

Cabinet – 15 July 2020

Corporate Financial Performance 2020/21, Covid-19 update and Budget Framework 2021/22 to 2023/24

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

Related Portfolios: All

Service: Finance – council wide

Wards: All

Key decision: No

Forward plan: Yes

1. Aim

- 1.1 To provide the budget monitoring position for 2020/21 including: an updated assessment of the impact of Covid-19 on the council's financial performance; Covid-19 Government funding to address cost pressures and income losses; and actions which may be required to address this position to ensure the council remains on a sound financial footing.
- 1.2 To set out the process and timeline for the 2021/22 to 2023/24 budget process and amendments to the Medium Term Financial Strategy and Tax Strategy.

2. Summary

- 2.1 The council continues to play an active role in the overall national response to Covid-19, including the administration of business rate reliefs and grants, supporting households through the council tax reduction scheme, supporting the care market and other initiatives. Government originally committed to fully compensating councils for the costs of authorities' responses to Covid-19 and has to date allocated £25.81m (£17.48m unringfenced S31 grant; £3.88m hardship funding ringfenced to council tax payers; £2.29m Infection Control funding for care home support; £1.65m Test and Trace services, £0.25m for reopening of high streets, £0.25m Emergency Travel Fund) of funding to help support those costs in Walsall. A further £500m Covid-19 support package was announced by the Government on 2 July 2020, along with a new scheme to help to reimburse some lost income during the pandemic, the full details of which have not been received. As well as the initial costs of funding the council's response, the impact of Covid-19 includes significant loss of income following closure of services and facilities (to which the new scheme is expected to partly address) and delays to the delivery of approved budget savings as the council has refocused its resources on its response to Covid-19.
- 2.2 This report provides a summary position on the financial impact of known pressures, including Covid-19, on the revenue position for 2020/21, based on best available data, including:

- (i) Additional costs / loss of income / delays in savings delivery due to Covid-19 of £11.18m to July 2020 (4 months) and between £2.5m and £4m per month thereafter beyond July 2020.
- (ii) Non Covid-19 revenue pressures of c£4m, after use of reserves and assuming successful delivery of corrective action plans identified to date. Any on-going pressures identified and not addressed in year will need to be considered as part of the 2021/22 budget process.
- (iii) Total pressures in 2020/21 ranging from c£35m to c£47m, which, after applying the known unringfenced Covid-19 Government grant and yet to be confirmed grant for loss of income, results in net pressures of between £11m to £23m.

2.3 In relation to the capital programme, the report includes a number of proposed amendments for approval as set out in section 4.35 of the report. The forecast for the council funded capital programme is currently expected to be a marginal overspend of £110k after rephasing of £1.79m into 2021/22.

2.4 There is considerable uncertainty at this point as to the impact on the national and local economy and on public finances once lockdown has eased and it is expected that this will have implications into the medium term, impacting the council's reserves and budgets into 2021/22 and potentially beyond. This will require Government to review the now delayed Fair Funding proposals (originally expected to be consulted upon over the summer) and in particular the quantum of funds made available to council's to ensure their continued financial stability.

2.5 In summary, the council is able to manage the financial impact in the short term, however should the crisis continue to have such a significant impact beyond July 2020, then additional actions will need to be taken should Government not fully recompense councils for their losses. During this evolving period, regular updates will be reported to Cabinet on the financial implications for Walsall council, including any recommendations for additional actions to be taken to manage the evolving situation. This report sets out what those actions may be required if further funding or other easements from Government are not forthcoming. A further report will be presented in September setting out actions proposed and requesting Cabinet approval of any further formal actions required

2.6 The Chancellor's Summer Economic Update on 8 July 2020 announced the Government's second phase economic response, which mainly centred around employment, infrastructure, and support measures for the hospitality sector. The Chancellor also confirmed that the next Budget and Spending Review is planned for Autumn 2020.

2.7 The report also sets out:

- Performance against an agreed set of financial health indicators, which are forecast to be achieved;
- Performance against statutory and local prudential indicators, which are forecast to be achieved;
- The process and timeline for the 2021/22 to 2023/24 budget process;
- An approval request for changes to the Medium Term Financial Strategy (MTFS) - the framework within which the council's financial planning and management is undertaken; and the Tax Strategy. It is good practice to regularly review and update key strategic documents and obtain formal Cabinet approval.

3. Recommendations

That Cabinet:

- 3.1 Note the additional funding allocated to Walsall as set out in sections 4.5 and 4.6 of this report, and that this will be insufficient to cover the additional costs of supporting the council's Covid-19 response beyond the short term.
- 3.2 Approve the passporting of £253,601 of Reopening of High Streets Safely funding to Economy, Environment and Communities, as set out in 4.6 VI.
- 3.3 Note the forecast impact of Covid-19 to July 2020 as set out in section 4.7 to 4.24, including:
 - I. The loss of income as set out in sections 4.13 to 4.16.
 - II. £3.46m of additional costs approved through Cabinet, Gold and Silver Control between 20 March and this report despatch date, and additional estimated costs to July 2020 of £1.03m, as set out at sections 4.17 to 4.21 and Appendix 1.
 - III. The estimated financial impact on the delivery of 2020/21 approved savings, as set out in sections 4.22 to 4.24.
- 3.4 Note the potential monthly cost of Covid-19 beyond July 2020 in section 4.9 to 4.11.
- 3.5 Approve the utilisation of Covid-19 grant to fund ICT business continuity as set out in 4.21.
- 3.6 Note a number of non Covid-19 related demand and other service pressures totalling c£4m as set out in 4.25 to 4.30, and actions being taken to address these.
- 3.7 Note, in summary, total pressures in 2020/21 ranging from c£35m to c£47m, which, after applying the known unringfenced Covid-19 Government grant and yet to be confirmed estimated grant for loss of income, results in net pressures of between £11m to £23m and that should no further Government funding be provided, then the council will be required to take action to address funding shortfalls. This is set out in sections 4.31 to 4.33.
- 3.8 Approve amendments to the capital programme as set out in section 4.35.
- 3.9 Note that the forecast council funded capital programme is expected to be a marginal overspend of £110k after re-phasing of £1.79m into 2021/22.
- 3.10 Note financial health indicator performance as set out in section 4.41 to 4.46 and Appendix 2.
- 3.11 Note the prudential indicators as set out in section 4.47 to 4.49 and Appendix 3.
- 3.12 Note the work underway to update to the Medium Term Financial outlook and approve the process for setting the 2021/22 to 2023/24 budget framework, as set out in section 4.50 to 4.60.
- 3.13 Note and approve the amendments to the Medium Term Financial Strategy, as set out in section 4.61.
- 3.14 Note that there are no amendments to the Tax Strategy and governance arrangements and that it remains fit for purpose.

4. Know – Context

- 4.1 Councils have been operating in an emergency response situation which is unprecedented. The lockdown and associated measures continue to have a significant impact on the services that the council provides to its residents and services users and how it provides them, and has required implementation of a number of new support measures. Whilst lockdown is now easing, there remains uncertainty as to the potential for a second spike in the R Rate and therefore a reintroduction of some lockdown measures. There are substantial known and unknown costs. Regular conversations are being held between Local Authority representative bodies and MHCLG officials to identify the issues facing council's and seeking further Government support to fund the full cost of the current and any future response required.
- 4.2 A national Covid-19 Response Fund, and further support package announced on 2 July 2020, has been made available, however initial allocations are insufficient to manage the costs beyond the short term. The initial advice from Government was to 'continue to spend', however this is now without any certainty that costs will be fully covered by Government.
- 4.3 In the meantime, the council is still legally required to operate within a balanced budget, to operate within financial controls and to deliver approved budget savings. Inevitably, in order to do this and if Government funding is not provided to fully cover Covid-19 shortfalls, then council's will need to consider other actions short of, and in some cases, including issuing of S114 notices. Whilst Walsall is not considered to be yet in S114 territory, it will need to take action to address funding shortfalls if further funding or other easements from Government are not forthcoming.

Revenue Forecast 2020/21 - Summary

- 4.4 As well as Covid-19 pressures, there are a number of service pressures in the system. The table below shows a summary of Covid-19 and non Covid-19 pressures, the current Government funding available to support Covid-19 pressures, and the resulting funding shortfall. The table shows a range, given the current uncertainty in forecasting future impact. Further detail is provided within the report, including action which may be required to address the funding shortfall, should the Government provide no further funding or other easements.

Table 1: Full Year 2020/21 Financial Summary	Reasonable Case £	Reasonable Worse Case £
<i>Total Covid-19 estimated pressures to date</i>	30,633,214	43,018,323
<i>Unringfenced Government allocation less 2019/20 Covid-19 costs of £268,942</i>	(17,212,162)	(17,212,162)
<i>Additional estimated grant for loss of income - See 4.6 (ii)</i>	(3,352,065)	(4,191,788)
<i>Estimated share of £500m support package - See 4.6 (i)</i>	(£2.4m-£3m)	(£2.4m-£3m)
<i>Net Unfunded Covid-19 Shortfall</i>	c£7.1m-£7.7m	c£18.6m-£19.2m
<i>Non Covid-19 Service Pressures</i>	3,936,112	3,936,112
<i>Total Unfunded Pressures to Manage</i>	c£11m-£11.6m	c£22.5m-£23.1m

Government's financial response to Covid-19

- 4.5 At Budget March 2020 the Chancellor announced a Covid-19 response grant to fund local authority actions to support social care services and vulnerable people; alongside the need for the NHS to treat Coronavirus patients including maintaining staffing levels; and funding to ensure other public services are prepared and protected. A number of ringfenced and unringfenced grants have been announced since that date. The details of these were set out in the report presented to Cabinet on 19 May 2020, see the following link. [Covid-19 Impact and Corporate Financial Performance](#)
- 4.6 This report provides detail on those grants announced since the May Cabinet report and table 2 provides a summary of all funding announced by the Government towards associated costs for Walsall in the management of Covid-19 to date.

Table 2: Available Funding (as at 08/07/2020)		
Funding source	National share £bn	Walsall share £
COVID-19 Response Fund – LA element (announced 19 March) confirmed and unringfenced	£1.6bn	9,609,338
COVID-19 Response Fund – LA element (announced 18 April) confirmed and unringfenced	£1.6bn	7,871,766
COVID-19 Support Package (announced 2 July) unconfirmed and unringfenced	£0.5bn	TBC
Scheme to cover council's lost income (announced 2 July) unconfirmed and unringfenced	TBC	TBC
COVID-19 Response Fund – NHS element (TBC)	£1.3bn	c7,500,000
Hardship Fund	£0.5bn	3,879,239
Hardship Fund – additional allocation (announced 10 June) unconfirmed and ringfenced	£0.063bn	TBC
Emergency fund for rough sleepers to self isolate (£3.2m)	£0.0032bn	4,501
Infection Control Fund – care home support (announced 15 May) confirmed and ringfenced	£0.6bn	2,288,564
Test and trace services (announced 22 May) confirmed and ringfenced	£0.3bn	1,650,559
Reopening High Streets Safely Fund (announced 24 May) confirmed and ringfenced	£0.05bn	253,601
New Burdens Funding (announced 29 May) confirmed and ringfenced (£0.45m)	£0.00045bn	2,152
Emergency Action Travel Fund (announced 29 May) confirmed and ringfenced	£0.2bn	255,000
Rough sleepers (announced 24 June) unconfirmed and ringfenced	£0.1bn	TBC
<i>Total to date, of which:</i>		33,314,720
Walsall Council Funds		25,814,720
Grants to Businesses		53,554,000

- i. *Covid-19 Support Package* – On 2 July 2020, MHCLG announced a new £500m comprehensive package of support councils to address spending pressures in their local area. Allocations of this unringfenced grant are yet to be confirmed, we estimate that Walsall could receive between c£2.4m to c£3m dependent on the method of calculation.

- II. *Lost Income* - Further to the support package above, the announcement on 2 July 2020 also confirmed a new scheme to help to reimburse lost income during the pandemic. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost. This specifically relates to loss of car parking and cultural related income. Based on current assumptions, we anticipate that between c£2.25m and £5.88m of current pressures on income are covered by this, and *assuming the grant covers a full 12 month period*, between c£1.67m and £4.19m will be recovered from this scheme. Further details of the scheme, including full guidance, the period of reimbursement and method of claiming, are yet to be received. Should the scheme cover a shorter period than 12 months, then this will increase the net pressure set out within this report. The government is also bringing in changes so council's can spread tax deficits over 3 years rather than the usual one.
- III. *Hardship Fund* - An initial £3.88m was allocated to Walsall. A further £63m of additional funding for councils in England was announced on 10 June to help those who are struggling financially due to the impact of coronavirus. The additional funding will allow councils to continue to provide discretionary support to those facing severe hardship to allow them to pay for food and other necessities. The funding is a one-off boost to councils and they will have discretion on how best to help those facing severe hardship. Allocations are not yet known.
- IV. *Infection Control Fund* – New funding announced by Department of Health and Social Care. 75% of initial funding is to be passed directly to care homes for use on infection control, the remaining 25% is also be used for infection control but LA's can allocate based on need. LA's must conduct a daily review of care homes to ensure they have sufficient staffing and PPE. Local authorities should also publish on their websites their rate uplifts and other extra funding they are making available to care providers e.g. cash flow support etc. A range of models are being used by local authorities and greater transparency is needed. Walsall's allocation is £2,288,564 and an urgent decision in relation to the distribution of Infection Control Fund ring-fenced funding 2020 was approved by the Leader of the Council on 05 June 2020.
- V. *Test and Trace Services* – On 22 May the Government announced £300m additional funding for local authorities to support them to develop and action their plans to reduce the spread of the virus in their area as part of the launch of the wider NHS Test and Trace Service. This funding is to enable local authorities to develop and implement tailored local Covid-19 outbreak plans through for example funding the recruitment of additional staff where required. Allocations were published on 10 June, based on 2020/21 Public Health grant allocations – Walsall's allocation has been confirmed as £1,650,559. Distribution of this funding is currently being assessed. Cabinet on 17 June delegated authority to the Director of Public Health to manage this as part of the Walsall Outbreak Plan.
- VI. *Reopening High Streets Safely fund* – On Sunday 24 May the government announced a Reopening High Streets Safely Fund. This will provide £50m of funding for English local authorities to prepare for the reopening of non-essential retail. This funding is intended to support a range of practical safety measures including new signs, street markings and temporary barriers. Local authorities will also be able to use this money to develop local marketing campaigns to explain the changes to the public and reassure them that their high streets and other commercial areas are safe. Expenditure for reimbursement under this ERDF grant will be eligible from 1 June, to be covered by a Funding Agreement. Once this agreement is in place then claims for reimbursement for expenditure incurred from 1 June can begin to be made. The grant

awards will be available to access up until the end of March 2021, payable in arrears, based on qualifying expenditure. This will be administered by the Highways and Environment team. Walsall's allocation has been confirmed as £253,601, and Cabinet are asked to passport this in full to Economy, Environment and Communities.

- VII. *New Burdens Funding* – On Friday, 29 May, the Ministry of Housing, Communities and Local Government published Housing Benefit Circular S7/2020, confirming the new burdens funding to meet the costs of implementing increased Local Housing Allowances (to the 30th percentile of local rents from April 2020) in 2020/21. The total funding is £0.45m, intended to cover additional postage costs, and distributed by number of claimants in each LA area affected by the change in rate. £2,152 is allocated to Walsall.
- VIII. *Emergency Action Travel fund* - On Friday 29 May the government issued allocations for local authorities of the Emergency Active Travel Fund across England - £17.234m to be allocated to West Midlands Combined Authority (£3.447m in tranche 1 and £13.787m in tranche 2). TfWM announced on 26 June that the West Midlands were successful in their application for Tranche 1, with an allocation of £3.85m being granted from DfT for our ambitious emergency active travel programme. The funding is being used on a wide range of rapid schemes, including pop-up cycle lanes and pavement widening, as well as on activation and communication activities. Walsall's element was confirmed in a funding offer letter on 7 July as £255k (capital £209k, revenue £46k), subject to s151 sign off within 7 days. Funding completion is required within 2 months, and declaration within 4 months of the letter date.
- IX. *Business rates Discretionary Scheme* – Walsall received £55m in its original allocation of which £41.4m (of an anticipated total of £45.4m) has been paid out in grants - £10k to businesses eligible for small business rates relief and up to £25k to retail and leisure business operating in premises with a rateable value between £15k to £51k. Any unused allocations is due to be returned to Government. A further discretionary scheme was announced on 13 May with Walsall receiving £2.3m.

Impact of Covid-19 on the Revenue Forecast 2020/21

- 4.7 Council on 27 March 2020 approved a balanced budget. This is predicated on a number of assumptions that Covid-19 has put at significant risk, including;
- Collection of £127.5m of council tax income, with a council tax base of 71,550 households, and collection of business rates income of £74.6m.
 - Receipt of £41.89m of fees and charges to directly offset the gross cost of services and reduce the cost of services to the council tax payer.
 - Delivery of £8.77m of savings through the Proud Programme.
 - A minimum level of reserves required of £13.55m.
- 4.8 Table 3 summaries the estimated financial impact of Covid-19 on the council to July 2020, prior to the allocation of known and estimated Government funding, based on best available data. Further detail is set out in the following sections.

Table 3: Covid-19 pressures	April – July 2020
Loss of income due to service closures / changes	4,543,030
Cabinet, Gold and Silver approvals for additional cost pressures – see Appendix 1	3,465,189
Forecast additional costs - subject to Gold / Cabinet approval	1,030,528
Additional costs arising from Covid-19 delay in the achievement of 2020/21 approved savings	2,145,998
Total to date	11,184,745

4.9 The impact of Covid-19 beyond July 2020 is very uncertain. Despite proposals to ease lockdown from 4 July, some facilities such as swimming pools, indoor gyms, etc will still be unavailable, as such the impact of income losses will continue in these areas. Even once these are open to the public, it is not clear when or if demand and therefore income will return to pre-Covid-19 numbers. The following table attempts to assess the financial impact of continued income losses and additional costs, based on a number of assumptions, with a reasonable case impact being in the region of £31m and a reasonable worst case being £43m. Both assume a current forecast of £11m to July 2020 and then a respective further £2.5m to £4m of additional monthly costs.

Table 4: Covid-19 pressures - Full Year 2020/21	Reasonable Case £	Reasonable Worse Case £
Loss of income due to service closures / changes	7,595,444	9,121,651
Cabinet, Gold and Silver approvals for additional cost pressures	3,465,189	3,465,189
Forecast additional costs - subject to Gold / Cabinet approval	13,297,219	13,297,219
Additional costs arising from Covid-19 delay in the achievement of 2020/21 approved savings	6,275,363	8,600,456
Risks assessed as arising in a 'Worse Case' scenario	0	8,533,809
Total to date	30,633,214	43,018,323

4.10 The assumptions in relation to each scenario is set out below.

Reasonable Case Assumptions

50% continued loss of fees and charges income on the basis that services resume fully from August, and that usage will not return back to normal pre Covid demand levels for some time. Further likely costs beyond July for the following:-

- Social Care – increased number of vacant (void) beds and additional PPE costs above those funded from grant
- Continued increase in disposal costs for co-mingled waste
- ICT costs to support home and agile working arrangements
- Increased pressure on the Hardship Fund
- Business rates – loss of income up to safety net level
- Council tax – loss of income due to a reduction in collection rates
- Further delays in the achievement of 2020/21 approved savings above that reported in May.

Reasonable Worst Case – based on scenario above plus the following assumptions

Further likely costs / risks for the following, subject to approval: -

- Further loss of income / income base
- Further support to the social care market - social worker resources to clear backlog of assessments / review of clients shielded; supplier relief; increased voids
- Children's - Increased LAC; further traded income loss; further extension of family safeguarding model;
- Money Home Job - loss of court income / overpayment income
- E,E&C – loss of investment income and planning application income
- Full £8.8m of approved savings delayed, resulting in savings being implemented and cashed in 2021/22 rather than 2020/21.

- 4.11 The Covid-19 response fund initial allocation, based on the ‘reasonable case’ set out in the table above, is expected to be sufficient to fund the impact of Covid-19 until around November/December (should no other pressures arise), however beyond that the council will need to take action. In addition, the council would need to replenish any utilised general reserves in year or during the 2021/22 budget setting process, putting finances under even more strain. As such Covid-19 funding requires careful management to ensure the council is not put under financial strain, leading to uncertainty about future financial stability.
- 4.12 Further detail on the pressures is set out in the following sections, followed by a summary of potential actions needed to address the situation.
- Loss Of income
- 4.13 As reported to May Cabinet, the council is facing significant reductions in sources of income, for example from currently closed services such as leisure and car parking and traded services income from schools. Given councils’ reliance on this income, the ability to balance the budget beyond the short term will be extremely challenging, as whilst Government has made a commitment to funding some of the income losses, it is not covering all of them.
- 4.14 An initial 4 month impact is contained within this report, estimated at £4.54m. A summary is provided below. It is proposed to increase cash limited budgets through the use of the Covid-19 response fund / loss of income scheme to manage these, once figures are finalised.

Table 5: Source of income	April to July Forecast
	£
Economy, Environment and Communities	
Active living	1,339,057
Leisure Culture & Operations Arts and Events	321,452
Art Gallery	36,158
Leather Museum reduction in shop income	13,545
Libraries	28,807
Markets	145,667
MOT income	57,500
Litter enforcement income, waste	59,088
Arboretum visitor centre, Grounds, Parks	10,000
Loss of licensing income due to trading restrictions	12,163
Car parking income – off street	44,000
Car parking income – on street	168,000
Staff parking permit	72,000
Parking penalty notice income	200,000
Various services provided - such as drop kerbs, scaffolding, licences, skip permits etc	118,527
Bus lane penalty notice income	86,000
Blue badges	10,806
HWRC	49,500
Bulky collections	10,082
Trade waste	120,000
New taxi vehicle registration / renewals	97,140
Registrars – ceremonies	131,436
Resources and Transformation	
Box Office Events	23,119

Paid school meals and curatorial services	149,383
Civic Centre bistro	60,000
Centrally Held and Capital Financing	
Other losses - investment interest	1,179,600
Total loss of income to date	4,543,030

- 4.15 Further to the above, additional income losses are expected beyond July 2020. The reasonable case scenario models total income losses for the year of £7.6m, with a possible worst case of £9.1m, of which some will be recovered through the new scheme recently announced.
- 4.16 There is a potential risk that the Hardship Fund of £3.88m will be insufficient to fund the full loss of income from council tax. Walsall currently anticipates this funding being fully exhausted, with a further £600k being required, which is contained within the 'reasonable case' scenario in the tables above. Additionally, we are currently assessing the impact on the collection fund in respect of both council tax and business rates and the need to provide for a reduction in collection rates and bad or doubtful debts.

Additional Cost Pressures

- 4.17 On the expenditure side, most costs will remain. For example, the Government's Coronavirus Job Retention Scheme enabling employees to be furloughed, does not in the majority apply to council's as they receive "public funds" which are expected to be used to continue to pay staff. Indeed, there are significant additional costs associated with our Covid-19, including staffing, support to residents and council tax payers and businesses and support to the elderly and vulnerable particularly in relation to adult social care and children's.
- 4.18 Unbudgeted costs incurred or committed to date total £3.46m and are set out in Appendix 1. A reasonable cost assumption of a further £1.03m of costs has been forecast until July 2020. This includes:
- ✓ Costs in relation to adult social care, including the cost of maintaining market sustainability in residential and nursing and domiciliary care, as these are likely to fall on the council;
 - ✓ Placement costs for looked after children;
 - ✓ Increased disposal costs for co-mingled waste;
 - ✓ Continued support to our staff to work from home;
 - ✓ Supplies and services, including PPE, cleaning materials, deep cleans in readiness for reopening of council buildings.
- 4.19 The additional costs of discharging and keeping people out of hospital are not included within this figure as these costs will be recharged to Walsall CCG and funded from their allocation of the £1.3bn fund to be provided by the Government.
- 4.20 Further to the above, additional costs are expected beyond July 2020 as set out in the table below, with a reasonable cost of £16.8m and a reasonable worst case of £25.3m, the latter assuming that a number of identified high risks turn into actual pressures.

Table 6: Covid-19 Additional Costs Full Year 2020/21	Reasonable Case £	Reasonable Worse Case £
Cabinet, Gold and Silver approvals for additional cost pressures	3,465,189	3,465,189
Forecast additional costs - subject to Gold / Cabinet approval	13,297,219	13,297,219
Risks assessed as having a high likelihood of arising	0	8,533,809
Total forecast pressures to date	16,762,408	25,296,217

4.21 During March 2020 in response to the Covid pandemic ICT enabled all users of IT to work from home to ensure business continuity. Work has been carried out to upgrade infrastructure to increase the capacity of remote connections and software upgrades to introduce technology such as Microsoft Teams. Since 16 March 2020 a total of 180 tablets, 21 docks, 91 monitors, 275 mobile phones and 83 Smartphones have been deployed to enable services to continue to operate without needing to occupy a council building. Further work is being carried out to ensure the council is protected from Cyber-attacks and to support services to safely resume business as usual activities.

Costs incurred from Mid-March to September 2020 are forecast to be £551k, of which we have funded £154k from existing budgets. £40k will be charged to the test and trace grant that has been received, leaving a balance of £357k for which Cabinet approval is required for the allocation of Covid-19 funds.

Walsall Proud Programme Savings

4.22 The 2020/21 budget is predicated on delivery of £8.77m from the Proud Programme to be delivered from adopting new ways of working across the council, significantly enhancing our enabling technology capabilities, and improving our service efficiency and performance. Planned activities within the Walsall Proud Programme (WPP) have been reviewed in order to determine those activities which can continue and those which should be delayed as the council responds to the Covid-19 situation.

4.23 As part of this review, an assessment of the financial impact has also been undertaken in relation to those work streams due to deliver savings in 2020/21 alone. The overall impact reported in the May Cabinet report was at minimum, a delay in delivering £2.15m of savings into 2021/22 rather than 2020/1. The current assessment is that up to £6.28m of savings will now be delivered in 2021/22, however action is currently in hand to prioritise those savings which may be able to be delivered earlier. This is in the main due to: a refocus of programme resource into managing the council's Covid-19 response: inability to generate fee and charge increases due to facility closures, and an inability to commence consultation on a number of organisational redesigns. In the worst case scenario, the full savings would be delivered in 2021/22.

4.24 Additionally, there may be further one-off costs as parts of the programme are paused and then reset, particularly in relation to any specialist resource required to deliver aspects of the programme. Further to this, there is a high likelihood of a knock on impact to 2021/22, as resource, once the programme is reset, will be focussed on both delivery of 2020/21 savings and implementation planning in relation to the c£20m savings to set a balanced budget for 2021/22. This is currently being assessed and a further update will be included in a report to Cabinet in September 2020.

Revenue Forecast 2020/21 - Service Pressures

- 4.25 Walsall Council has a track record of managing financial pressures and action has been taken to mitigate current and future cost pressures, however demand pressures in an authority of this size will always arise. The current council wide forecast of non – Covid-19 pressures shows a variance of c£4m to budget. Any on-going pressures identified and not addressed in year will need to be considered as part of the 2021/22 budget process. Work continues to address these areas of pressure by year-end.
- 4.26 The following sections provide more detail on these pressures and actions being taken to address these.

Adult Social Care - £2.04m of Pressures

- 4.27 The pressures arise from delayed delivery of a 2019/20 saving brought forward into 2020/21 and areas of spend increases as a result of demand as follows:
- £1m – additional adult social care costs. Perform Plus has been deployed within adult social care, delivering improved productivity and a resulting reduction of care assessments in the system. One consequence of this has been an increase in care costs. Action is being taken to ensure that savings in productivity are used to offset these costs;
 - £646k – partial non-delivery of the Procure to Pay saving (from a total of £1.294m), which was carried forward from 2019/20. Plans were in place to deliver this, however Covid-19 has meant these actions require review and potentially alternative action to deliver;
 - £1.4m – non-delivery of the joint funding with partners saving proposal (including the saving carried forward from 2019/20). Mitigation is subject to ongoing discussions;
 - The above is currently offset by a number of actions including £1m of one-off funding to offset complex care packages. Further work is underway to identify actions to address these areas of pressure.

Children's Services - £1m of Pressure

- 4.28 The pressures arise from:
- £693k - home to school transport pressure, primarily resulting from an increase in out of borough demand;
 - £281k - due to an increase in the number/mix of young people placed in care;
 - £50k - overspend within the Regional Adoption Agency (RAA), due to a historic interagency fee invoice and an increase in contributions payable to the RAA;
 - (£21k) Under spend on short breaks, and across Early Help 0-19 services;
 - Further work is underway to identify actions to address these areas of pressure.

Economy, Environment and Communities - £0.63m of Pressures

- 4.29 The pressures arise from:
- Agency staff costs within waste collection, grounds, trees & street cleansing - £59k;
 - £375k un-achievement of planning income (non Covid-19 related);
 - A pressure due to the cessation of shared emergency planning service with Sandwell MBC - £30k;
 - Ongoing shortfall of £124k in active living income and £28k in libraries from previous year's savings, which have been exacerbated by closures due to Covid-19;

- The above is offset by underspends within programme management – Directorate Support and at the New Art gallery, resulting in net pressures of £0.63m;
- Further work is underway to identify actions to address these areas of pressure.

Resources and Transformation - £0.28m of Pressures

4.30 The pressures arise from:

- £203k Soft IFM – additional costs on Cleaning, Caretaking and Catering as well as under recovery of income;
- £82k Hard IFM – additional costs on redundant buildings;
- Offset by vacant posts held within the service area, resulting in a net pressure of £0.28m. Further work is underway to identify actions to address these areas of pressure.

Revenue Forecast 2020/21 – Action to Address

4.31 As set out in previous sections and table below, net of confirmed and estimated government grant, there still remains significant pressures of between £11m to £23m.

Table 7: Full Year 2020/21 Financial Summary	Reasonable Case £	Reasonable Worse Case £
Total to date	30,633,214	43,018,323
Unringfenced Government allocation less 2019/20 Covid-19 costs of £268,942	(17,212,162)	(17,212,162)
Additional estimated grant for loss of income - See 4.6 (ii)	(3,352,065)	(4,191,788)
Estimated share of £500m support package - See 4.6 (i)	(£2.4m-£3m)	(£2.4m-£3m)
Net Unfunded Covid-19 Shortfall	c£7.1m-£7.7m	c£18.6m-£19.2m
Non Covid-19 Service Pressures	3,936,112	3,936,112
Total Unfunded Pressures to Manage	c£11m-£11.6m	c£22.5m-£23.1m

4.32 Should no further funding be made available, or funding is insufficient to cover the minimum shortfall of c£11m, then action will need to be taken to address this shortfall. Actions include the following, of which a number (*italics*) are in train:

- *Lobby for further funding and flexibilities;*
- *Prioritise delivery of approved Proud savings;*
- *Identify and deliver corrective all actions required to balance the position and manage the £4m of non-Covid-19 pressures outlined in the report;*
- *Embed impact of Proud and Reset opportunities into budget monitoring, service and transformation plans;*
- Identify quick wins including non-essential spend, non-essential recruitment freeze;
- Identify further savings opportunities for delivery in 2020/21;
- Review potential for capturing Proud Headroom (do more to get to the high range of benefits in 2020/21);
- *Review Covid-19 impact on core assumptions for both 2020/21 and 2021/22 - changes in demand;*
- *Centralise relevant budgets e.g. printing, travel;*
- *Use of Flexible Capital Receipts Strategy;*

- Remove any non-committed earmarked reserves;
- Undertake a balance sheet review;
- Capitalisation of revenue (at margin).

4.33 Current general reserves are in the region of £14m. The above actions will need to be prioritised to ensure only a minimum, if any call on general reserves, is required. The MTFS requires a minimum level of reserves is maintained at all times – this being set at £6m – as such, wherever possible, alternative actions should be taken to ensure that at least this level is maintained in year and where possible, general reserves are maintained at their current levels. This avoids having to take even further action to replenish reserves in year or as part of the 2021/22 budget setting process, putting further pressure on council services. Clearly in the ‘worst case’ scenario of a £23m shortfall, an increased number of actions will need to be taken, with an increased risk that in totality, this will not deliver a balanced budget, and therefore more significant actions may be required. A further report will be presented in September setting out actions proposed and requesting Cabinet approval of any further formal actions required.

4.34 The Chancellor’s Summer Economic Update on 8 July 2020 announced the Government’s second phase economic response. The following is a summary of key announcements. There were no additional funding announcements in relation to Covid-19 funding for local authorities.

- The next Budget and Spending Review is planned for Autumn 2020, to include challenges impacting on public finances;
- Winding down of the Job Retention Scheme in October with incentives for employers for retention of staff;
- A new £2bn ‘Kickstart scheme’ for employment incentives for 16-24 year olds - It will cover 100% of minimum wage for a maximum of 25 hours a week with employers able to top up wages for six months. Employers to apply to be part of scheme from next month with no cap on the number of places available;
- Pay employers to create new apprenticeships - £2,000 per apprentice & £1,500 for those over 25 years of age;
- £1bn for DWP to encourage people back to work, and double the number of staff in job centres;
- £1,000 bonus to employers for every 18-24 year old new trainee taken on from September 2020, with £100m to create places on level 2 and 3 courses;
- Infrastructure improvements as previously announced;
- £1bn for energy efficiency of public sector buildings;
- Support to the hospitality sector with temporary decrease in VAT and meal vouchers for August.

Capital Programme 2020/21

4.35 The capital programme for 2020/21, as approved by Council on 27 February 2020 was £98.36m. **Table 8** summarises amendments made to date, resulting in a revised programme of £186.44m, requiring approval of Cabinet.

Table 8 : Amendments to Capital Programme 2020/21	
Project	£m
Capital programme 2020/21 per Council 27 February 2020	98.36
Council Funded	
Carry forwards from 2019/20 as approved by Cabinet on 17 June 2020	18.89
Aids and Adaptations – budget used in 2019/20	(0.12)

Microsoft Azure Cloud - Use of 2019/20 underspend	0.57
Externally Funded	
Carry forwards from 2019/20 as approved by Cabinet on 17 June 2020	43.34
Land and Property Investment Fund	7.21
M6 Junction 10	18.46
Integrated Transport Block	0.01
Basic Need	0.22
Disabled Facilities Grant - budget used in 2019/20	(0.50)
Revised capital programme 2020/21	186.44

4.36 The Government announced on 30 June 2020 that they are bringing forward £5bn of capital investment projects, supporting jobs and the economic recovery. This was referred to in the Chancellor's Summer Economic Update on 8 July 2020. As part of this, we have received confirmation of an offer of £750,000 for Bloxwich and £750,000 for Walsall from the Towns Fund, to fund capital projects that can be delivered this financial year. The council is required to submit a letter by 18 August 2020 on what we intend to do with the grant, with confirmation from our s151 officer that this spending is in line with the Towns Fund intervention framework, will achieve good value for money and that the project can be delivered this financial year. Once confirmed, this grant will be added as a variation to the approved capital programme for Cabinet approval. This grant is for encouraging projects that will support towns in responding to immediate challenges including: –

- Improvements to or new parks and green spaces and sustainable transport links;
- Improvement to town centres including repurposing empty commercial properties;
- Demolition or site remediation where this will have an immediate benefit.

4.37 **Table 9** summarises the 2020/20 capital programme and forecast outturn after the re-phasing of projects into 2021/22.

Directorate	Budget £m	Predicted year end forecast £m	Variance before Carry forward £m	Carry Forward £m	Variance Over / (Under) £m
Council funded	50.66	48.98	(1.68)	1.79	0.11
Externally funded	135.78	135.78	0	0	0
Total	186.44	184.76	(1.68)	1.79	0.11

4.38 The council funded element of the capital programme currently shows predicted re-phasing of £1.79m from 2020/21 to 2021/22 as shown in **table 10**. Re-phasing occurs for a number of reasons such as late confirmation of grant approvals, timing of projects that may fall over more than one financial year, contract delays out of our control as awaiting funding or Government approval, etc.

Project	£m
Essential Microsoft upgrades & foundation for Office 365	0.06
ICT-Safe and Secure Environment	0.73
ICT-Safe and Secure Environment Wyse	0.49

Proud – ICT	0.07
Telephony - Cloud Based System	0.44
Total	1.79

4.39 We are currently assessing the potential implications of Covid-19 on the programme, and will bring further updates once we have fully assessed these, including the impact upon;

- Potential delays in regional and national funding decisions such as the Future High Streets Fund, where decisions on funding approvals have been put back until after the summer, which may result in risk to the authority in undertaking the required land acquisitions;
- Impacts on funding conditions for example for growth deal and ERF;
- Impact on planned school expansions;
- Contractual obligations impacting on the delivery of agreed programme of works e.g. for example payment of any contractual compensation claims, which may result in reduced funding to deliver programmes of work – some contractual compensation payments have been made but these have been limited and accommodated from existing budgets, the impact of which is being assessed in terms of programme of works.
- Revisions to the ICT programme to accommodate home working – cost assumptions are currently inbuilt into the Covid-19 reported position above;
- A potential impact on the delay in assessing statutory disabled facilities grants and aids and adaptations – including a potential reduction in requests, our ability to deliver requests, and risks around associated grant conditions.

4.40 In addition to the above, further impacts are likely to include:

- Borrowing implications, with interest rates reductions, the authority is reviewing its investment assumptions and corresponding borrowing decisions, which are also affected by cash flow requirements from supporting the Covid-19 response.
- Capital receipts - ability to bring assets to market and uncertainty around valuations.

Financial Health Indicators

4.41 **Appendix 2** contains financial health indicator performance as at 31 May 2020. The primary purpose of these is to advise Cabinet of the current financial health of the authority in order to provide assurance to them in their role. The indicators cover a number of areas as follows:

Treasury Management

4.42 The indicators show the actual borrowing and investment rates for 2019/20 and the forecast for 2020/21 against set targets. Proactive and robust management of the council's debt and investment portfolios is forecast to result in positive variances against the financial health indicator targets for 2020/21.

Average interest rates on borrowing show an improvement against targets as a result of the council taking out new borrowing at favourable rates, whilst repaying older loans at maturity at higher interest rates. An exception to this is the average borrowing rate excluding other local authority debt which is currently showing as 0.02% above target, but this will reduce to below the target once planned borrowing for capital expenditure is taken out in the 3rd quarter.

The bank of England base rate was cut twice in March 2020 due to the Coronavirus crisis, which has had a significant impact on interest rates for the foreseeable future. The council is currently achieving an average investment rate across all investments of 0.78% against a target of 1.11%. This has resulted mostly from holding higher balances in “At Call” accounts than usual, where investment returns are particularly low at the moment. Short term and long term investment performance is still above target due to investments which were placed before the interest rate cuts. The treasury service seeks to minimise the impact of low rates through negotiations to secure favourable rates when considering investment options, and through the review and identification of new and appropriate opportunities for investment.

Balance Sheet

- 4.43 This details ratios for the last 4 financial years 2015/16, 2016/17, 2017/18, 2018/19 and pre-audit figures for 2019/20 which show the liquidity of the authority.

Revenue performance

- 4.44 This section shows collection rates for council tax and business rates, the average number of days to collect sundry debt and the number of days to process creditor payments for 2019/20 and the performance against profile for 2020/21. Sundry debt collection is better than the target by 5 days with performance in relation to the processing of creditor payments also better by 9 days. Council tax collection is just short of the target with business rates down mainly due to the impact of Covid-19.

Management of Resources

- 4.45 This section details the outturn position for 2019/20 (pre audit) and 2020/21 year-end forecast for revenue and capital, which is based on the financial position as at 31 May 2020. The revenue forecast for 2020/21 shown is an overspend of £4.31m after successful delivery of corrective action plans.
- 4.46 Mainstream capital (funded from the council’s own resources) as at 31 May 2020 is forecast to be a marginal overspend of £110k after rephasing of £1.79m into 2021/22. Capital receipts are currently forecast to achieve the target as set out, but this is dependent on timing and market conditions.

Prudential Indicators

- 4.47 **Appendix 3** contains the prudential indicators as at May 2020. The primary purpose of these is to provide assurance to Cabinet that the authority is borrowing and investing in a sound and prudent manner. Indicators are approved by Council on an annual basis.

National Indicators

- 4.48 These indicators are nationally set and provide an indication of the council’s exposure to interest rate risks, the proportion of the council’s budget used to finance capital expenditure and the borrowing limits for the current year.

All of these indicators were met in 2019/20 and are forecast to be met in 2020/21.

Local Indicators

4.49 These indicators have been set in consultation with the Treasury Management Panel which is chaired by the s151 Officer, to provide further assurances to the authority that borrowing and investment is being undertaken in a sound and prudent manner.

Specific variances to highlight are:

- L2 – Average length of debt – The target acceptable limit is within 15-20 years. The authority's current position is 16.32 years, which is within the target range.
- L3a - Net borrowing costs as % of net council tax requirement (variance of -62.91%). The target figure of 20.00% represents an upper limit of affordable net borrowing costs as a percentage of the net council tax requirement for the authority. The actual level of net borrowing costs is currently less than the upper limit, which in the main is linked to the work undertaken by the service to seek to secure favourable rates on investments and reduced costs on borrowing, thus reducing the overall net borrowing costs.
- L3b - Net borrowing costs as % of Tax Revenue (variance of -62.48%). The target figure of 12.50% represents an upper limit of affordable net borrowing costs as a percentage of tax revenues for the authority. The actual level of net borrowing costs is currently less than the upper limit, which in the main is linked to the work undertaken by the service to seek to secure favourable rates on investments and reduced costs on borrowing, thus reducing the overall net borrowing costs.
- L8 – Average rate achieved on Short Term Interest vs At Call Rate – The target is to achieve a 50% better rate on short term investments vs the current At Call rate (i.e. do nothing other than leave all cash in overnight At Call accounts). In May the At Call rate was 0.21%, creating a 50% above target of 0.32%. The short term interest rate achieved was actually 1.21%, which results in a 476.19% favourable variance above the At Call rate.
- L9a –At Call investment rate – This is currently 0.21% against a target of 0.60%. The bank of England base rate was cut twice in March due to the Coronavirus crisis, which has had a significant impact on At Call rates for the foreseeable future. The Treasury service do seek to minimise this impact by securing favourable rates on Short term and long term investments, which are both currently exceeding the set target.
- L10 – Average interest rate on all ST investments (ST & At Call) – The authority's short term investment rate is above target due to a number of investments being placed before the interest rate cuts, but overall the combined rate is below target due to the At Call rate variance. Rate achieved is 0.65% vs a target of 1.04%.
- L11a & b – These two average rate indicators across all investments are currently below target due to the same reason as above.

The Medium Term Financial Outlook (MTFO)

4.50 Council on 27 February 2020 approved the 2020/21 budget, which included the draft plan for the period 2020/21 to 2022/23. Savings of £8.77m were published for 2020/21. Directorate cash limits were issued for 2021/22 and 2022/23 to meet the overall funding envelope, including indicative savings requirements of £21.06m in 2021/22 and £17.30m in 2022/23, as follows.

	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Savings required per Council February 2020	8.77	21.06	17.30	47.13
Savings identified	(8.77)			(8.77)
Savings to be identified	0.00	21.06	17.30	38.36

4.51 The MTFO reflects a rolling four year period and since the budget was set in February, a further year, 2023/24, has been added to the MTFO. Further work is in hand to refresh the MTFO and the outcome will be reported back to Cabinet in September 2020 alongside plans to deliver Proud programme savings. This work includes:

- A review of investment currently assumed each year, in particular demand growth and one off investment to deliver the Proud Programme;
- Review of pay and pension assumptions;
- Review of contractual inflation assumptions;
- Impact of Covid-19 on cost and income assumptions;
- Business rates and council tax collection rates, council tax reduction scheme claimants, and provision for bad and doubtful debts;
- Review of core funding assumptions in light of the delayed CSR, Fair Funding and Business Rates reforms.
- Impact of proposed Reset Service Plans.

Budget Framework and Timetable

4.52 Resources are allocated and budgets set within a framework of protocols and guidelines, in particular the council's Corporate Plan and Medium Term Financial Strategy (MTFS). Decisions will need to be made about how to achieve a balanced budget, in the context of the needs of the Borough and also to ensure that we continue to care for the most vulnerable in our communities. Whilst it is recognised that Full Council will only set the council tax bands for 2021/22 in February 2021, the budget will continue to take a four year view (current year plus three), allowing for a more strategic focus to service re-design and savings aligned to the longer term priorities of the council.

4.53 The council is committed to adopting a holistic and collaborative approach, and there is strong consensus that this approach will produce better results than taking a traditional perspective on the financial challenges facing the council. By taking this collaborative approach, using knowledge and understanding of our communities and evidence about the impact of service delivery, proposals will be developed that will be designed to make best use of all of our resources and to make the optimum impact that we can for the residents and businesses of Walsall.

4.54 The Budget Framework is intended to:

- Provide a framework to ensure successful delivery of the council's corporate vision and priorities.
- Maintain a financially sustainable position over the 4-year planning period and set a legally balanced 2021/22 budget.
- Allocate limited and reducing resources to those activities that contribute most to improved outcomes.
- Continue the focus on the need to deliver ongoing efficiency savings.

4.55 In considering resource allocation, funding for the development of services will need to be met from the redirection of existing resources and the identification of new or revised income sources. The council will need to be a leaner, more focussed organisation. The process needs to consider:

- The council's priorities and outcomes – what does it want to do, to what standard and what results does it want to achieve and at what cost;
- The methods of service delivery that will deliver value for money (e.g.: in-house, partnerships, outsourcing);
- The organisational structure that is needed to support the above;
- The level of council tax increases (subject to Government direction and referendum levels) and what this means for the council's overall budget;
- Income that can be generated (through the charging policy, increased charges, new charges, new grants, etc.);
- The levels of reserves and contingencies required for financial prudence and to proactively manage the council's risks (set out by the S151 Officer);
- The use of unringfenced grant – it is assumed that all unringfenced grant will be pooled to support the corporate good, unless Cabinet approve otherwise during the budget process;
- Stakeholder consultation and lobbying;
- The impact of Covid-19 / Post Covid-19 and developing Reset plans going forwards on our services and residents and on our financial assumptions and the continued need to be able to respond quickly and flexibly to changes in circumstances.

4.56 Our approach to resource allocation will:

- I. Be first and foremost focussed on purpose and objectives – the Corporate Plan. This will drive service delivery.
- II. Follow a minimum four-year (current year plus three) approach;
- III. Fit the financial envelope available and allow for a strategic focus to cross organisational as well as service redesigns as part of the Walsall Proud Programme, for how the council will change the way it delivers its services in the future as part of an integrated approach to planning. This will involve redirection of existing resources through the implementation and rollout of organisational and service transformations; identification of third part spend reductions and efficiencies; and the identification of new or revised income sources;
- IV. Include early and effective engagement, consultation and impact assessment, with our staff, partners, and stakeholders;
- V. Seek to use knowledge and understanding of our communities and evidence about the impact of service delivery and revisions to that delivery;
- VI. Make best use of all of our resources (including partner resources) and to make the optimum impact that we can for the residents and businesses of Walsall;
- VII. Be aware of and take account of external drivers and be flexible enough to adapt to changes in these;
- VIII. Identify key change required as part of the Walsall Proud Programme, and ensure this is adequately resourced and supported by the council's workforce strategy and appropriate performance systems.

4.57 Since March 2020, the council has been impacted greatly by the emergency response to Covid-19, and is now reviewing its plans on how we need to organise ourselves going forward within our new ways of working. Our Reset principles will be planned around the council's Walsall Proud Programme (WPP) key promises:

- **Improve service efficiency and performance**
 - To promote and push remote working as far as possible to minimise our estate footprint (within reasonable parameters e.g. not adopt hot-desking policy whilst covid-19 remains a risk);
 - To focus on achieving financial sustainability for the organisation through cost reduction;
 - To promote an outcome focussed culture.
- **Improve outcomes and customer experience**
 - To minimise the need for physical interactions with citizens through the use of digital / virtual technologies leading to more inclusive and flexible service access (i.e. 24 hour self-service);
 - To consider the closure of services that don't contribute well to delivering outcomes or reducing inequality;
 - To build in and embed resilience to future waves of COVID 19 or shocks.
- **Improve employee satisfaction and engagement**
 - To maintain the health and wellbeing of employees
 - To enable employees to work in the most flexible ways e.g. use new technologies, acknowledge presenteeism as an old way of working, review policies and procedures where needed

4.58 The Proud Programme covers all council services and consists of eight key work streams:

- **Outcomes, Service Levels and Delivery Models**
This work stream is supporting the alignment of council services, to better achieve the outcomes of our Corporate Plan. The Corporate Plan 2018-2021 defines ten outcomes that the council is working to deliver. To achieve these outcomes, the council's services have been collated into 11 components, based on common themes. For each component, the work stream will support services to review their current policies, processes and technology to identify areas for improvement and, as a result, deliver more effective and efficient services to local residents and businesses. Transition plans will then be developed with services to deliver the required changes.
- **Commissioning, Procurement & Contract Management (Third Party Spend)**
To identify opportunities that will enable us to financially support our current and future services, especially those developed by the Walsall Proud Programme. It will do this by reviewing and reducing third party spend and improving the 'Procure to Pay' process and systems.
- **Culture & Behaviours**
All organisations, services and staff have cultures and behaviours, good and bad. This work stream will look at how individuals make decisions, initially in the context of staff undertaking and supporting the Walsall Proud Programme. It will then implement approaches and processes that will encourage and boost the good, and challenge and change the bad.
- **Customer Access and Management**
CAM will address the mechanisms available to us to manage and streamline services we provide to our customers and improve their experience. We will equip our employees with the correct technology and tools to perform their jobs. The new approach will introduce efficiencies in our ways of interacting with them. This work

stream has developed a blueprint for the new customer operations centre which was approved by Board and Cabinet in December 2019. The team is now in implementation phase and working with services to implement.

- ***Designing the Ways of Working***

This will consider how our 'Hub', including 'Communications, Marketing and Brand', 'Business Intelligence' and 'Commissioning, Procurement and Contract Management', will work to support services. The detailed design it will produce will change the Hub services' 'Ways of Working' to make them more effective. Blueprints have been developed and preparation for transition and implementation has begun.

- ***Enabling Technology***

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

- ***Income Generation & Cost Recovery***

This is focusing on finding ways of boosting our income through the recovery of expenditure across services. Doing this will lead to a greater and more sustainable income for these services and the organisation. Cabinet in September 2019 approved the council's income and commercial policy and corporate debt policy.

- ***Service Productivity and Performance (Perform+)***

This is looking at how we work, as teams and as individuals. 'Perform+' has been rolled out in Money, Home, Job, and Adult Social Care. Diagnostics for wave2 have commenced and setting up the Perform Academy for sustainable future roll out. This people-centred approach uses one-on-one coaching of managers and team leaders and the introduction of new workplace tools and techniques to make sure employees have the skills, support and resources needed to deliver against aspirations.

4.59 Our approach to budget setting will set the overall financial savings expected to be delivered via the Proud Programme. Proud work streams will deliver the required savings for 2021/22 and beyond – the extent of savings will of course be dependent on the pace of change and the level of ambition. It is expected that a Programme Implementation Plan, identifying key delivery milestones, will be presented to Cabinet in September 2020, along with high level Service Transformation Plans, with saving delivery plans to follow from October onwards to allow stakeholder consultation to take place prior to the setting of the 2021/22 budget in February 2021.

4.60 The process and key dates to come include:

- Finalise review on the MTFO and report to Cabinet / CMT;
- Proud Implementation Plan with key milestones by September 2020;
- Delivery options developed over the Summer and Autumn, in consultation with portfolio holders;
- Review of the draft capital programme;
- Draft revenue budget options to Cabinet 21 October 2020*;

- Scrutiny of the first draft budget proposals, by overview and scrutiny committees from in October / November 2020, and feedback to Cabinet on 16 December 2020*;
- Cabinet consider recommendations of overview and scrutiny committees on first draft budget and make any amendments;
- Budget briefings for political groups and independent members through the year;
- Consultation with the public on proposals for future service delivery, and formal employee and trade union consultation;
- Receipt of the draft 2021/22 settlement estimated to be in December 2020, and the final in late January / early February 2021;
- Recommendation of the revenue budget and council tax bands, capital programme and Treasury Management Strategy by Cabinet on 10 February 2021* for consideration by Council on 25 February 2021*.

**Provisional Cabinet/Council dates to be confirmed.*

Changes to the Medium Term Financial Strategy (MTFS)

4.61 Best practice financial management requires an MTFS that is regularly updated to take into account the changing environment within which we work. The MTFS has been updated to reflect the following:

- Reference to the refreshed Corporate Plan 2018-21 as approved by Council on 27 February 2020.
- Updates to the national policy, financial context and the medium term financial outlook, following approval of the 2020/21 budget by Council on 27 February 2020.
- Reference to the Income and Commercial Policy approved by Cabinet on 4 September 2019, including approved principles in relation to income at Section 5c, and a new section in relation to Commercial at 5k.

The revised MTFS is included on the Council's Committee Management Information System webpage (underneath the electronic link to this report) should members of the public and elected members wish to refer to the full document.

Changes to the Tax Strategy and governance arrangements

4.62 It is best practice to regularly review and update the Tax Strategy and governance arrangements to account for both internal changes and legislative changes. The Tax Strategy and governance arrangements has been reviewed, and there are no changes required to be approved.

The following is the link to the current Tax Strategy and governance arrangements should members of the public and elected members wish to refer to the full document.

[Tax Strategy approved by Cabinet July 2019](#)

Council Corporate Plan Priorities

4.63 The councils financial strategy and annual budget process is designed to ensure that resources follow council priorities as set out in the Corporate Plan. Covid-19 creates risk, in that resources may need to be redirected to support the council's response, if Government funding is insufficient to fully cover both the direct (additional costs pressures, loss of income) and indirect costs (cost of reset and costs arising from delays in savings delivery due to the need to refocus on our Covid-19 response. Regular dialogue is being held with MHCLG officials to seek full recovery of costs.

- 4.64 The Budget Framework ensures that the allocation of resources is aligned to the council's priorities as set out in the Corporate Plan. The Corporate Plan is the driver for all service activity.

Risk Management

- 4.65 The council is having to make decisions that have a significant financial impact without a guarantee that the costs will be fully compensated for by the Government. The most obvious financial risk is therefore that the council will, if it is not fully reimbursed for all of its direct and indirect costs, overspend its 2020/21 budget, and deplete its general reserves.
- 4.66 The 2020/21 budget and level of operating reserves were set following a robust financial risk assessment. The level of reserves can only be set based on a set of realistically foreseeable or predicted parameters, and was judged to be sufficient for all but the most unusual of events. Due regard is made to the strategic and operational risks facing the council. Some of these relate to the current economic condition, others to potential regulatory or national issues, which may have a local impact. A global pandemic was clearly not part of that assessment and therefore our reserves, should Government not fully recompense the council for all the direct and indirect costs of Covid-19, would be insufficient to provide a sufficient cushion to avoid an overspend situation.
- 4.67 The short term risk of this is being managed through close management and reporting of costs, loss of income, and indirect impacts such as the delay in delivery of approved budget savings through Cabinet/Gold/Silver Control meetings as appropriate and as reported to Cabinet in May.
- 4.68 As well as financial risk, the council maintains a register that highlights key themes of organisational risk (this is not risks to the community from Covid-19 or Reset) which is reported to Audit Committee as part of their annual work programme. The Strategic Risk Register (SRR) has been reviewed and amended to reflect the impact of Covid-19. The SRR has been reported to CMT and oversight in relation to this rests with Audit Committee, which will receive a SRR report in July. Risks to the organisation and forecast were set out in the May Cabinet report in further detail.
- 4.69 Managers are required to deliver service and improvement targets on time, to standard and within budget. The resource allocation process is governed by the overarching Medium Term Financial Strategy. Risk management is an integral part of this activity and is embedded in budget preparation, monitoring and forecasting to enable potential variances and risks to be identified early and addressed.

Financial Implications

- 4.70 The financial implications are as set out in the main body of this report. The total final cost of Covid-19 is unknown at this stage, although a range has been identified and is contained within this report. It is expected that costs up to November/December may be accommodated within the initial Covid-19 Response Funds, however should all of the identified risks arise then costs would greatly surpass these funds. The implications of that are set out in the main report and within the legal implications section of the report. Monthly returns are being provided to MHCLG of high-level projections of costs, however it is unclear whether and how further funding will be made

available and how this will be designed to reflect the individual circumstances and financial losses at an individual authority level.

- 4.71 In addition to the implications for the 2020/21 budget, Covid-19 may significantly impact on the council's reserve levels, with knock-on implications on the council's ability to set budgets for 2021/22 and future years. This remains under review. A specific assurance on the Government's plans to compensate for such losses would be welcomed by council's to ease this burden.
- 4.72 Inevitably, if funding is not provided to fully cover shortfalls, then council's will need to consider other actions short of S114 notices, including identifying further alternative savings options as set out in the main text of this report, and potentially emergency budgets.
- 4.73 The council has a statutory responsibility to set a balanced budget and to ensure it has an adequate level of reserves. The council will take a medium term policy led approach to all decisions on resource allocation.

Legal implications

- 4.74 The council is required to set and operate within a balanced budget. Section 114 of the Local Government Finance Act 1988 requires the chief finance officer (CFO), in consultation with the council's monitoring officer, to make a report under this section if it appears to him or her that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. In practice, this is most likely to be required in a situation in which reserves have become depleted and it is forecast that the council will not have the resources to meet its expenditure in a particular financial year.
- 4.75 This mechanism, however is impractical and should be avoided, as issuing a S114 notice requires all non statutory spend to cease immediately, a situation which would just exacerbate the current situation. Assurance from Government that it will cover all direct and indirect costs of Covid-19 is therefore essential to allow council's to manage their legal obligations and maintain financial stability going forwards.
- 4.76 CIPFA's guidance to CFO's has been modified to allow councils under budgetary pressure due to Covid-19 the time and space to explore alternatives to freezing spending via a S114 notice. The temporary modifications to guidance proposed by CIPFA would mean that it should not normally be necessary for S.114 notices to be issued while informal discussions with government are in progress. The institute is proposing two specific modifications:
- At the earliest possible stage a CFO should make informal confidential contact with MHCLG to advise of financial concerns and a possible forthcoming S114 requirement.
 - The CFO should communicate the potential unbalanced budget position due to Covid-19 to MHCLG at the same time as providing a potential S114 scenario report to the council executive (cabinet) and the external auditor.
- 4.77 The council will have due regard to its statutory responsibilities in proposing any changes to service provision and its statutory responsibilities in relation to setting a balanced budget.

Procurement Implications / Social Value

- 4.78 A number of goods and services, such as PPE, are currently being procured and procurement colleagues are working closely with services to ensure this is done in an agile, but compliant manner.

Property implications

- 4.79 Many council premises are currently either closed or open with restricted access to essential workers.

Health and wellbeing implications

- 4.80 This report is prepared with consideration of health and wellbeing implications.

Staffing Implications

- 4.81 There have been significant implications for staff and how they support delivery of services. Many are having to adapt to new ways of working, particularly home working. There are opportunities to review our future ways of working as part of 'reset'.

Reducing Inequalities

- 4.82 The 2010 Equality Act lays a requirement to have due regard to the equality impact when exercising its function. As a public body, the council is required to comply with the Public Sector Equality Duty (PSED), as set out in the Equality Act, 2010. The PSED requires the council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. Failure to meet these requirements may result in the council being exposed to costly, time-consuming and reputation-damaging legal challenges.

Consultation

- 4.83 The report is prepared in consultation with the s151 Officer, relevant managers and directors. Comprehensive consultation will be undertaken during the budget process and feedback used to inform final decisions.

5. Decide

- 5.1 To approve the recommendations as set out in this report.

6. Respond

- 6.1 Following Cabinet's consideration and approval, the S151 Officer will ensure implementation of the recommendations.

7. Review

- 7.1 Regular monitoring reports will be presented to Cabinet to inform them of the impact of Covid-19 and the forecast for 2020/21, including an update on risks and impact on the budget for 2021/22 and beyond.

7.2 Budget proposals will be presented to Cabinet, and implemented following approval of the budget by Full Council in February 2021.

Background papers: Various financial working papers.

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Signed:



Deborah Hindson
Interim Executive Director of Resources
and Transformation (S151 Officer)
09 July 2020



Councillor M Bird
Leader of the Council
09 July 2020

Cabinet, Gold and Silver Control Approvals

Date	Approval	Additional Costs Approved £
Cabinet approvals		
19/05/20	Shielding and support to voluntary sector hubs to support vulnerable people and families at risk of harm of Covid-19. Total £1.033m approved, but £11k spent in 2019/20. Approved by Gold 11/05/20.	1,022,000
19/05/20	Adult Social Care provider payments, and additional supplier relief for contracted and non-contracted providers.	318,900
04/06/20	Infection Control Fund – Urgent decision taken by Leader to delegate authority to the Interim Director of Adult Social Care for allocation of the full £2,288,564 – 75% (£1,715,930) to residential and nursing providers, and 25% (£572,634) to share across domiciliary care providers based on their number of packages at a given point, both in accordance with the relevant Grant conditions.	0
17/06/20	Emergency Personal Protective Equipment. There are currently 164 different Care Providers that the local Hub at Goscote is supporting - 58 of those are Residential/Nursing homes in Walsall, and 107 are providers delivering a selection of extra care, supported living and domiciliary care provision. In addition to this the hub supports volunteers requiring PPE, internal workforce delivering a range of personal care and front facing work with vulnerable people, direct payment recipients and carers who may require PPE to support people at home. Following approved by Gold 22/04/20, and Cabinet report approved by the Leader 23/4/20, a rolling monthly sum of no more than £660k over 3 months (£1.98m) was agreed – <i>permission has been given by NHS England to charge PPE costs to Walsall CCG - this is assumed to be net nil cost to the councils as at despatch date. Cabinet approved for the continuous ordering of urgent local supplies of PPE via the council's Adult Social Care Provider Hub, continuing to work with the Corporate Procurement team.</i>	0
17/06/20	Walsall Local Outbreak Plan – Governance and Delivery Arrangements, established to provide political ownership and public-facing engagement and communications for outbreak response. It is proposed that the Health and Wellbeing Board (or subcommittee) act as the “Local Outbreak Engagement Board” and revised Health protection Forum act as the local operational oversight and is responsible for the production of the Outbreak Plan. Funding by way of the £1,650,559 ringfenced Test and Trace allocation with delegated authority to the Director of Public Health	0
Total Cabinet approvals to date		1,340,900
Gold Control approvals >£50k		
06/04/20	Use of Computerised Tomography (CT) equipment for digital autopsies – to be reviewed after initial 6 month period (April– Sept)	95,200
17/04/20	Provision of a temporary site to accommodate people from Gypsy, Roma and Travelling communities (20 April – 17 May 2020)	30,000
		Additional

Date	Approval	Costs Approved £
22/04/20	ICT to enable business continuity – issue of approx.100 tablets, 52 monitors, 20 docking stations and 225 mobile phones to enable staff to work remotely. £339k approved (£155k relates to 2019/20)	184,975
24/04/20	Temporary mortuary at Birmingham Airport.	1,200,000
04/05/20	Support for rough sleepers, victims of domestic abuse and complex young people requiring rehousing (13 weeks)	136,485
22/05/20	Extension of Family Safeguarding delay in implementation of the Social Care locality model to 31 August (further to Silver approval on 20/04/20 below)	61,619
29/05/20	Delay in FDAC programme grant – funding of 6 months of contract April – Sept 2020.	77,119
23/06/20	Co-mingled waste – additional costs to landfill following restrictions on number of caseloads that can be delivered from May 2020 – May only (further requests may be required from June onwards)	87,073
Total Gold approvals to date		1,872,471
Silver Control approvals <£50k		
15/04/20	Cemeteries – increase in burial standby payments, additional diggers and call out payments – April to June 2020 (13 weeks)	27,143
20/04/20	Family Safeguarding – delay in the implementation of the Social Care locality model over 2 months (04/05/20 – 01/07/20)	30,150
15/05/20	Delayed closure of Birchills Children’s Centre by 4 months (Sept – Dec 2020). Further £53k funded from Children’s action plan.	42,667
20/05/20	Garden waste – resources required for first 2 weeks of resuming collections (15-26 June)	12,283
22/05/20	Increased take up of free school meals as more meet low income eligibility criteria. Based on 100 eligible children for 10 wks from 18 May to 21 July.	15,000
22/05/20	One Source Programme Management Support to support implementation as a result of home working – Sept to Dec 2020.	36,900
29/05/20	Foster care – one off £200 to 189 fostering households for additional expenses for the period April – Sept 2020.	37,800
03/06/20	Mental Health first aid training and support to 130 schools and 10 providers for the period 15 June – 31 August 2020	21,000
19/06/20	Interpreter costs in Children’s Services to engage with vulnerable families – April to Sept 2020	20,000
24/06/20	Legal - One off costs for the provision of external legal support (specifically on safe reopening of schools inc health and safety, risk assessments, liability – both civil and criminal, PPE requirements, business closure regulations and advice generally on the Covid Act 2020) March-June 2020	8,875
Total Silver approvals to date		251,818
Total Cabinet / Gold / Silver approval for additional cost pressures		3,465,189

APPENDIX 2: FINANCIAL HEALTH INDICATORS – MAY 2020

Treasury Management	2019/20 Actual	2020/21 Target	2020/21 Actual
Average Interest Rate (Borrowing)	3.74%	3.35%	3.37%
- Excluding OLA	3.86%	3.53%	3.48%
- Including OLA			
Gearing Effect on Capital Financing Estimates	3.92%	5.00%	3.52%
Net Borrowing Costs / Council Tax Requirement and NNDR contribution	3.78%	12.50%	4.69%
Capital Financing Requirement (£m)	381.564	380.886	380.886
Authorised limit for external Debt (£m)	458.391	472.173	472.173
Investment Rate Average (excl Property fund)	1.20%	1.11%	0.78%

Balance Sheet Ratios	2015/16	2016/17	2017/18	2018/19	2019/20 (draft)
Current Assets : Current Liabilities	1.77	1.86	1.03	1.68	2.24
Useable Reserves : General Revenue Expenditure	0.57	0.63	0.65	0.72	0.73
Long Term Borrowing : Tax Revenue (Using both council tax and NNDR for tax revenue)	1.45	1.41	1.20	1.36	1.57
Long Term Assets : Long Term Borrowing	2.29	2.29	2.34	2.05	1.70
Total School Reserves : Dedicated School Grant	0.07	0.05	0.05	0.06	0.05

Revenues Performance % collected for financial year	2018/19 Actual Collected in total @ 31.05.20	2019/20 Actual Collected in total @ 31.05.20	2020/21	
			Profiled 2020/21	Actual 2020/21
Council tax %	96.7%	94.5%	18.0%	17.0%
Total Council Tax collected (£m)	£127,258,304	£131,814,502	£25,450,000	£24,056,917
National Non Domestic Rate %	98.5%	97.3%	19.1%	15.0%
Total NNDR collected (£m)	£71,812,932	£72,684,723	£9,875,000	£7,755,096

Debtors and Creditors Performance	2019/20 Actual	2020/21	
		Target	Actual
Sundry Debtors Collection – Average number of days to collect debt	25 days	30 days	25 days
Average number of days to process creditor payments*	10 days	14 days	5 days

Management of Resources	2020/21		
Service Analysis	Target	Actual	Variance
Children's Services	61,465,591	62,469,102	1,003,511
Economy, Environment & Communities	35,907,793	36,902,389	994,596
Adult Social Care	64,923,993	66,963,998	2,040,005
Resources and Transformation	33,641,544	33,914,544	273,000
Council Wide	23,795,292	23,795,292	0
NNDR/Top Up	(92,168,077)	(92,168,077)	0
Total Net Revenue Expenditure	127,566,136	131,877,248	4,311,112
General Reserves	Minimum £6.2m Maximum £15.5m	N/A	N/A
Council Funded Capital Expenditure	50,662,572	48,979,996	(1,682,576)
External Funded Capital Expenditure	135,778,800	135,778,800	0
Total Capital Expenditure	186,441,372	184,758,796	(1,682,576)
Capital Receipts	3,412,622	3,412,622	0

Management of Resources	2019/20		
Service Analysis	Target	Actual	Variance
Children's Services	74,413,853	75,564,514	1,150,661
Economy and Environment	59,391,898	59,513,597	121,699
Adult Social Care	63,323,488	63,500,820	177,332
Resources and Transformation	20,325,485	19,813,516	(511,969)
Council Wide	(6,188,857)	(7,417,927)	(1,229,070)
NNDR/Top Up	(89,892,422)	-89,892,422	0
Total Net Revenue Expenditure	121,373,443	121,082,098	(291,347)
General Reserves	Minimum £6.2m Maximum £15.5m	(14,410,205)	N/A
Council Funded Capital Expenditure	36,143,094	14,739,594	(21,403,500)
External Funded Capital Expenditure	96,525,661	53,174,730	(43,350,931)
Total Capital Expenditure	132,668,755	67,914,324	(64,754,431)
Capital Receipts	1,869,868	107,246	(1,762,622)

Notes to Management of Resources

The figures for 2019/20 represent the actual budget and spend for each area within the authority. This will include all internal recharges such as office accommodation, central support services, and accounting adjustments for pension liability in line with FRS17 and capital charges. Capital charges and pension liability year end transactions can change substantially at year end as this is when revaluations of assets and figures from the actuary are received and budgets updated to reflect any changes.

What this tells us

Treasury Management	
Average Interest Rate (Borrowing)	The average interest rate we are paying on the money we have borrowed compared to our target.
Gearing Effect on Capital Financing Estimates	Shows how a 1% increase in interest rates would affect the total interest cost to the council.
Net Borrowing Costs / Tax Requirement	Borrowing not financed by a grant from government, as a proportion of our Net Revenue Expenditure
Capital Financing Requirement (£m)	How much money we currently borrow to finance our capital programme.
Authorised limit for external Debt (£m)	The maximum amount of debt we should have at any one time
Investment Rate Average	The average interest rate we are receiving on the money we have invested.

Balance Sheet Ratios	
Current Assets : Current Liabilities	Our ability to meet our liabilities
Useable Reserves : General Revenue Expenditure	If our reserves are adequate to meet potential future variations.
Long Term Borrowing : Tax Revenue Using only council tax for tax revenue Using both council tax and NNDR for tax revenue	The effect of long term borrowing on our budget.
Long Term Borrowing : Long Term Assets	This allows us to understand the relationship between the money we borrow and the assets we have as they both change over time.
Total School Reserves : Dedicated School Grant	If schools reserves are at an appropriate level.

Revenues Performance	
% Collected for Financial Year Council Tax (%)	As a percentage the amount of council tax we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that its related to, but this won't be included in this figure
National Non Domestic Rate (%)	As a percentage the amount of Business rates we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it related to.
Total Council Tax Collected (£m)	This tells us the amount of council tax we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it relates to, but this won't be included in this figure.
Total NNDR Collected (£m)	This tells us the amount of Business Rates we collected during the financial year that runs from 1 April – 31 March. We collect council tax after the year that it relates to, but this won't be included in this figure.
Sundry Debtors Collection Average number of days to collect debt	How long on average it takes us to collect money owed to us.
Average number of days to process creditors payments	How long on average it takes to pay our bills.

Management of Resources	
Service Analysis	
Children's Services Economy and Environment Adult Social Care Resources and Transformation Council Wide	Shows our forecast for how much we will spend on these services compared to what we planned and compared to how much we spent in the previous year.
General Reserves	Our forecast year end position on reserves against our opening balance.
Contingency	How much we have set aside and for unplanned expenditure, and how much we have left to spend.
Capital Expenditure	Forecast of our spend on capital programmes against our target
Capital Receipts	Forecast of how much money we expect to receive from selling some of our assets, against our target.

APPENDIX 3: PRUDENTIAL INDICATORS - MAY 2020

National Indicators – as per CIPFA Prudential Code

Ref	Prudential Indicator Description	2019/20 Actual £m	2020/21 Target £m	2020/21 Actual £m	Variance to Target	
Pr1 1	Capital Expenditure	69.780	186.220	184.540	-1.680	-1%
Pr1 2	Ratio of financing costs to net revenue stream	4.31%	3.78%	3.70%	-0.08%	-2%
Pr1 3	Estimates of the incremental impact of new capital investment decisions on Council Tax	£15.36	£28.49	£28.49	0.000	0%
Pr1 4	Capital Financing Requirement	381.564	380.886	380.886	0.000	0%
Pr1 5	Authorised Limit for external debt	458.391	472.173	472.173	0.000	0%
Pr1 6	Operational Limit for external debt	416.719	429.248	429.248	0.000	0%

Ref	Prudential Indicator Description	2019/20	2020/21
Pr1 7	Gross Borrowing exceeds capital financing requirement	No	No
Pr1 8	Authority has adopted CIPFA Code of Practice for Treasury Management	Yes	Yes

Ref	Prudential Indicator Description	2019/20 Actual £m	2020/21 Target £m	2020/21 Actual £m
Pr1 9	Total principle sums invested for longer than 365 days must not exceed	14.0	25.0	12.0

Ref	Prudential Indicator Description	Upper Limit	Lower Limit	Actual 2019/20	Actual 2020/21
Pr1 10	Fixed Interest Rate Exposure	95.00%	40.00%	95.20%	95.91%
Pr1 11	Variable Interest Rate Exposure	45.00%	0.00%	4.80%	4.09%
Pr1 12	Maturity Structure of Borrowing:				
	Under 12 months	25.00%	0.00%	6.51%	13.59%
	12 months and within 24 months	25.00%	0.00%	6.55%	17.07%
	24 months and within 5 years	40.00%	0.00%	31.69%	23.32%
	5 years and within 10 years	50.00%	5.00%	1.89%	0.52%
	10 years and above	85.00%	30.00%	53.36%	45.49%

Local Indicators – As recommended by Treasury Management Panel

Ref	Prudential Indicator Description	2019/20 Actual	2020/21 Target	2020/21 Actual	Numerical Variance to Target	% Variance to Target	Met
L1	Full compliance with Prudential Code.	Yes	Yes	Yes	N/A	N/A	Y
L2	Average length of debt (years)	19.05	25.00	16.32	-8.68%	-34.72%	Y
L3a	Net borrowing costs as % of net council tax requirement.	6.06%	20.00%	7.42%	-12.58%	-62.91%	Y
L3b	Net borrowing costs as % of Tax Revenue.	3.78%	12.50%	4.69%	-7.81%	-62.48%	Y
L4	Actual debt vs. operational debt.	73.82%	85.00%	84.24%	-0.76%	-0.89%	Y
L5	Average interest rate of external debt outstanding excluding former WMCC debt	3.74%	3.35%	3.37%	0.02%	0.46%	N
L6	Average interest rate of external debt outstanding including former WMCC debt	3.86%	3.53%	3.48%	-0.05%	-1.53%	Y
L7	Gearing effect of 1% increase in interest rate (expressed as the potential increase to the rate shown in L6 i.e. shows what the rate included in L6 would change to).	3.92%	5.00%	3.52%	-1.48%	-29.6%	Y
L8	Average interest rate received on STI vs. At Call rate.	n/a	50.00%	476.19%	426.19%	852.38%	Y
L9							
L9a	AT call investments.	0.63%	0.60%	0.21%	-0.39%	-65.00%	N
L9b	Short Term Investments.	1.24%	1.10%	1.21%	0.11%	10.00%	Y
L9c	Long Term Investments.	1.65%	1.65%	1.70%	0.05%	3.03%	Y
L9d	Property Fund Investments	4.16%	3.90%	4.06%	0.16%	4.23%	Y
L10	Average interest rate on all ST investments (ST and AT call)	1.11%	1.04%	0.65%	-0.39%	-37.50%	N
L11	Average rate on all investments (excluding property fund)	1.20%	1.11%	0.78%	-0.33%	-29.46%	Y
L11a	Average rate on all investments (including property fund)	1.50%	1.45%	1.19%	-0.26%	-17.93%	Y
L12	% daily bank balances within target range.	100%	99%	100%	1.00%	1.01%	Y