risk when lending temporarily surplus cash. The risk is limited by investing surplus cash in specified investments and by applying lending limits and high credit worthiness. These are kept under constant review.				

<b>Table 2 Prudential Indicators: Additional Information</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>PCI 11. Lower limits for the maturity structure of borrowings:</b>			
- 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	10%	10%	10%
- 10 years and above	40%	40%	40%

<b>PCI 12. Upper limits for the maturity structure of borrowings:</b>			
- Under 12 Months	25%	25%	25%
- 12 months and within 24 months	25%	25%	25%
- 24 months and within 5 years	25%	25%	25%
- 5 years and within 10 years	50%	50%	50%
- 10 years and above	85%	85%	85%

**Local Prudential Indicators:** Table 3 sets out local prudential indicators proposed for 2010/11 to 2011/12.

<b>Table 3: Local Prudential Indicators 2011/12 to 2013/14</b>				
<b>No.</b>	<b>Indicator</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>
<b>L.1</b>	<b>Full compliance with Prudential Code</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>L.2</b>	<b>Average length of debt</b>	<b>15 to 25 years</b>	<b>15 to 25 years</b>	<b>15 to 25 years</b>
This is a maturity measure and ideally should relate to the average lifespan of assets.				
<b>L.3</b>	<b>Net borrowing costs as % of net budget requirement</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
This measure the net borrowing costs as % of net budget requirement and is used by other CIPFA in their risk benchmarking.				
<b>L.4</b>	<b>Actual debt versus operational debt within the following range</b>	<b>75%-90%</b>	<b>75%-90%</b>	<b>75%-90%</b>
This assists the monitoring of the authority's debt position.				
<b>L.5</b>	<b>Average interest rate of debt excluding OLA less than</b>	<b>4.54%</b>	<b>4.54%</b>	<b>4.54%</b>
<b>L.6</b>	<b>Average interest rate of debt including OLA</b>	<b>4.73%</b>	<b>4.73%</b>	<b>4.73%</b>
This is a recognised measure of debt management performance. The measure should be as low as possible. Other Local Authority debt (OLA) is managed on our behalf by Dudley council				
<b>L.7</b>	<b>Gearing effect on capital financing costs of 1% increase in interest rate</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
This relates risk management principles to the monitoring of the TM strategy. It measures the effect of a change in national interest rates and the effect it may have on the capital financing costs.				
<b>L.8</b>	<b>Average interest rate received on STI Versus 7 day LIBID rate</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>
The council aims to be gain interest on surplus funds higher than the 7 day LIBID rate. This measures performance in a changing economic context. .				
<b>L.9</b>	<b>Average interest rate received on short term investments</b>	<b>1.5%</b>	<b>1.7%</b>	<b>2.0%</b>
A recognised PI for measuring the performance of return on investments.				

<b>L.10 Average rate on all investments</b>	<b>1.7%</b>	<b>1.9%</b>	<b>1.9%</b>
As L8 but includes investments longer than 364 days.			
<b>L.11 % daily bank balances within target range</b>	<b>98%</b>	<b>98%</b>	<b>98%</b>
This measures how good our daily cash flow prediction is. A figure of 98% indicates a high level of accuracy.			

The monitoring of the indicators supports budget monitoring and is undertaken monthly and considered quarterly by the finance treasury management panel that reports to the finance service's senior management team including the Chief Financial Officer.

## ECONOMIC OUTLOOK

### Global economy

The sovereign debt crisis peaked in May 2010 prompted, in the first place, by major concerns over the size of the Greek government's total debt and annual deficit. However, any default or write down of Greek debt would have substantial impact on other countries, in particular, Portugal, Spain and Ireland. This crisis culminated in the EU and IMF putting together a €750bn support package in mid May 2010. A second crisis, this time over Ireland in November, culminated in Ireland also having to take a bail out. At the time of writing (early January 2011) there is major concern that Portugal will also shortly need to take a bail out. That, in turn, would then stoke major concerns as to whether the current size of the bail out facility put together by the EU and IMF would be big enough to cope with any crisis that then blew up over Spanish government debt.

The unexpectedly high rate of growth in quarters 2 and 3 of 2010 in the UK and the Euro zone in Q2 were driven by strong growth in the construction sector catching up from inclement weather earlier in the year and by other short term factors not expected to be enduring; general expectations are for anaemic (but not negative) growth in 2011 in the western world.

### UK economy

Following the general election in May 2010, the coalition Government has put in place an austerity plan to carry out correction of the public sector deficit over the next five years. The result of fiscal contraction will be major job losses during this period, in particular expected in public sector services. This is likely to have a knock on effect on consumer and business confidence and appears to have also hit the housing market as house prices started on a generally negative trend starting in mid 2010. Mortgage approvals are also at very weak levels, all of which indicates that the housing market is likely to be weak in 2011.

**Economic Growth** – GDP growth is likely to have peaked in the current period of recovery at 1.2% in quarter 2 of 2010. Growth in quarter 3 @ +0.7% was also unexpectedly high. However, the outlook is for anaemic growth in 2011/12 although the Bank of England and the Office for Budget Responsibility are forecasting near trend growth (2.5%) i.e. above what most forecasters are currently expecting.

**Unemployment** – the trend of falling unemployment (on the benefit claimant count) has now been replaced since July 2010 with small increases which may be the start of a new trend for some years ahead of rising unemployment.

**Inflation and Bank Rate** – CPI has remained high during 2010. It peaked at 3.7% in April and then gradually declined to 3.1% in September (RPI 4.6%). However, the outlook from there is a rising trend which could even reach as much as 4% in early 2011 before starting to subside again. Although inflation

has remained stubbornly above the MPC's 2% target, the MPC is confident that inflation will fall back under the target over the next two years.

The Bank of England finished its programme of quantitative easing (QE) with a total of £200bn in November 2009. However, major expectation that there could be a second round of quantitative easing in late 2010 or early 2011 to help support economic growth, has evaporated after the surprises of the Q3 GDP figure of +0.7% and the November Inflation Report revising the forecast for short term inflation sharply upwards.

Sector's central view is that there is unlikely to be any increase in Bank Rate until the end of 2011.

**AAA rating** – prior to the general election, credit rating agencies had been issuing repeated warnings that unless there was a major fiscal contraction, then the AAA sovereign rating was at significant risk of being downgraded. Sterling was also under major pressure during the first half of the year. However, after the Chancellor's budget on 22<sup>nd</sup> June 2010, Sterling strengthened against the US dollar and confidence has returned that the UK will retain its AAA rating. In addition, international investors viewed UK government gilts as being a safe haven from EU government debt during mid 2010. The consequential increase in demand for gilts helped to add downward pressure on gilt yields and PWLB rates.

### **Sector's forward view**

It is currently difficult to have confidence as to exactly how strong UK economic growth is likely to be during 2011/12, and there are a range of views in the market. Sector has adopted a moderate view. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas:

- the strength / weakness of economic growth in our major trading partners - the US and EU
- the danger of currency war and resort to protectionism and tariff barriers if China does not adequately address the issue of its huge trade surplus due to its undervalued currency
- the degree to which Government austerity programmes will dampen economic growth and undermine consumer confidence
- changes in the consumer savings ratio
- the speed of rebalancing of the UK economy towards exporting and substituting imports
- the potential, in the US, for more quantitative easing, and the timing of this, and its subsequent reversal in both the US and UK
- the speed of recovery of banks' profitability and balance sheet imbalances and the consequent implications for the availability of credit to borrowers
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy
- political risks in the Middle East and Korea

The overall balance of risks is weighted to the downside and there is some residual risk of a double dip recession and deleveraging, creating a downward spiral of falling demand, falling jobs and falling prices, although this is currently viewed as being a small risk.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

### **POLICY ON USE OF EXTERNAL SERVICE PROVIDERS**

The council uses Sector as its external treasury management advisers.

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.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources.

## GLOSSARY OF TERMS

TERM	DEFINITION
Authorised Limit	Level of debt set by the council that must not be exceeded.
Base budget	The amount required for services to continue at their current level, only adjusted from the previous year's budget for inflationary pressures, not changes in service levels provided.
Billing authority	Walsall council is the billing authority responsible for the collection of the council tax and non-domestic rates which includes amounts from the local precepting authorities – the West Midlands Fire and Civil Defence and Police Authorities.
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.
Central contingency	A small budget set aside each year to cover unforeseen items of expenditure.
Collection fund	A statutory account which billing authorities have to maintain for the collection and distribution of amounts due in respect of council tax, NNDR and residual community charge accounts.
Council tax	The tax levied on domestic properties, which depends on the 'band' of value for the property based on estimated property values at 1 April 1991.
Council tax base	The total number of band D equivalent properties upon which the council tax can be levied.
Counter party limits	Maximum amount that the council may lend to other institutions will vary according to size and credit rating of other intuitions.
CPI	Consumer Price Index., measures changes through time in the price level of consumer goods and services purchased by households.
Damping	Formula Grant funding from Central Government is a finite resource and funds are distributed on the basis of formulae and demographic factors. Government ensures that all local authorities receive at least a guaranteed minimum increase in grant year-on-year. Authorities receiving grant in excess of the minimum must contribute funds to enable every council to be raised up to the minimum percentage increase. The contributor's grant is said to have been 'dampened' or lessened. Walsall is a contributor.
Dividends	Sum to be payable as interest on loan.
ECB	European Central Bank
EU	European Union

Financial strategy	The policy whereby the council establishes the financial principles upon which it builds its revenue and capital budgets.
Formula Grant (FG)	A central Government mechanism of dividing up resources to local Government allocated from the Government comprehensive spending review.
GDP	Gross Domestic Product is the total market value of all final goods & services produced in a country in a given year, equal to total consumer investment & government spending, plus the value of exports minus the value of imports.
General fund	The main revenue account of the council which brings together all income and expenditure other than that recorded in the collection fund or housing revenue account. (Following large scale voluntary transfer of its housing stock in March 2003, Walsall no longer maintains a separate housing revenue account).
I-procurement	A system where goods and services are purchased electronically rather than through manual ordering systems which is intended to generate longer term savings through economies of scale and a paperless office environment.
IMF	International Monetary Fund is an organization of 187 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.
Investment bids / strategic choices	The process by which the council establishes its changing needs and priorities for the coming year. It starts with managers submitting bids for additional funding above that included in the base budget. The submissions then go through a rigorous challenge process including director and councillor appraisal before successful bids are approved by members when the budget is set in February.
Investments	The employment of money with the aim of receiving a return.
Levies	Charges made upon the authority by organisations which serve various authorities.
LIBID	London Interbank Bid Rate (the rate that banks are willing to borrow from other banks)
LIBOR	London Interbank Offered Rate (the rate that banks offer to lend to other banks)
Liquidity	How easily an asset including investments may be converted to cash.
LOBO	Lenders Option Borrowers Option. A type of loan arrangement.
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.
Mainstream funding	Mainstream funding includes supported borrowing, unsupported borrowing and capital receipts which are all described elsewhere in the glossary.
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.
Medium term financial strategy	A document which sets out the principles the council adopts in strategically planning its finances and setting and managing its budget.

MPC	Monetary Policy Committee – group that sets the bank base rate for the Bank of England
National non-domestic rates (NNDR)	A tax levied on business properties, also referred to as business rates. NNDR poundage is set annually by the government. Rates based on properties' rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central government as a grant to local authorities on a population basis.
Net budget requirement	The amount of council spending needed to be financed following the receipt of specific grants and use of reserves, to be met from revenue support grant, national non-domestic rates and council tax.
Non specified investments	Investments with a maturity exceeding a year
Operational Boundary	An indicator of the level day the authority expects during day to day treasury management activities
Other Local Authority Debt	Debt that is owed by one local authority to another local authority.
PFI	Private Finance Initiative
Policy led budgeting	A system of budgeting where resources are linked to council priorities to ensure that projects with the highest priority receive the funding necessary to implement them.
Precepting authority	An authority e.g. police and fire which sets a 'precept' on billing authorities, who collect it on their behalf.
PWLB	Public Works Loan Board, a central government body providing loans to councils.
Prudential Code	A framework of policies and working practices to ensure that local authorities' capital investment plans are affordable, prudent and sustainable.
Recharges	A charge made between services within the council.
Regulator Method	Principle of calculating the amount of money to be set aside for the repayment of debt as defined by the government.
Reserves	The total level of funds the authority has accumulated over the years. Earmarked reserves are allocated to a specific purpose or area of spending. Unallocated reserves (also known as balances general reserves) arise from an accumulation of previous year's surpluses and deficits and are available to support revenue expenditure.
Revenue expenditure	Expenditure on the day-to-day running costs of services e.g. employees, premises, furniture and equipment.
Revenue support grant (RSG)	Part of Formula grant paid by central government. Significantly less now due to Education being funded by specific grant.
Short Term Borrowing	Borrowing of money for a term of up to 364 days.
Stock	Subscribed capital of trading company, or public debt of nation, municipal corporation etc regarded as transferable property
Subjective analysis	An analysis of expenditure by type of expenditure e.g. employees and premises.
Supported borrowing	Borrowing where interest and repayment costs are supported by government revenue grants.
Temporary borrowing	Borrowing of money for a term of up to 364 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.
Transfer payments	Payments to individuals for which no goods or services are received in return by the local authority e.g. care for the elderly.
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.